

## Part 2A of Form ADV: Firm Brochure

### Item 1 Cover Page

**Name:** Havens Advisors, L.L.C.

**Address:** 600 Lexington Avenue  
25<sup>th</sup> Floor  
New York, NY 10022

**Phone Number:** (212) 355-0050

**Fax Number:** (212) 355-0599

**Website:** <http://www.havenspartners.com>

The date of this brochure is March 18, 2020

**This brochure provides information about the qualifications and business practices of Havens Advisors, L.L.C. If you have any questions about the contents of this brochure, please contact us at (212) 355-0050 and/or [mglenn@havenspartners.com](mailto:mglenn@havenspartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about Havens Advisors, L.L.C. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Any reference to Havens Advisors, L.L.C. as a “registered investment adviser” or as being “registered,” does not imply a certain level of skill or training.**

**Item 2 Material Changes**

No material changes have occurred since March 25, 2019, the date of the last annual updating amendment to the Form ADV, Part 2A of Havens Advisors, L.L.C. (“we,” “us” or “our”).

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**Item 4 Advisory Business**

We are a Delaware limited liability company that was formed in October 1995. We and Havens Associates, L.L.C. (“Havens Associates”), our relying adviser, are controlled by Nancy Havens-Hasty (the “Managing Member”).

We provide discretionary investment advice with respect to the following:

- We provide discretionary investment advice to the following private funds (collectively, the “Private Funds”): (i) Havens International Enhanced Fund, Ltd. (“HIEF”); (ii) Havens Master Fund, Ltd. (“HMF”); (iii) Havens Enhanced Master Fund, Ltd. (“HEMF”); (iv) Havens Partners Enhanced Fund, L.P. (“HPEF”); and (v) Havens Partners, L.P. (“HP,” and together with HPEF, the “Domestic Private Funds”). HP is a feeder fund which invests through HMF. HIEF and HPEF are feeder funds which invest through HEMF. Havens Associates serves as the general partner to each of the Domestic Private Funds.
- We provide discretionary investment advice to a private fund through a separately managed account arrangement, referred to herein as a separately managed account.

We generally invest and trade on behalf of our clients in a wide variety of securities and financial instruments, domestic and foreign.

We generally do not permit investors in the Private Funds to impose limitations on the investment activities described in the offering and governing documents for the Private Funds. Under certain circumstances, we will contract with a client to adhere to limited risk and/or operating guidelines imposed by the client. We negotiate such arrangements on a case by case basis. (*See Item 16 "Investment Discretion."*)

We do not participate in wrap fee programs.

As of December 31, 2019, we managed \$151,717,692 of regulatory assets under management on a discretionary basis. We do not manage any assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

Our fees and compensation are described in the advisory contracts we enter into with our clients.

### *Private Funds*

HP pays us a quarterly asset-based management fee of 0.25% (1.0% on an annualized basis). Each of HPEF and HIEF pays us a quarterly asset-based management fee of 0.4375% (1.75% on an annualized basis). Such management fees are deducted from such Private Funds in advance on the first day of each calendar quarter. Any management fees paid in advance by the Private Funds are refundable on a pro rated basis if the relevant advisory contract is cancelled prior to the end of a payment period. In addition, on an annual basis and upon redemptions by investors in the Private Funds, we or our affiliates receive performance-based allocations from the Private Funds of up to 20% of aggregate net capital appreciation, subject to a high watermark.

We waive these fees and allocations with respect to our employees and may, in our discretion, also elect to reduce, waive or calculate differently these fees and allocations with respect to any of our other related persons and affiliates and certain family members of our employees, related persons and affiliates.

### *Separately Managed Account*

Our compensation schedule with respect to the separately managed account is contained in the investment advisory agreement relating to such account. Management fees are generally paid to us quarterly in advance, and a pro rated portion will be refunded if the investment advisory agreement is cancelled prior to the end of the quarter. Such fees are neither invoiced nor debited, but are paid to us directly by the adviser to the separately managed account in accordance with investment advisory agreement relating to such account. Generally, we are entitled to receive performance-based fees from the separately managed account on an annual basis.

### *Expenses Generally*

Our clients will generally be obligated to pay certain fees and expenses of or pertaining to them, which are described in detail in their respective investment advisory agreements.

As applicable, these expenses may include, without limitation, investment expenses (*e.g.*, brokerage commissions (*See Item 12 "Brokerage Practices" below*), interest expenses, custodial fees, bank service fees, withholding and transfer fees, and clearing and settlement charges), legal expenses, professional fees (including, without limitation, expenses of consultants and experts) relating to investments, taxes, accounting, audit and tax preparation expenses, our management

fees, fees and disbursements of the administrator of each Private Fund (the “Administrator”), offering expenses, costs of any regulatory filings (including any filings required by the European Alternative Investment Fund Managers Directive and preparing and filing of Form PF), corporate licensing fees, directors’ fees, other similar expenses and any extraordinary expenses.

We may, to the extent permitted by our advisory agreements and applicable law, also allocate a portion of certain clients’ capital to money market funds or private funds and accounts that are managed by other investment managers. In addition to the fees and expenses discussed above, our clients will indirectly incur similar fees and expenses if we invest their capital in such funds, as these funds in turn pay similar fees and expenses to their investment managers and other service providers.

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

As noted above, we or our affiliates are entitled to receive annual performance-based fees or allocations from our client accounts, which are based on a percentage of the capital appreciation of their assets.

If the terms of the performance-based fees and allocations were to differ among our client accounts in the future, it would result in a potential conflict of interest with respect to the allocation of opportunities among client accounts because we would have an incentive to favor accounts that are subject to higher performance-based fees and allocations. To avoid such a conflict of interest, we follow documented procedures in allocating opportunities among such accounts, which does not take into account the performance-based fees and allocations to which such accounts are subject (*see below*).

As the management fees and performance-based fees and allocations are based directly on the net asset value of the client accounts, we have a conflict of interest in valuing the assets held by the accounts. In order to mitigate this risk, we will follow our documented valuation policies and, in the case of the Private Funds, consult with the Administrator.

We may buy or sell securities for more than one client at the same time when such clients are capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. This may create a conflict of interest if one account may benefit from making the trade before or after the other account. When we determine that a particular investment opportunity would be appropriate for more than one client account, we will generally allocate such investment so that the accounts participating in such investment hold it on a *pari passu* basis. In limited circumstances, we may allocate securities that would be appropriate for more than one client account on a different basis, in our discretion and in accordance with our established policies and procedures. In such cases, the factors that we may consider when determining which securities to allocate to each client account include, but are not limited to, available cash, the risk appetite of each client, a client’s desire not to own a security or particular class of securities, and applicable tax, legal and regulatory considerations.

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

Investors in the Private Funds and separately managed account are generally institutional investors and high net worth individuals that qualify as “accredited investors” (as defined in Rule 501(a) under Regulation D of the U.S. Securities Act of 1933, as amended) and “qualified clients” (as defined in Rule 205-3 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”)). The minimum investment routinely required of Private Fund investors is

generally \$1,000,000, which minimum may be waived. If we determine to require a minimum investment for any separately managed account, we will make that determination on a case by case basis.

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

### *Private Funds – Methods of Analysis and Investment Strategies*

#### Investment Objective and Strategy

The Private Funds seek to achieve above-market rates of return, primarily by investing in “event-driven situations,” such as U.S. and non-U.S. merger arbitrage transactions (an investment approach designed to profit from the successful completion of proposed mergers, takeovers, tender offers, leveraged buyouts and spin-offs), and distressed credit and special situation credit investments, including reorganizations, bankruptcies, liquidations, capital structure arbitrage opportunities and debt securities of leveraged companies when there is a catalyst which is expected to result in price appreciation or depreciation. We believe that the returns from these types of investments are less influenced by general movements in the fixed income and equity markets than are more traditional investments. Generally, the Private Funds make passive investments, although they reserve the right to become active if we believe that substantial benefits will be achieved thereby.

Portfolio positions may include equity and equity-related securities, fixed income securities, including public and private bonds, notes, loans and mortgages and other asset-backed securities, other financial instruments and all forms of derivative instruments, including options, swaps and forward agreements. While the Private Funds’ investment programs focus principally on merger arbitrage, and on distressed and special situation credit investments, they are not limited to any particular area of investment and may, for example, trade in securities or other instruments which we believe are significantly undervalued or overvalued, including, without limitation, mortgage loans, corporate debt, equities and non-U.S. securities.

#### Types of Investments

*Merger Arbitrage.* Merger arbitrage is an investment discipline which involves the purchase and sale of publicly traded securities of companies that are involved in transactions such as mergers, tender offers, restructurings and liquidations. Profits are achieved through the successful completion of these extraordinary corporate transactions. The most common type of merger arbitrage activity involves the purchase of the securities of announced acquisition targets which generally trade at a discount to the value which will be received for the target company upon completion of the merger. The size of the discount is a function of numerous factors which, taken together, determine the probability and timing of the completion of the merger and the value of the consideration to be received upon completion. Such factors include, among other things, the likelihood that other parties may bid for the target, the effectiveness of defensive measures that may be taken in the event that the target is not interested in the proposed merger and the timing and probability of regulatory approvals. The Private Funds generally limit their merger arbitrage investments to situations that have been publicly announced, although they are permitted to invest in companies that are viewed as potential candidates for merger or acquisition. If we believe that there is a significant probability that a transaction may not be completed or that the size of the discount does not

offer adequate compensation for the perceived risks, the Private Funds may establish reversed positions, *e.g.*, they may sell short securities of the target company.

*Distressed and Bankrupt Situations.* We invest in all types of securities and other instruments of entities that are experiencing financial distress and have a catalyst which is expected to result in price appreciation or depreciation. Typical companies in which the Private Funds invest include companies that are candidates for restructuring, recapitalization or liquidation and companies that are currently experiencing operating difficulties, but that are likely to experience significant earnings and cash flow improvement in the near future. Such securities may include, without limitation, first and second lien bank debt, public and private bonds, notes, loans, convertible bonds, mortgages and other asset-backed securities, municipal bonds, equipment lease and equipment trust certificates, commercial paper and other money market instruments, trade claims, preferred stock, warrants, equities and securities issued by troubled non-U.S. issuers, including non-U.S. governments. The Private Funds also evaluate the short sale of securities either for the purpose of reducing risk or because we believe that such securities are overvalued and have a high probability of declining in value.

The Private Funds may engage in debtor-in-possession (“DIP”) lending, which is a form of financing that is generally used to fund working capital and other needs of the debtor during the pendency of the Chapter 11 proceeding. The Bankruptcy Court is permitted to grant and usually does award a super-priority lien with respect to such loans, which means that to the extent determined by the Bankruptcy Court, the DIP lender’s claims will be satisfied in full before other types of claims are paid. Additionally, borrowing rates on DIP financings tend to be relatively high.

#### Other Investments

*Investment Grade and Non-Investment Grade Fixed Income Securities.* The Private Funds invest in investment grade and non-investment grade fixed income securities, including corporate bonds and bonds and/or notes issued by the United States, state or local governments, or agencies thereof.

*Non-U.S. Investments.* Currently, the Private Funds invest in securities and other instruments in non-U.S. markets. We will generally seek to hedge against currency exchange risk exposure related to such investments.

*Sub-Advisors.* We may retain, from time to time, sub-advisors to manage, on a discretionary basis, discrete portions of the Private Funds’ assets through sub-advisory relationships. We will enter into such relationships if we believe that the use of sub-advisors might enable the Private Funds to enhance performance by expanding the investment expertise available to the Private Funds. Although various levels of discretion may be given to such sub-advisors, we remain fully responsible for monitoring the sub-advisors’ positions in the Private Funds’ portfolio and for managing risk. No more than 6% of HP’s net assets or 10% of HIEF’s or HPEF’s net assets, in each case determined at the time the allocation to the sub-advisor is made, will be allocated to sub-advisors.

*Positions Other than Event-Driven Situations.* The Private Funds may invest a portion of their portfolios in trading positions that are not event-driven situations. The Private Funds do not intend to maintain a significant portion of their capital in such positions. However, the portion so invested will fluctuate from time to time.

*Use of Excess Funds.* The Private Funds generally will receive interest on any excess funds from their prime brokers but they may also invest excess funds in U.S. Government securities, money market funds, and higher rated, liquid investment grade and non-investment grade instruments.

### Leverage

Currently, the Private Funds leverage their capital, generally through the use of margin lending arrangements, and additionally leverage their investment returns through the use of options, swaps, forwards and other derivative instruments. Gains made with borrowed funds generally cause the Private Funds' portfolios to appreciate faster than could be the case without borrowings. Conversely, if securities purchased with such borrowings decline in market value, or do not appreciate sufficiently to cover the cost of borrowing, the Private Funds' portfolios decrease in value faster than if there had been no borrowings. In the case of HMF, the Private Fund's total indebtedness at the time such indebtedness is incurred or renewed will generally not exceed 150% of the Private Fund's net assets. The leverage exposure of HEMF with respect to any investment (long or short), on any date of determination, will generally be at most 175% of the exposure of HMF.

### Risk Management

The Private Funds expect to engage in a number of techniques designed to reduce the risk of possible investments. The Private Funds may also utilize these techniques to attempt to hedge against interest rate risk which can impact the value of fixed income securities held by the Private Funds. Such techniques include, among other things, the use of short sales, the purchase and sale of put and call option contracts and the use of other derivative instruments such as swaps and forward agreements. Although the Private Funds do not currently trade futures, they have the right to do so, subject to any applicable requirements of the U.S. Commodity Futures Trading Commission.

The Private Funds do not have fixed quantitative position limits for diversification; however, not more than 10% of HMF's net assets or 17.5% of HEMF's net assets, in each case at the time of purchase, will generally be invested in the securities of any one issuer in the case of the target companies in merger arbitrage transactions and not more than 5% of HMF's net assets or 8.75% of HEMF's net assets, in each case at the time of purchase, will generally be invested in the fixed income securities of a given issuer (other than U.S. Government securities and other money market instruments).

**The descriptions contained above of specific strategies that are or may be engaged in by the Private Funds should not be understood as in any way limiting the Private Funds' investment activities. The Private Funds may engage in investment strategies not described above that we consider appropriate.**

### *Separately Managed Account – Methods of Analysis and Investment Strategies*

The separately managed account pursues substantially the same investment strategies as the Private Funds (as described above), subject to certain guidelines and/or restrictions that have been negotiated with its adviser. Accordingly, this account is subject to substantially the same risks as the Private Funds. The adviser to the separately managed account is advised to refer to the account's advisory agreement with us for details concerning its particular investments.

**Investing in securities involves risk of loss that clients and investors should be prepared to bear.**

Certain Risks Factors

An investment in the Private Funds or other accounts managed by us is speculative and involves a high degree of risk. The Private Funds have substantial limitations on investors' ability to redeem or transfer their interests, and no secondary market for the Private Funds' interests exists or is expected to develop. In managing our client accounts, we currently utilize investment techniques, including short selling, the use of leverage and trading in derivatives, that involve significant risks. All of these risks, and other important risks, are described in detail in our clients' respective confidential offering memoranda or advisory agreements. Prospective investors are strongly urged to review the applicable confidential offering memorandum or advisory agreement carefully and consult with their own financial, legal and tax advisors, before investing in a Private Fund or appointing us to manage a client account.

**Item 9 Disciplinary Information**

*Not applicable.*

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

Management of Multiple Accounts

The management of multiple pooled investment vehicles results in a potential conflict of interest when we and our related persons allocate our time and investment opportunities among the client accounts that we manage. For example, our Managing Member and/or other related persons have a greater portion of their personal assets invested in certain of our client accounts than in the others. In addition, the compensation earned by us and our related persons from each of the Private Funds differ from one another and other clients. In light of the foregoing, we may have a conflict of interest in allocating investment opportunities among such client accounts. We and our related persons will generally follow documented procedures in allocating trades among the client accounts that we manage (*see Item 6 above*).

As noted above, Havens Associates serves as the general partner to each of the Domestic Private Funds.

Subject to applicable law, we may effect transactions among client accounts (including the Private Funds) in which one client account will purchase securities from or sell or participate securities to another client account (including client accounts in which we or our related persons may have a significant interest). This may be done in the following situations, among others: (i) to account for inflows and outflows of capital to and from client accounts or (ii) when we believe that such a transaction will otherwise have a beneficial effect for each of the applicable client accounts. This may result in a conflict of interest because a potential transaction may result in benefits to one transacting party that may be greater than the benefits to the other transacting party. In order to mitigate such conflicts, we effect such transactions only when we believe that such transactions are in the best interests of the applicable clients. In addition, all cross trades between client accounts require the prior approval of our Chief Compliance Officer ("CCO"). In the event that a client account purchases securities from, or sells securities to, another client account, such transactions will generally be effected for cash consideration at the closing price of the particular security on such day, if such closing price exists. In the absence of a closing price,



we will generally use a price that is calculated in a manner that is consistent with our pricing and valuation procedures. No brokerage commission or transfer fee will be paid to us or our related persons in connection with any such transaction.

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

### Code of Ethics Overview

We have adopted a Code of Ethics, which is designed to ensure that we conduct our business in accordance with all applicable laws and regulations and in an ethical and professional manner. The Code of Ethics applies to all of our employees. In addition, we recognize that we have a fiduciary duty to our clients and that all of our employees must conduct their business on our behalf in a manner that enables us to fulfill this fiduciary duty. In this regard, we have developed policies and procedures in our Code of Ethics that are premised on fundamental principles of honesty, good faith and fair dealing with investors, employees and other constituents. In addition, among other things, our Code of Ethics governs all personal securities transactions by our employees (as further described below), our policies with respect to gifts and entertainment, the manner in which violations of our Code of Ethics are to be reported, and our policies with respect to outside activities of our employees. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

### Participation or Interest in Client Transactions

We make available to qualified prospective investors the opportunity to invest in the Private Funds. Our Managing Member and other management persons have significant personal investments in such funds. In addition, we and our affiliates receive performance-based fees and allocations from such funds.

Subject to applicable law, we may effect transactions between client accounts whereby one client account will purchase securities from or sell or participate securities to another client account (*see Item 10 above*).

In the event that we effect a cross trade between an account in which we or our controlling persons own more than twenty five percent (25%) and another client account, such transaction may be deemed to be a principal transaction under the Advisers Act. Such transactions may create a conflict of interest for us because we may put our or our control persons' interests in such accounts before the interests of our clients in the other account. As noted above, all cross trades between client accounts require the prior approval of our CCO. As part of her analysis, our CCO will review and analyze our interests and the interests of our Managing Member in the applicable client accounts in addition to economic interests that may create incentives for us to favor one client account over another (*e.g.*, different fees charged by us to the applicable client accounts, economic interests of family members, and persons with social and/or business relationships with us and/or our Managing Member). If our CCO believes that any cross trade would result in a principal transaction, she will not approve such trade unless: (i) we believe that such transaction is in the best interest of the clients participating in the transaction and (ii) we obtain the consent of the applicable clients as required by the Advisers Act.

### Personal Securities Trading

Employees generally may not trade single name equity or debt securities (or derivatives thereof) for their personal accounts without the prior written consent of our CCO. In addition, members of Havens Associates (including our CCO) are further restricted in their personal trading activity. Such persons may engage only in transactions: (i) through the Private Funds; (ii) through managed accounts over which such persons do not have discretion; or (iii) in highly rated fixed income instruments.

Our CCO will not consent to any personal securities transaction: (i) in securities of any issuer held in our client accounts' portfolios (or derivatives thereof) or (ii) if she believes that a position proposed to be taken by an employee (or an employee's account) is likely to fall within our clients' investment programs. In the event that we determine to invest on behalf of a client account in a security held by an employee or an account controlled by an employee, the employee must notify our CCO and either immediately close out of the entire position or hold the entire position until we unwind the position on behalf of the account.

We strongly discourage our employees from engaging in any short-term trading, or trading on margin, trading commodities, futures, derivatives or other volatile securities or financial instruments. We regularly make available to all employees (i) a list of all companies the securities of which (or derivatives thereof) are part of the portfolio of any of our client accounts and (ii) our Restricted List.

This policy applies to family members of an employee living in the employee's household (*e.g.*, spouse, domestic partner, siblings, parents and children) and to any account over which the employee exercises investment discretion.

## **Item 12 Brokerage Practices**

### Selection of Brokers

We seek to obtain the best execution in portfolio transactions for clients' accounts, taking into account the following factors: price; the ability to effect the transactions; the brokers' facilities; reliability and financial responsibility; and the provision or payment of the costs of brokerage or research products or services.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. We will not commit to provide any level of brokerage business to any broker, and actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above.

Generally on a quarterly basis, our Managing Member and one or more traders and portfolio managers evaluate the execution performance of the broker-dealers we use to execute client transactions. Such group also evaluates, and seeks to resolve, any conflicts of interest that we may have in selecting brokers to execute client transactions. We maintain an approved broker list.

Research and Other Soft Dollar Benefits

We enter into soft dollar arrangements with brokers. Soft dollar arrangements arise when an investment adviser obtains products and services, other than securities execution, from a broker in return for directing client securities transactions to the broker. Soft dollar arrangements pose a conflict of interest for us in that such arrangements allow us to use client brokerage commissions to pay for expenses that might otherwise be borne by us. When we use client brokerage commissions (or markups or markdowns, if applicable) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for such research, products or services. We believe that this conflict is mitigated because our clients will generally pay for research as a “hard” dollar expense pursuant to their respective investment advisory agreements.

In addition, we may have an incentive to select a broker based on our interest in receiving the research or other products or services offered by such broker, rather than on our clients’ interests in receiving most favorable execution. We believe that this conflict is mitigated because of our duty to seek best execution when selecting brokers for execution of transactions.

When engaging in soft dollar transactions, we comply with the safe harbor requirements of Section 28(e) of the Securities Exchange Act of 1934, as amended. Under this provision, in exercising our discretionary authority to select or arrange for the selection of brokers for execution of transactions for our clients, and, subject to our duty to obtain best execution, we may consider the value of research and brokerage products and services provided by such brokers. Accordingly, if we determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, a client may pay commissions to such broker in an amount greater than the amount another broker might charge.

Research provided by such brokers will generally be used to service all client accounts and not exclusively in connection with the management of the client account that generated the particular soft dollar credits. In this regard, we are restricted from generating soft dollar credits for certain clients. These clients will nonetheless benefit from research obtained through soft dollar credits generated by our other clients.

Where a product or service obtained with client brokerage commission dollars provides both research and non-research assistance to us, we will make a reasonable allocation of the cost which may be paid for with client commission dollars.

We execute securities transactions on behalf of client accounts with broker-dealers that provide us with access to proprietary research reports. To our knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. These bundled services are made available to us on an unsolicited basis and without regard to the rates of commissions (or markups, if applicable) charged or paid by client accounts or the volume of business that we direct to such broker-dealers.

During our last fiscal year, we acquired with client brokerage commissions: (i) research, such as proprietary research from brokers; (ii) products, such as quotation services and trade execution software; and (iii) research services, such as research concerning market, economic and financial data; a particular aspect of economics or on the economy in general; statistical information; pricing data and availability of securities; financial publications; electronic crossing networks; analyses concerning specific securities, companies, industries or sectors; market, economic and

financial studies and forecasts; and invitations to attend conferences or meetings with management or industry consultants. We did not use markups or markdowns to obtain any products or services during this period.

During our last fiscal year, we have taken into account the quality, comprehensiveness and frequency of available research services and products considered to be of value provided by brokers when directing client transactions to a particular broker. We directed transactions to such brokers only consistent with best execution, in accordance with our duty to do so, as described above.

#### Services From Prime Broker

Our prime broker provides us with front and back office services, which may include trading, securities lending, clearing, reporting, and settlement for equities, fixed income, foreign currency and options, among others. Subject to applicable law, our prime broker may also provide us with capital introduction services.

#### Brokerage for Client Referrals

In selecting or recommending broker-dealers, we do not consider whether we or our related persons receive investor referrals from a broker-dealer or third party. However, our brokers may provide us with capital introduction services. Because such services, if any, are likely to benefit us but will provide an insignificant (if any) benefit to our clients, we have a conflict of interest with our clients when allocating client brokerage business to a broker that has referred investors to us. We believe that this conflict is avoided because we will not allocate client brokerage business to a referring broker unless we determine in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to the client account.

#### Trade Error Policy

Subject to applicable law, we will reimburse the applicable Private Fund or client account for net losses that occur as a result of trade errors to the extent that we are required to do so under the governing documents for such Private Fund or under the advisory contract for such client.

We may correct misallocations of trades among client accounts by re-allocating the applicable trade using the intended allocation methodology prior to the trade's settlement date. If an erroneous allocation cannot be corrected prior to or after settlement, we may, if appropriate and subject to applicable law, correct such erroneous allocation by effecting a cross trade between client accounts at the price at which the initial trade was effected.

#### Aggregation of Orders

Aggregation, or "bunching," describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for us generally arise when more than one client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors.

We will generally aggregate trades, subject to best execution and as long as such aggregation is in the best interests of all participating client accounts. Instances in which orders will not be

aggregated include, but are not limited to, (i) our traders and/or portfolio managers determine that the aggregation is not appropriate because of market conditions, (ii) our portfolio managers must effect the transactions differently due to government regulation and/or policy, and (iii) contractual provisions or other restrictions relating to a client account prevent or limit trading with a particular broker with which we wish to execute a transaction. When orders are not aggregated, certain trades in the same security for one client account (including an account in which we and our related persons may have a direct or indirect interest) may receive more or less favorable prices or terms than another account, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, when orders are not aggregated, some opportunities for reduced transaction costs, economies of scale and other benefits of aggregation may not be achieved.

When aggregating trades, securities purchased or sold will generally be allocated among participating client accounts on an average price basis. When an aggregated order is only partially filled, we will allocate the investment opportunity as described in Item 6 above.

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

#### Portfolio Review

Client portfolios are reviewed daily, and their performance analyzed, by our investment professionals, including our Managing Member. Client investments are evaluated based on regulatory concerns, company fundamentals, news and press releases, analyst reports, general market conditions and such other considerations as we deem appropriate. Client portfolios are also periodically reviewed by our CCO. Our CCO is also involved in the review of trading activity and account allocations.

#### Reports to Investors

In addition to the information and reports described below, investors may be provided with information (including position level information) about us and the Private Funds and/or other clients in response to questions and requests, and/or in connection with due diligence meetings and other communications, but such information will not be distributed to other investors and prospective investors who do not request such information. Each investor is responsible for asking such questions as it believes are necessary in order to make its own investment decisions and must decide for itself whether the limited information provided by us is sufficient for its needs.

#### *Private Funds*

We furnish investors in the Private Funds with written unaudited performance reports, or cause such reports to be furnished, on a monthly basis. On an annual basis, investors receive a copy of the relevant Private Fund's annual audited financial statements and, where applicable, a statement of taxable income (form K-1).

#### *Separately Managed Account*

The adviser to the separately managed account receives account statements from the account's custodian on such periodic basis as is agreed to between such adviser and custodian. In addition, the adviser to the separately managed account will have full, real-time transparency as to all transactions and holdings in such account, and will be better able to assess the future prospects of

a portfolio that is substantially similar to the portfolios of the Private Funds. Such adviser has the right to withdraw all or a portion of the account's capital on shorter notice and/or with more frequency than the terms applicable to an investment in the Private Funds.

**Item 14 Client Referrals and Other Compensation**

Currently, we do not use any third parties for client or investor referrals.

**Item 15 Custody**

For purposes of Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), we are deemed to have custody over the Private Funds' assets. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to the Private Funds or their respective investors as long as: (i) the Private Funds are audited by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board, (ii) the Private Funds' audited financial statements are prepared in accordance with U.S. generally accepted accounting principles, and (iii) we deliver such annual audited financial statements to investors within 120 days after the end of each Private Fund's fiscal year.

We do not have custody over the assets of the separately managed account that we manage.

**Item 16 Investment Discretion**

We have discretionary authority to manage securities accounts on behalf of our clients. The investors in the Private Funds generally may not place any limits on our authority beyond the limitations set forth in their respective offering and governing documents. On a case by case basis, the adviser of the separately managed account we manage may negotiate certain risk and/or operating guidelines that we will adhere to when exercising our discretionary authority over such account.

**Item 17 Voting Client Securities**

We have voting discretion over securities held in our clients' accounts to the extent set forth in their respective investment advisory agreements. When we have discretion to vote proxies, we will exercise that discretion in accordance with our proxy voting policies and procedures and vote proxies in accordance with our fiduciary duties to each client.

Our Proxy Coordinator will be responsible for determining how to vote each proxy.

If our Proxy Coordinator deems that the issue being voted upon is not material for us and our clients, we will not be obligated to vote on such matter. Otherwise, in the absence of specific voting guidelines from the client or conflicts of interest, we will vote all proxies in the manner that our Proxy Coordinator determines is in the best interests of each client account. Our Proxy Coordinator may take into account the following factors, among others, in determining if a specific proposal is in the best interests of a particular client: (i) management of the issuer's views and recommendations on such proposal and (ii) whether the proposal may have the effect of entrenching existing management and/or making management less responsive to shareholders' concerns (e.g., instituting or removing a poison pill, classified board of directors and/or other anti-takeover measure).

We will attempt to identify any conflicts of interest between us and our clients with respect to any proxy statements received by us. If our CCO believes that a material conflict of interest exists between us and any of our clients, the Proxy Coordinator will do the following:

- (a) in the case of the separately managed account that we manage, either (i) have us disclose the conflict to the affected clients and give such clients the opportunity to vote their securities themselves, or (ii) rely exclusively in making his voting decision on the recommendation of an independent third party who is experienced in advising investment managers regarding proxy voting decisions; and
- (b) in the case of the Private Funds, rely exclusively in making his voting decision on the recommendation of an independent third party who is experienced in advising investment managers regarding proxy voting decisions.

A client may obtain information about how we voted securities owned by such client. Our clients may also contact us via e-mail or telephone to request a copy of our proxy voting policies and procedures.

#### **Item 18 Financial Information**

We are not required to include our balance sheet for our most recent fiscal year with this brochure.

#### **Item 19 Requirements for State-Registered Advisers**

We are not a state-registered adviser.