



## **Part 2A of Form ADV: Firm Brochure**

**September 8, 2020**

### **140 Summer Partners LP**

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This brochure provides information about the qualifications and business practices of 140 Summer Partners LP (the "Adviser"). If you have any questions about the contents of this brochure, please contact the Chief Compliance Officer at 212-804-9760 or [info@140summer.com](mailto:info@140summer.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 the Adviser is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration with the SEC does not imply a certain level of skill or training.

**Item 2.      Material Changes**

The update to this Form ADV Part 2A reflects changes in the Adviser's business, including the launch of private funds managed by the Adviser, since the initial filing of its Form ADV Part 2A on April 13, 2020.

**Item 3. Table of Contents**

Item 2.	Material Changes .....	2
Item 3.	Table of Contents .....	3
Item 4.	Advisory Business .....	4
Item 5.	Fees and Compensation .....	4
Item 6.	Performance-Based Fees and Side-by-Side Management .....	5
Item 7.	Types of Clients .....	6
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Item 9.	Disciplinary Information .....	16
Item 10.	Other Financial Industry Activities and Affiliations .....	16
Item 11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	17
Item 12.	Brokerage Practices .....	17
Item 13.	Review of Accounts .....	19
Item 14.	Client Referrals and Other Compensation .....	19
Item 15.	Custody .....	19
Item 16.	Investment Discretion .....	20
Item 17.	Voting Client Securities .....	21
Item 18.	Financial Information .....	21

#### **Item 4. Advisory Business**

The Adviser is an investment adviser with its principal place of business in New York, New York. The general partner of the Adviser is 140 Summer Partners GP LLC. Peter Rosenblum is the managing member of the general partner of the Adviser. The Adviser commenced operations as an investment adviser on June 8, 2020 and has been registered with the SEC since May 12, 2020.

The Adviser provides investment advisory services on a discretionary basis to its clients, which consists of pooled investment vehicles (the "Clients") intended for sophisticated investors and institutional investors.

The Adviser provides advice to Clients based on specific investment objectives and strategies. The Adviser does not tailor advisory services to the individual needs of Clients. As of August 1, 2020, the Adviser had approximately \$866,016,387 in regulatory assets under management, all of which was managed on a discretionary basis.

#### **Item 5. Fees and Compensation**

*Asset-Based and Performance-Based Compensation.* The fee schedules for the Clients are described in detail in each Client's offering memorandum.

As a general matter, the Clients pay the Adviser an asset-based investment management fee each quarter in advance ranging from 1.00% to 2.00% per annum based on the value of the net assets of the respective Client on the first day of each quarter (the "Management Fee"). The Adviser may waive or modify the Management Fee for investors that are members, principals, employees or affiliates of the Adviser or the General Partner, relatives of such persons, and for certain large or strategic investors.

As a general matter, 140 Summer Partners Fund GP LLC (the "General Partner"), an affiliate of the Adviser, is entitled to receive annual performance-based compensation ranging from 10% to 20% (the "Incentive Allocation") from the Clients, which is compensation that is based on a share of net capital appreciation of the assets of a Client. The Incentive Allocation is subject to a loss carryforward provision. The General Partner may waive or modify the Incentive Allocation for investors that are members, principals, employees or affiliates of the Adviser or the General Partner, relatives of such persons, and for certain large or strategic investors.

*Expenses.* In addition to bearing the Management Fee and Incentive Allocation, if any, the Clients are also be subject to other expenses related to its investments and operations, such as all investment-related costs and expenses (i.e., expenses that, in the Adviser's sole discretion, are related to the investment of a Client's assets, whether or not such investments are consummated), including commissions and charges, interest on margin accounts and other indebtedness, expenses relating to short sales, clearing and settlement charges, option premiums and custodial and service fees, research-related expenses, expenses relating to consultants, attorneys, brokers or other professionals or advisors who provide research, advice or due diligence services with regard to investments; (iii) fees and expenses related to portfolio exposure and performance management systems, risk management services and software related to trade reconciliation, treasury, margin, financial and counterparty management, risk monitoring, performance reporting, valuation quotation services (e.g., Bloomberg terminals, historical and live financial data and other similar services and data feeds) and trade order management systems (including systems that facilitate trade compliance, commission management, stock locates and transaction cost analysis, and third party service providers used for implementation, custom reporting, updates, consultations, support, maintenance, monitoring and data extracts); (iv) a Client's legal, accounting, tax preparation and other tax-related expenses (including preparation and mailing costs of financial statements, tax returns and reports to Shareholders), auditing, consulting and other professional expenses; (v) third-party administration costs, fees and expenses (including any costs, fees and expenses related to investor communications, relations, reporting or other investor materials, tax preparation and related reporting, performance information, data extraction and other types of reporting and any audit or accounting services provided by a third-party administrator); (vi) all fees and charges of custodians, clearing agencies and banks; (vii) compliance and reporting expenses and expenses attributable to regulatory filings that are made with respect to a Client or assets of a Client (including Section 13, Section 16, Form D, Form PF, FATCA/CRS, anti-money laundering compliance, AIFMD, state security

filings (such as blue sky filings), general regulatory compliance and non-U.S. position reporting filings, if applicable, and non-U.S. filings, if any); (viii) a Client's pro rata share of Client-related insurance costs (including a Client's pro rata portion of director's and officer's insurance, errors and omissions insurance, fidelity insurance and other similar policies covering the General Partner, the Adviser and any independent review committee ("Review Committee")); (ix) independent Review Committee members' fees and expenses, if any; (x) any taxes (including but not limited to any withholding taxes, transfer taxes, stamp duties and other governmental or self-regulatory agency-related charges or duties); (xi) all costs and expenses incurred in attempting to protect and enhance the value of a Client investment (including any fees and expenses associated with any pending or threatened litigation, audit, investigation, administrative or other proceeding, as well as any settlement costs); (xii) fees and expenses related to any activist-related activities; (xiii) any fees and expenses related to a Client's liquidation, if applicable; (xiv) fees paid to proxy and securities class action advisory firms; (xv) expenses relating to the offer and sale of a Client's interests or shares and redemptions and transfers thereof; (xvi) directors' fees and expenses; (xvii) fees and expenses related to the cost of maintaining registered offices in the Cayman Islands; and (xix) other reasonable expenses related to the purchase, sale, preservation or transmittal of a Client's assets.

The allocation of expenses by the Adviser between it and a Client and among Clients represents a conflict of interest for the Adviser. The Adviser has adopted an expense allocation policy that is designed to address this conflict. The Adviser allocates expenses to each Client in accordance with the Client's governing documents. The Adviser will seek to allocate any shared expenses for products and services benefitting multiple Clients or both the Adviser and a Client, and not covered in the Client's governing documents, in a fair and reasonable manner.

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

The Adviser and its investment personnel provide investment management services to multiple portfolios for multiple Clients. The General Partner, an affiliate of the Adviser, is entitled to receive the Incentive Allocation. Such Incentive Allocation may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such Incentive Allocation arrangements. In addition, certain Client accounts may have higher asset-based fees or more favorable Incentive Allocation arrangements than other Client accounts or have asset-based fees or Incentive Allocation arrangements providing for payment to the Adviser at different times or over different time intervals. When the Adviser and its investment personnel manage more than one Client account a potential exists for one Client account to be favored over another Client account. The Adviser and its investment personnel have a greater incentive to favor Client accounts that pay the Adviser (and indirectly its investment personnel) higher fees, Incentive Allocation, or compensation that is paid at different times or over different time intervals.

The Adviser may in the future manage multiple Client accounts. The management of multiple Client accounts creates a conflict of interest because the Adviser may have an incentive to favor one Client account over another. The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with different fee arrangements, and the allocation of investment opportunities. Pursuant to these policies and procedures, the Adviser reviews investment decisions for the purpose of ensuring that all accounts with the same or substantially similar investment objectives, strategies and restrictions are treated equitably. The performance of accounts with the same or substantially similar investment objectives, strategies and restrictions are also reviewed to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that eligible Client accounts with the same or substantially similar investment objectives, strategies and restrictions participate in investment opportunities pro rata based on the relative value of the assets of each participating account to all participating accounts; provided, however that the Adviser may allocate investment opportunities to such accounts on a non-pro rata basis due to a consideration of factors including but not limited to timing of cash inflows/outflows, size of available position, etc. To the extent orders are aggregated, the Client orders will be price-averaged and allocated in accordance with the aggregated order; provided, that the aggregated order may be allocated on a different basis for reasons including but not limited to partially filled orders and to avoid odd lots or excessively small allocations.

**Item 7. Types of Clients**

The Adviser's clients consist of pooled investment vehicles. Any initial and additional subscription minimums with respect to investment in a Client are disclosed in the offering memorandum for each Client.

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

The investment objective of the Clients managed by the Adviser is to seek to achieve attractive risk-adjusted returns by investing across the capital structure in corporate event and value-oriented situations and opportunistically in non-corporate credit. The Adviser utilizes a fundamentally driven research effort and opportunistic investment approach to invest across the capital structures of U.S. and non-U.S. companies and may also selectively make investments in non-corporate credit. The Adviser seeks to achieve its investment objective by investing in stressed and distressed credit, performing credit, event oriented, fundamentally driven long and short equities and non-corporate credit securities and other financial instruments, including loans, trade claims, and receivables.

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

The following summary identifies the material risks related to the Adviser's significant investment strategies and should be carefully evaluated before making an investment with the Adviser; however, the following does not intend to identify all possible risks of an investment with the Adviser or provide a full description of the identified risks. Investors and potential investors in a Client should refer to the offering memorandum for the Client for a further discussion of the applicable risks.

*Risks of Investments Generally.* Investments in the Clients involve significant risks, including the risk that the entire amount invested may be lost. Client accounts will invest in and actively trade securities and other financial instruments using investment techniques with certain risk characteristics, including, without limitation, risks arising from the volatility of the equity markets and the potential illiquidity of securities and other financial instruments and the risk of loss from counterparty defaults. No guarantee or representation is made that Clients' investment objectives will be achieved.

*General Economic and Market Conditions.* The success of Clients' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of Clients' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of Clients' investments. Volatility or illiquidity could impair Clients' profitability or result in losses. Clients may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

*Investment and Due Diligence Process.* Before making investments, the Adviser will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Adviser may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. When conducting due diligence and making an assessment regarding an investment, the Adviser will rely on the resources reasonably available to it, which in some circumstances, whether or not known to the Adviser at the time, may not be sufficient, accurate, complete or reliable. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment. The Adviser may make investment decisions based on incomplete or limited information and based on assumptions that may not be accurate.

***Distressed Situation Risk.*** Investment in distressed situations exposes the client 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 client accounts are invested in sovereign debt obligations, those investments will be subject to additional risks and considerations not present in private distressed situations, including the 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 Adviser.

***Shareholder Activism.*** The Adviser's investment strategy may involve shareholder activism that attempts to influence the future performance of target companies. When securities are purchased in anticipation of influencing the future direction of a company, a substantial period of time may elapse between a Client's purchase of the securities and the anticipated results. During this period, a portion of a Client's capital would be committed to the securities purchased, and the Client may finance some portion of such purchases with borrowed funds on which it must pay interest. Additionally, if the anticipated results do not in fact occur, a Client may be required to sell its investment at a loss. Moreover, there may be instances where a Client will be restricted in transacting in or redeeming a particular investment as a result of its activist investment strategy. Because there is substantial uncertainty concerning the outcome of transactions involving the target companies in which the Client may invest, there exists a potential risk of loss by a Client of its entire investment in such companies.

Moreover, as a result of the Adviser's investment strategy and the possibility that a Client may participate in restructuring or similar activities, it is possible that a Client may become involved in litigation (as either plaintiff or defendant). Litigation entails expense and the possibility of counterclaims against a Client and ultimately judgments may be rendered against a Client for which the Client may not carry insurance.

***Long/Short.*** The success of Clients' long/short investing depends upon the Adviser's ability to identify and purchase securities that are undervalued and identify and sell short securities that are overvalued. The identification of investment opportunities in the implementation of Clients' long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying Clients' positions were to fail to converge toward or were to diverge further from values expected by the Adviser, Clients may incur a loss. In the event of market disruptions, significant losses can be incurred which may force Clients to close out one or more positions. Furthermore, the financial and valuation models and assumptions used to determine whether a position presents an attractive opportunity consistent with the Adviser's long/short strategies may become outdated and inaccurate as market conditions change.

***Diversification and Concentration.*** The Adviser is not subject to any diversification or concentration limits with respect to its management of Client accounts. As a result, the Adviser may select investments that are highly concentrated in a very limited number or type of securities. In addition, Clients' portfolios may become highly concentrated in securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose Clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

***Undervalued Securities.*** The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from Clients' investments may not adequately compensate for the business and financial risks assumed.

***Investing in Emerging Growth Companies.*** Companies in rapidly changing fields face special risks. Neither Clients nor the companies in which Clients invest have any significant control over the pace of developments. Among other things, a company may fail to acquire or develop necessary technology or products, it may acquire the rights to or develop a technology or product that is rendered obsolete by other

developments or its product or service may not prove to be commercially successful. Some industries may be subject to greater governmental regulation than other areas and changes in governmental policies and the need for regulatory approvals may materially and adversely affect these industries.

*Short Selling.* Clients engage in short selling. Short selling involves selling securities which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which Clients may engage in short sales will depend upon the Adviser's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to Clients of buying those securities to cover the short position. There can be no assurance that Clients will be able to maintain the ability to borrow securities sold short. In such cases, Clients can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

*Leverage; Interest Rates; Margin.* The use of leverage has attendant risks and can substantially increase the adverse impact to which Clients' investment portfolios may be subject. The use of leverage will allow Clients to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of Clients' portfolios. The effect of the use of leverage by Clients in a market that moves adversely to its investments could result in substantial losses to Clients, which would be greater than if Clients were not leveraged. In addition, any leverage used by Clients is subject to the risk that changes in the general level of interest rates may adversely affect expenses and operating results.

In general, any use by Clients of short-term margin borrowings results in certain additional risks. For example, should the securities pledged to brokers to secure the portfolio's margin accounts decline in value, the portfolio could be subject to a "margin call," pursuant to which the portfolio must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the portfolio's assets, the portfolio might not be able to liquidate assets quickly enough to pay off its margin debt.

In the futures and forward markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits are indicative of the fact that any futures or forward contract trading is typically accompanied by a high degree of leverage. Low margin deposits mean that a relatively small price movement in a contract may result in immediate and substantial losses to the investor.

To the extent Clients purchase an option in the U.S., there is no margin requirement because the option premium is paid for in full. The premiums for certain options traded on non-U.S. exchanges may be paid for on margin. Whether any margin deposit will be required for over-the-counter options and other over-the-counter instruments, will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

*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. This risk is greater for long-term securities than for short-term securities. The Adviser may attempt to minimize exposure to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no guarantee that the Adviser will be successful in fully mitigating the impact of interest rate changes.

*Hedging Transactions.* The Adviser is not required to attempt to hedge portfolio positions in Client accounts. Furthermore, the Adviser may not anticipate a particular risk so as to hedge against it. The Adviser may utilize a variety of financial instruments (including options and derivatives), both for investment



purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of Clients' investment portfolios resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the unrealized gains in the value of Clients' investment portfolios; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in Clients' portfolios; (v) hedge the interest rate or currency exchange rate on any of Clients' liabilities or assets; (vi) protect against any increase in the price of any securities Clients anticipate purchasing at a later date; or (vii) for any other reason that the Adviser deems appropriate.

The success of the Adviser's hedging strategy is subject to the Adviser's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the instances when the Adviser hedges portfolio positions in Client accounts is also subject to the Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While Clients may enter into certain hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for Clients than if they had not engaged in any such hedging transactions. For a variety of reasons, the Adviser may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent Clients from achieving the intended hedge or expose Clients to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Clients' portfolio holdings.

*Counterparty Risk.* Clients expect to establish relationships to obtain financing, derivative execution, derivative intermediation and prime brokerage services that permit Clients to trade in any variety of markets or asset classes over time. However, there can be no assurance that Clients will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit the Clients' trading activities, create losses, preclude Clients from engaging in certain transactions or prevent Clients from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on Clients' business due to Clients' reliance on such counterparties.

Clients may effectuate transactions in the "over-the-counter" or "OTC" derivatives markets. The stability and liquidity of OTC derivatives transactions depends in large part on the creditworthiness of the parties to the transactions. In the OTC markets, Clients enter into a contract directly with dealer counterparties, which may expose Clients to the risk that a counterparty will not settle a transaction in accordance with its terms because of a solvency or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide). In addition, Clients may have a concentrated risk in a particular counterparty, which may mean that if such counterparty were to become insolvent or have a liquidity problem, losses would be greater than if Clients had entered into contracts with multiple counterparties. Certain OTC derivative contracts require that Clients post collateral.

If there is a default by a counterparty, Clients under most normal circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of Client accounts being less than if Clients had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of the Clients' securities from such counterparty or the payment of claims therefor may be significantly delayed, and Clients may recover substantially less than the full value of the securities entrusted to such counterparty. In addition, there are a number of proposed rules that, if they were to go into effect, may impact the laws that apply to insolvency proceeding and may impact whether Clients may terminate its agreement with an insolvent counterparty.

Collateral that Clients post to their counterparties that is not segregated with a third-party custodian may not have the benefit of customer-protected "segregation" of such funds. In the event that a counterparty was to become insolvent, Clients may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return.

In addition, Clients may use counterparties located in jurisdictions outside the United States. Such local counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to Clients' assets are subject to substantial limitations and uncertainties. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on Clients and their assets. Investors should assume that the insolvency of any such counterparty would result in significant delays in recovering Clients' securities from or the payment of claims therefor by such counterparty and a loss to Clients, which could be material.

*Counterparty Fraud.* Of paramount concern in investments is the possibility of material misrepresentation or omission on the part of a counterparty. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying an investment. The Adviser relies upon the accuracy and completeness of representations made by counterparties to the extent reasonable but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to Clients may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

*Counterparty Insolvency.* Clients' assets may be held in one or more accounts maintained for Clients by counterparties, including its prime brokers. There is a risk that any of such counterparties could become insolvent. The insolvency of Clients' counterparties is likely to impair the operational capabilities or the assets of Clients. Although the Adviser regularly monitors the financial condition of the counterparties it uses, if one or more of Clients' counterparties were to become insolvent or the subject of liquidation proceedings in the U.S. (either under the Securities Investor Protection Act or the U.S. Bankruptcy Code), there exists the risk that the recovery of Clients' securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

*Highly Volatile Markets.* The prices of derivative instruments, including currencies, futures and option prices, can be highly volatile. Price movements of derivative contracts in which Clients' portfolios' assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Clients' portfolios are also subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses.

*Competition; Availability of Investments.* The markets in which Clients may invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced investment returns. There can be no assurance that the Adviser will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other pooled investment vehicles and other investors may reduce the availability of investment opportunities. Competitive investment activity by other firms and institutions will reduce Clients' opportunities for profit by generally increasing prices on desired assets, reducing mispricings in the market as well as the margins available on those mispricings that can still be identified.

*Significant Positions in Securities; Regulatory Requirements.* In the event Clients acquire a significant stake in certain issuers of securities and such stake exceeds certain percentage or value limits, Clients may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on Clients and the Adviser. Any such requirements may impose additional costs on Clients and may delay the acquisition or disposition of the securities or Clients' ability to respond in a timely manner to changes in the markets with respect to such securities.

In addition, "position limits" may be imposed by various regulators that may limit Clients' ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular issuer's securities. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. To the extent that Clients' position limits were aggregated with an affiliate's position limits, the effect on Clients and resulting restriction on its investment activities may be significant. If at any time positions managed by the Adviser were to exceed applicable position limits, the Adviser would be required to liquidate positions, which might include positions of Client accounts, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, Clients might have to forego or modify certain of its contemplated trades.

In addition, if Clients, acting alone or as part of a group, acquire beneficial ownership of more than 10% of a certain class of securities of a public company or places a director on the board of directors of such a company, under Section 16 of the Securities Exchange Act of 1934, as amended, Clients may be subject to certain additional reporting requirements and may be required to disgorge certain short-swing profits arising from purchases and sales of such securities. Furthermore, in such circumstances Clients will be prohibited from entering into a short position in such issuer's securities, and therefore limited in its ability to hedge such investments. Similar restrictions and requirements may apply in non-U.S. jurisdictions.

*Exposure to Material Non-Public Information.* From time to time, the Adviser may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, Clients may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

*Currency Exchange Exposure.* Clients may invest in securities denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. Clients, however, value their securities in U.S. dollars. Clients may or may not seek to hedge their non-U.S. currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when Clients wish to use them, or that hedging techniques employed by Clients will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of Clients' positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies. Such fluctuations may result in a loss for Clients.

Furthermore, Clients may incur costs in connection with conversions between various currencies. Non-U.S. currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to Clients at one rate, while offering a lesser rate of exchange should Clients desire immediately to resell that currency to the dealer. Clients will conduct its currency exchange transactions either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward or options contracts to purchase or sell non-U.S. currencies. It is anticipated that most of Clients' currency exchange transactions will occur at the time non-U.S. investments are purchased and will be executed through the local broker or custodian acting for Clients.

*Non-U.S. Investments.* Clients invest their assets on a global basis, including in securities of non-U.S. companies which are traded in non-U.S. markets. Investing in the securities of companies in non-U.S. countries involves certain considerations not usually associated with investing in securities of U.S. companies or U.S. markets, including: political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain, other income or gross sale or disposition proceeds; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict Clients'

investment opportunities. In addition, accounting and financial reporting standards that prevail in such countries generally are not equivalent to U.S. standards and, consequently, less information is available to investors in companies located in such countries than is available to investors in companies located in the U.S. There is also less regulation, generally, of the securities markets in such countries than there is in the U.S. As a result, Clients may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce Clients' rights in such markets. For example, securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the CFTC or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to Clients under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

*Non-U.S. Exchanges.* Clients may trade on exchanges or markets located outside the U.S. Trading on such exchanges or markets is not regulated by the SEC and the CFTC and may, therefore, be subject to more risks than trading on U.S. exchanges, such as the risks of exchange controls, expropriation, burdensome taxation, moratoria and political or diplomatic events. Risks in investments in non-U.S. securities may also include reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees.

*Discretion of the Adviser; New Strategies and Techniques.* While the Adviser will generally seek to employ the representative investment strategies and techniques discussed herein, the Adviser has considerable discretion in the types of securities and sectors in which Clients may trade, and has the right to modify the investment strategies and techniques of Clients without the consent of investors. New investment strategies and techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to Clients. In addition, any new investment strategy or technique developed by Clients may be more speculative than earlier investment strategies and techniques and may involve material and as-yet-unanticipated risks that could increase the risk of an investment in Client accounts.

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

*Asset-Backed Securities.* Asset-backed securities are subject to interest rate risk and, to a lesser degree, prepayment risk. Asset-backed securities are subject to additional risks in that, unlike mortgage-backed securities, 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. In addition, asset-backed securities are subject to credit risk. There is also the possibility that recoveries on repossessed collateral may not be available to support payments on these securities because of the inability to perfect a security interest in such collateral.

*Distressed Securities.* Investments in unrated or low grade debt securities of distressed companies are subject to greater risk of loss of principal and interest than higher-rated debt securities. Distressed securities include those of a company currently in, or expected to be subject to, bankruptcy, restructuring, an operational turn-around or other similar events. There is substantial uncertainty concerning the outcome of transactions involving such issuers. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

*Equity Securities Generally.* Clients' investment portfolios include equity and equity-related securities. Equity securities fluctuate in value in response to many factors, including the activities and financial conditions of individual companies. As a result, Clients may suffer losses if it invests in equity instruments of issuers whose share price performance diverges from the Adviser's expectations. Clients also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

*Call and Put Options.* Clients may incur risks associated with the sale and purchase of call options and put options. Under a conventional cash-settled option, the purchaser of the option pays a premium in exchange for the right to receive upon exercise of the option (i) in the case of a call option, the excess, if any, of the reference price or value of the underlier (as determined pursuant to the terms of the option) above the option's strike price or (ii) in the case of a put option, the excess, if any, of the option's strike price above the reference price or value of the underlier (as so determined). Under a conventional physically-settled option structure, the purchaser of a call option has the right to purchase a specified quantity of the underlier at the strike price, and the purchaser of a put option has the right to sell a specified quantity of the underlier at the strike price.

A purchaser of an option may suffer a total loss of premium (plus transaction costs) if that option expires without being exercised. An option's time value (*i.e.*, the component of the option's value that exceeds the in-the-money amount) tends to diminish over time. Even though an option may be in-the-money to the purchaser at various times prior to its expiration date, the purchaser's ability to realize the value of an option depends on when and how the option may be exercised. For example, the terms of the transaction may provide for the option to be exercised automatically if it is in-the-money on the expiration date. Conversely, the terms may require timely delivery of a notice of exercise, and exercise may be subject to other conditions (such as the occurrence or non-occurrence of certain events, such as knock-in, knock-out or other barrier events) and timing requirements, including the "style" of the option.

Uncovered option writing (*i.e.*, selling an option when the seller does not own a like quantity of an offsetting position in the underlier) exposes the seller to potentially significant loss. The potential loss of uncovered call writing is unlimited. The seller of an uncovered call may incur large losses if the reference price or value of the underlier increases above the exercise price by more than the amount of any premiums earned. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The seller of an uncovered put option bears a risk of loss if the reference price or value of the underlier declines below the exercise price by more than the amount of any premiums earned. Such loss could be substantial if there is a significant decline in the value of the underlier.

*Index or Index Options.* The value of an index or index option fluctuates with changes in the market values of the securities included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular security, whether Clients will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the security market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular securities.

*Credit Default Swaps.* Credit default swaps may be used for hedging purposes and can also be used to implement the Adviser's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, the Clients may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of Clients to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. Clients may also buy credit default protection with respect to a referenced entity if, in the Adviser's judgment, there is a high likelihood of credit deterioration. In such instance, Clients will pay a premium regardless of whether there is a credit event.

*Futures Contracts.* Clients may invest in futures contracts or options thereon. Futures positions may be illiquid because, for example, many commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent Clients from promptly liquidating unfavorable positions and subject Clients to substantial losses. In addition, Clients may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator may suspend trading in a particular

contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.

*Forward Trading.* Forward contracts and options thereon, unlike futures contracts, are generally not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by Clients due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which the Adviser would otherwise recommend, to the possible detriment of Clients. Market illiquidity or disruption could result in major losses to Clients.

*Swap Agreements.* Clients may enter into swap agreements. These agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease Clients' exposure to, for example, equity securities. Swap agreements can take many different forms and are known by a variety of names. Clients are not limited to any particular form of swap agreement if consistent with Clients' investment objective. Whether Clients' use of swap agreements will be successful depends on the Adviser's ability to select appropriate transactions for Clients. Swap transactions may be highly illiquid and may increase or decrease the volatility of Clients' portfolios. Moreover, Clients bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. Clients also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of Clients to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect Clients' ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

*Other Derivative Instruments.* Clients may enter into swaps and other derivative instruments. It may take advantage of opportunities with respect to certain other derivative instruments that are not currently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of Clients and believed by the Adviser to be legally permissible. Special risks may apply to instruments that are invested in by Clients in the future that cannot be determined at this time or until such instruments are developed or invested in by Clients. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

*Debt Instruments.* Clients may invest a portion of its assets in bonds and other fixed income instruments. The value of fixed income instruments changes in response to fluctuations in interest rates. When interest rates rise, the value of debt instruments can be expected to decline. Debt instruments with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. Debt instruments in which Clients invest may be unrated, and whether or not rated, the debt instruments may have speculative characteristics. Fixed income securities are also subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to factors including interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity.

*Sovereign Debt.* The Adviser may invest in sovereign debt issued by governments, their agencies and instrumentalities either in the currency of their domicile or in a foreign currency. Investors in sovereign debt may be asked to participate in debt restructuring, including the deferral of interest and principal payments, and may also be requested by the issuer to extend additional loans. It is impossible to predict whether the strategies will be able to successfully avoid losses relating to sovereign default. There is no current means of collecting on defaulted sovereign debt as part of bankruptcy or other proceedings. In addition to general default risk relating to sovereign debt, if the Adviser invests in sovereign debt denominated in a currency other than the subscription currency (or in respect of which payments of principal or interest are paid in a currency other than the subscription currency) the Adviser will be exposed to the risk that one or more jurisdictions may impose currency controls that would limit the Adviser's ability to convert such payments of principal or interest to the subscription currency. It is impossible to predict whether any such currency controls will be imposed.

*Small to Medium Capitalized Companies.* The Adviser may invest a portion of its assets in the stocks of companies with small-to medium-sized market capitalizations. Smaller-capitalization stocks involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than investments in larger capitalization stocks.

*Money Market Funds.* Clients may make investments or have indirect exposure to money market funds, including as a result of its excess cash being placed into prime brokerage or other accounts that periodically sweep such excess cash into money market funds. Money market funds have relatively low risks compared to most other financial instruments. By law, money market funds may only invest in certain high-quality, short-term investments issued by the U.S. government, U.S. corporations, and state and local governments. While money market funds aim to keep their net asset value at a stable \$1.00 per share, net asset value may fall below \$1.00 per share if the investments of a money market fund perform poorly. Investor losses with respect to money market funds have been rare, but the risk of loss exists. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. Accordingly, there exists the risk with respect to money market funds that inflation will outpace and erode investment returns over time.

### **Additional Risks Relating to the Adviser**

*Systems and Operational Risks.* 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, the third-party administrator, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, the Adviser and 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 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 Client trading activities, liability under applicable law, regulatory intervention or reputational damage.

*Cybersecurity Risk.* The information and technology systems of the Adviser and of key service providers to the Adviser and Clients may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Adviser has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for the Adviser to make a significant investment to fix or replace them and to seek to remedy the effect of these

issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Adviser or Client accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

*Systemic Risk.* Systemic risk is the risk of broad financial system stress or collapse triggered by the default of one or more financial institutions, which results in a series of defaults by other interdependent financial institutions. Financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which Clients interact, as well as Clients, are all subject to systemic risk. A systemic failure could have material adverse consequences on Clients and on the markets for the securities in which Clients seek to invest.

*Assumption of Business, Terrorism and Catastrophe Risks.* Opportunities involving the assumption by Clients of various risks relating to particular assets, markets or events may be considered from time to time. Clients' portfolios are subject to the risk of loss arising from exposure that it may incur, directly or indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events and events that could adversely affect the health or life expectancy of people. These risks of loss can be substantial, could greatly exceed all income or other gains, if any, received by Clients in assuming these risks and, depending on the size of the loss, could adversely affect the return of 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**

While the Clients may trade commodity interests, the Adviser and its affiliates have each claimed an exemption from registration with the Commodity Futures Trading Commission (the "CFTC") as a commodity pool operator pursuant to CFTC Rule 4.13(a)(3).

Each of the Clients may enter into agreements, or "side letters," with certain prospective or existing Client investors whereby such investors including such persons that may be affiliated with the Adviser or its related persons may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the Client. For example, such terms and conditions may provide for special rights to make future investments in the partnership, other investment vehicles or managed accounts; special redemption rights, including those relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the and/or other terms; rights to receive reports from the Client on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Client and such investors. The modifications are solely at the discretion of the Client and may, among other things, be based on the size of the investor's investment in the Client, an agreement by an investor to maintain such investment in the Client for a significant period of time, or other similar commitment by an investor to the Client.



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

The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser to put the interests of the Adviser’s Clients before its own interests and to act honestly and fairly in all respects in their dealings with Clients. In addition to compliance with the Adviser’s policies and procedures, all of the Adviser’s personnel are required to comply with applicable federal securities laws. Clients or prospective Clients may obtain a copy of the Code by contacting us at the address or telephone number listed on the first page of this brochure. See below for further provisions of the Code as they relate to the reporting of securities transactions by related persons.

The Adviser and its *supervised persons* may give and/or receive gifts, services or other items to/from any person or entity that does business with or potentially could conduct business with or on behalf of the Adviser. The Adviser has adopted policies and procedures governing gifts and business entertainment which includes quarterly disclosure of gifts and business entertainment in excess of certain de minimis thresholds to the Chief Compliance Officer.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of 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 Client for not disclosing such information to the Client (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.

The Adviser or its supervised persons are generally not permitted to invest in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or a supervised person recommends to Clients. All of the Adviser’s supervised persons are required to disclose their securities transactions on a quarterly basis. In addition, the Adviser’s supervised persons are required to disclose the holdings in their personal accounts upon commencement of employment with the Adviser and on an annual basis thereafter. The Adviser’s supervised persons are also required to provide monthly or quarterly brokerage statements. Trading in the personal accounts of the Adviser’s supervised persons is reviewed by the Chief Compliance Officer.

To the extent that the Adviser or a related person or any personnel of the Adviser own securities that the Adviser or its related persons also recommends to clients, such clients’ proxies will be voted according to predetermined guidelines rather than subject to the Adviser’s (or its related person’s) discretion. Please refer to Item 17 for further information regarding the Adviser’s proxy voting policy and procedures.

## **Item 12. Brokerage Practices**

***Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.*** The Adviser considers 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, but are not limited to stability, the actual executed price and the commission, research (including but not limited to economic forecasts, fundamental and technical advice on securities, valuation advice on market analysis); custodial and other services provided for the enhancement of the Adviser’s portfolio management capabilities; the size and type of the transaction; the difficulty of execution and the ability to handle difficult trades; and the operational facilities of the brokers and/or dealers involved (including back

office efficiency). In selecting a broker-dealer to execute transactions (or a 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. The Adviser's Chief Compliance Officer and traders will meet periodically to evaluate the broker-dealers used by the Adviser to execute Client trades using the foregoing factors.

**Research and Other Soft Dollar Benefits.** While generally not expected due to the Adviser's investment strategy, the Adviser will from time to time receive research or other products or services other than execution from a broker-dealer and/or a third party in connection with Client securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended ("Section 28(e)").

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.

When the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser will periodically review and evaluate its 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.

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

In determining whether to direct Client brokerage transactions to particular broker-dealers, the Adviser's Chief Compliance Officer and portfolio managers meet periodically to review and evaluate the soft dollar practices of the Adviser 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.

**Brokerage for Client Referrals.** From time to time, the Adviser will participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a private fund managed by the Adviser or recommend investments in these private funds as investments to the clients of the broker-dealer. The Adviser may place client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

To the extent the Adviser manages multiple Client accounts, the Adviser anticipates purchasing or selling the same security for more than one Client at or near the same time and using the same executing broker. It is the Adviser's practice, where appropriate, to aggregate Client orders for the purchase or sale of the same security submitted at or near the same time for execution using the same executing broker. 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 accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. To the extent an order is price-averaged, a Client account participating in the trade may pay a higher price than if the Adviser did not aggregate the order. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair to Clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating Clients.

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

**Frequency and Nature of Review.** Each Client will be reviewed by the Adviser's investment professionals on an ongoing basis to determine whether securities positions should be maintained in light of current market conditions. Matters to be reviewed will include specific securities held, adherence to investment guidelines and the performance of each Client.

**Factors Prompting a Non-Periodic Review of Accounts.** Significant market events affecting the prices of one or more securities in Client accounts, changes in the investment objectives or guidelines of a particular Client or specific arrangements with particular Clients may trigger reviews of Client accounts on other than a periodic basis.

**Content and Frequency of Regular Account Reports.** Pooled investment vehicle investors will receive reports from the Clients 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**

The Adviser does not have any arrangements in place to compensate anyone or be compensated for the referral of Clients.

### **Item 15. Custody**

The Adviser and the General Partner are deemed to have custody of Client assets. The Adviser intends to comply with Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended, 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 Clients.

Prior to assuming full discretion in managing a Client's assets, the Adviser will enter 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 will have 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. The Adviser will submit an aggregated order to the Adviser's trading desk describing the allocation of securities to (or from) Client accounts for each trade/order submitted. The Adviser may consider the following factors, among others, in allocating securities among Clients: (i) a Client's investment objectives and strategies; (ii) risk profiles; (iii) tax status and restrictions placed on a Client's portfolio by the Client or by applicable law; (iv) size of the Client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; (viii) account liquidity, account requirements for liquidity and timing of cash flows; and (ix) amount of trade away fees or other transaction fees. Although it is the Adviser's policy to allocate investment opportunities to eligible Client accounts that have the same or substantially similar investment objectives, strategies and restrictions on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser to allocate securities to Client accounts in varying amounts. Even Client accounts that are typically managed on a pro rata basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

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

Securities acquired by the Adviser for its Clients through a limited offering will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that the Adviser will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those Client accounts eligible to hold such securities. Eligibility will be based on the legal status of the Clients and the Clients' investment objectives and strategies.

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 occur, the Adviser's error correction procedure is to ensure that Clients are treated fairly. The Adviser has discretion to resolve a particular error in any manner that it deems appropriate and consistent with the above stated policy. In the event that a Client incurs a trade error as a result of the Adviser's violation of the standard of care that is applicable to the Client, the Adviser will reimburse the Client for losses attributable to such violation. Trade errors that do not result from the Adviser's violation of the standard of care applicable to the Client are borne by the Client. The Adviser is not responsible for the errors of other persons, including third-party brokers and custodians, unless otherwise expressly agreed to by the Adviser.

To the extent the Adviser has authority, pursuant to the investment management agreement or other governing documents of a Client, to participate in class action claims (each, a "Claim") it will do so on a case-by-case basis. Once the Adviser receives a Claim, the Adviser will determine whether any Clients or former Clients of the Adviser owned the security during the period covered by the Claim. Appropriate

personnel of the Adviser will determine whether they agree with the basis of the Claim and whether or not to participate in the Claim depending upon (i) the nature of the Claim; (ii) prospects for recovery; (iii) resources required to pursue the Claim; (iv) other relevant factors pertaining to the particular Claim; and (v) any other factors that the Adviser deems relevant. To the extent the Adviser receives proceeds from a Claim on behalf of a Client, including a Client, the Adviser's general policy is that only current investors at the time of receipt of the proceeds will participate in the proceeds. The Adviser may under certain circumstances elect not to participate in the proceeds of a Claim.

**Item 17. Voting Client Securities**

To the extent the Adviser has been delegated proxy voting authority on behalf of its Clients, the Adviser will comply 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. The Adviser generally will vote against proposals that make it more difficult to replace members of a board of directors. For all other proposals including matters such as, without limitation, corporate events (mergers and acquisition transactions, dissolutions, conversions, or consolidations) or contested elections for directors, the Adviser will determine whether a proposal is in the best interests of the Client and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; (iii) whether the proposal fairly compensates management for past and future performance; and (iv) the potential effect of the vote on the value of Clients' investments.

**Item 18. Financial Information**

This Item is not applicable.