

Paqua Capital Management L.P.

**900 Third Avenue, 2nd Floor
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This “**Brochure**” provides information about the qualifications and business practices of Paqua Capital Management L.P. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Rachel Aldrich, by email at aldrich@paquacapital.com. Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Paqua Capital Management L.P. is a Registered Investment Adviser with the SEC. Registration as an investment adviser does not imply that Paqua Capital Management L.P. or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about Paqua Capital Management L.P. is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This Brochure is our initial Form ADV Part 2A, which has been submitted with our application for registration with the SEC; therefore, there are no material changes to report. In the future, if the Brochure – when amended in conjunction with our initial launch and/or any necessary updates – contains material changes from our last update, we will identify and discuss those changes.

Item 3: Table of Contents

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

Item 4: Advisory Business

Paqua Capital Management L.P. is a Delaware limited partnership (hereinafter “**Paqua**”, “**we**”, “**us**”, “**our**”, the “**Firm**”, or the “**Investment Manager**”) founded in January 2020. Paqua serves as the investment adviser, with discretionary trading authority to the following private pooled vehicles: Paqua Capital Fund LP, a Delaware limited partnership (the “**Onshore Fund**”); Paqua Capital Offshore Fund Ltd, a Cayman Islands exempted company (the “**Offshore Fund**”); and Paqua Capital Master Fund, L.P., a Cayman Islands exempted limited partnership (the “**Master Fund**” and, together with the Onshore Fund and the Offshore Fund, the “**Funds**” and each, a “**Fund**”). Paqua Capital Fund GP, LLC, a Delaware limited liability company (the “**General Partner**”), serves as the General Partner of the Onshore Fund and the Master Fund. Paqua Capital Management GP, LLC, a Delaware limited liability company, serves as the general partner of the Investment Manager. John Gisondi (“**Principal**”), serves as the managing member of Paqua Capital Fund GP, LLC and Paqua Capital Management GP, LLC.

The Onshore Fund’s “**Limited Partners**” and the Offshore Fund’s “**Shareholders**” are hereafter collectively referred to as the “**Investors**” where appropriate. We do not tailor our advisory services to the individual needs of any particular Investor.

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

Our investment decisions and advice with respect to each Fund are subject to each Fund’s investment objectives and guidelines, as set forth in its respective offering documents.

We do not currently participate in any Wrap Fee Programs.

We do not currently have any client assets under management, but we expect to have, within 120 days of the effective date of our initial registration, client assets under management sufficient to allow us to remain eligible for registration with the SEC.

Item 5: Fees and Compensation

The fees applicable to each Fund are set forth in detail in each Fund’s offering documents. A brief summary of such fees is provided below.

Management Fee

Paqua is paid an investment management fee (the “**Management Fee**”), ranging from 1.25% - 1.75% per annum of the net asset value of the applicable fund. The Management Fee is normally charged on the first day of each quarter and is paid in advance based on the applicable Fund’s net asset value on the first day of such quarter.

Generally, the Management Fee is not negotiable. However, Paqua in its sole discretion, may waive, reduce or modify the Management Fee at any time, without notice to or consent from any Fund (or underlying investor in such Fund).

Pursuant to the terms of the applicable investment advisory agreement, if the investment advisory relationship is terminated (or funds are withdrawn or redeemed) as of any date other than the last business day of the applicable payment period, we typically charge a prorated Management Fee based on the ratio that the number of days for which investment advisory services were rendered bears to the total number of days in that payment period, and we return any unearned fees to the Client or underlying Investor.

Other Types of Fees or Expenses

Paqua and the Paqua General Partners are authorized to incur and pay in the name and on behalf of the Funds all expenses which they deem necessary or advisable.

The Investment Manager will be responsible for and will pay all overhead expenses of an ordinary and recurring nature such as rent, supplies, secretarial expenses, stationery, charges for furniture and fixtures, its compliance expenses, utilities, employee insurance, payroll taxes and compensation of employees.

The Funds will bear all expenses relating to its ongoing structure and operation (including direct expenses of the Fund), including: (i) the Management Fee; (ii) all investment-related costs and expenses (i.e., expenses that, in the Investment Manager's sole discretion, are related to the investment of the Fund's assets, whether or not such investments are consummated), including commissions and charges, clearing and settlement charges, option premiums and custodial and service fees, research-related expenses (including research-related travel 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) the Fund's legal, accounting, tax preparation and other tax-related expenses (including preparation and mailing costs of financial statements, tax returns and other reports to Members), 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 the Firm or assets of the Firm (including Section 13, Section 16, Form D, Form PF, FATCA, anti-money laundering compliance, state security filings, general regulatory compliance and non-U.S. position reporting filings, if applicable, and non-U.S. filings, if any); (viii) the Fund's pro rata share of Firm-related insurance costs (including the Fund'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 and/or the Investment Manager); (ix) 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); (x) all costs and expenses incurred in attempting to protect and enhance the value of a Fund 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); (xi) any fees and expenses related to the Fund's liquidation, if applicable; (xii) fees paid to proxy and securities class action advisory firms; (xiii) expenses relating to the offer and sale of Interests and withdrawals and transfers thereof; (xiv) other reasonable expenses related to the purchase, sale, preservation or transmittal of the Firm's assets; (xv) any extraordinary expenses (e.g., indemnification expenses); and (xvi) the Firm's pro rata portion of the Master Fund's expenses (collectively, the "Fund Expenses").

The Funds will bear all costs and expenses relating to the organization of the Fund and to the offering of Interests (including government filing fees, stamp duties or other taxes, legal and accounting fees, printing and mailing expenses and any other organizational costs, if any). To the extent that the General Partner or the Investment Manager advances organizational expenses that should be borne by the Firm and does not waive reimbursement of such expenses, the General Partner or the Investment Manager will be reimbursed by the Fund. Notwithstanding the foregoing, the Investment Manager may elect to bear certain Fund Expenses in its sole discretion.

In general, each Investor will bear its proportionate share of the Fund expenses on a pro rata basis with respect to the size of such Investor's capital account(s) or with respect to the relative net asset value of the shares held by such Investor, as applicable.

Notwithstanding the foregoing, the Fund General Partner and/or the Firm, as applicable, may specially allocate the expenses described herein in any other manner, including by allocating certain expenses to certain (but not all) Investors, if the Fund General Partner and/or the Firm, as applicable, reasonably determines, in its discretion, that it is more equitable to do so.

To the extent that expenses to be borne by the Funds are paid by the Firm or its affiliates, the Funds will reimburse the Firm or its affiliates for such expenses. We may waive any such reimbursement with respect to any Fund expenses. Any waiver by us for reimbursement of any Fund expenses shall not serve as a waiver of reimbursement for any future Fund expenses to be paid by us or our affiliates.

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

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

We and our affiliates are entitled to an annual performance-based allocation, ranging from 12.5% - 20% of realized and unrealized income and gains of the Funds, subject to a modified high watermark, as described in the Offering Documents.

Performance-based allocation arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement in an effort to maximize a Client's gross profits and receive greater compensation.

In the event that the investment advisory relationship is terminated (or funds are withdrawn or redeemed) other than at the end of a performance allocation calculation period, such termination (or withdrawal or redemption) date shall typically be treated as the end of a performance allocation calculation period.

Item 7: Types of Clients

Our clients are the Funds, as described in Item 4 above, and the Funds are generally open to, among others, institutions, pension plans, endowments, high net-worth individuals, financially sophisticated individuals, and other sophisticated investors.

Generally, the minimum initial investment in the Funds ranges from \$1 million to \$5 million depending on share class. However, the Fund General Partner and/ or Paqua, as applicable, may, in its sole discretion, accept smaller initial investments from time to time.

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

The descriptions set forth in this Brochure of specific advisory services that we offer to clients, and investment strategies pursued, and investments made by us on behalf of our clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each client's investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved. Investment in the Fund carries with it the inherent risks associated with investments in equity and equity-related securities with a focus in the healthcare sector, as well as additional risks associated with the use of short sales and leverage.

Investment Objective and Strategy

The investment objective our Clients is to generate attractive, risk-adjusted returns by employing a long/short equity strategy focused on deep fundamental research, engaging in significant short-selling and seeking to develop a high-conviction and best-ideas portfolio.

To identify the most attractive investment opportunities, the Firm expects to employ deep fundamental research with substantial focus on both longs and shorts. The Firm intends to use a structured process to drive consistency and repeatability.

The investment strategies described herein are those that the Firm expects to employ on behalf of the Funds. However, there are no limitations on the investment strategies that the Funds may employ, and the Firm may adjust the strategy that it pursues opportunistically to respond to, or to take advantage of, changing market conditions and new investment opportunities. Further, the Firm may invest opportunistically in securities or transactions that vary from the core strategy of the Funds.

The use of leverage may increase the volatility of the Funds' returns and may compound any negative returns. Leverage typically will cause the Funds' net asset value to increase or decrease at a greater rate than if leverage were not used.

Risk Management

Our investment program is speculative and entails potential substantial financial risks. We will focus on managing risk through the quality of our investment process and monitoring of investments. In addition, the Firm has formed an Operating Committee that is expected to meet on a quarterly basis, and among other topics, the Committee will evaluate portfolio risk. We as a Firm do not bring on unnecessary risk without seeking to conduct a complete analysis and assessment of each potential investment.

The following risks are not intended to be a complete list or explanation of the risks involved in an investment in the Funds or strategies advised by the Firm. These risk factors include only those risks the Firm believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Firm.

Risk of Loss Factors

An investment involves significant risks, and is suitable only for those persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investment, and who have met the conditions set forth in the Offering Documents. There can be no assurances that we will achieve our investment objectives. An investment carries with it the inherent risks associated with investments in publicly-traded stocks and bonds, options, and related instruments, including, without limitation, the risks described below. Each prospective investor should carefully review the Offering Documents and the documents referred to herein before deciding to invest with Paqua.

General Investment and Trading Risks. All securities investments present a risk of loss of capital. Volatile financial markets increase that risk. If the Investment Manager's evaluation of an investment opportunity should prove incorrect, our Clients could experience losses as a result of a decline in the market value of securities in which the Master Fund holds a long position or an increase in the value of securities in which the Master Fund holds a short position. Our Clients' investment program will include short sales, which can involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which our Clients may be subject. The risk management techniques that may be used by the Investment Manager do not provide any assurance that the Clients will not be exposed to a risk of significant investment losses. No guarantee or representation is made that the Clients' investment program will be successful, that Clients will achieve their targeted returns or that there will be any return of capital invested to Investors in the Onshore Fund or Offshore Fund. In addition, investment results may vary substantially over time.

Investment Judgment. The profitability of a significant portion of the Clients' investment program depends to a great extent upon correctly assessing the future profitability and the price movements of securities and other investments. There can be no assurance that the Investment Manager will be able to accurately predict the long-term results of any security or other investment.

General Economic Conditions. The success of our Clients' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds' investments), trade barriers, currency exchange controls and national and international political circumstances (including wars, terrorist acts and security operations). These factors may affect the level and volatility of the prices and liquidity of our investments and could impair the Clients' profitability or result in losses. Our Clients could incur material losses even

if the Investment Manager reacts quickly to difficult market conditions, and there can be no assurance that Clients will not suffer material losses and other adverse effects from broad and rapid changes in market conditions in the future. Clients should realize that markets for the financial instruments in which we seek to invest can correlate strongly with each other at times or in ways that are difficult for the Investment Manager to predict. Even a well-analyzed approach may not protect Clients from significant losses under certain market conditions.

Availability of Suitable Investments. The success of Clients' investment and trading activities depend on the ability of the Investment Manager to identify overvalued and undervalued investment opportunities and to manage market exposure risk. Identification and exploitation of the investment strategies we pursue involve a high degree of uncertainty. No assurance can be given that the Investment Manager will be able to identify suitable investment opportunities in which to deploy capital. A reduction in overall market volatility and liquidity, as well as other market factors, may reduce the pool of profitable investments. Certain of the investment strategies we employ may be based on historical relationships among securities prices, exchange rates, interest rates and bond prices. There can be no assurance that these historical relationships will continue, and no representation is made by the Investment Manager as to what results Clients will or are likely to achieve based on these trends and relationships.

Available Information. The Investment Manager may select investments, in part, on the basis of information and data filed by the issuers of securities with various government regulators or made directly available to the Investment Manager by such issuers, or through sources other than the issuers. Although the Investment Manager evaluates all such information and data and seeks independent corroboration when the Investment Manager considers it appropriate and when it is reasonably available, the Investment Manager is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases complete and accurate information is not readily available.

Concentration of Investments; Limited Diversification and Sector Investing. Although it is expected that the Master Fund's portfolio generally will be diversified, the Master Fund may hold a limited amount of positions (both long and short) at any given time. As a result of the possible lack of diversification, a significant loss in any one position may have a material adverse effect on Clients' rate of return. Therefore, any fluctuation in the overall value of securities in specific industries or sectors likely will have a material effect on performance. The Investment Manager's specialized investment strategy and potential lack of diversification may be more vulnerable to changes in the economy or those industries or other factors than a broad-based portfolio, and, as a result, performance results may be highly volatile and may result in our investments significantly outperforming, or under-performing, the market as a whole.

Equity Securities. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments.

Short Sales. Short selling involves selling securities that may or may not be owned and borrowing the same securities 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 a decline in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices to close out the short position, any appreciation in the price of the

borrowed securities would result in a loss. A short sale involves the risk of a theoretically unlimited increase in the market price of the security. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

In addition, short sellers are subject to the risk of a “short squeeze.” A short squeeze is a situation in which the short seller is prematurely forced out of a short position. The lender of a security used to cover a short generally has the right to demand the return of the security that has been loaned at any time. If a lender were to demand the return of securities that the Master Fund had borrowed, the Master Fund would be required to replace the borrowed securities by borrowing identical securities from another lender. If the Master Fund were unable to replace the borrowed securities, it would be required to close out the short sale by buying identical securities in the market to make delivery. In such event, the Master Fund could incur significant losses if the securities sold short had increased in value.

The Master Fund also could be forced to close out a short sale prematurely as a result of an increase in margin requirements, coupled with an inability to provide the required additional margin on short notice.

Hedging. The Master Fund may engage in certain hedging transactions, including derivatives, options and swaps. Hedges can be more difficult to implement than many other types of transactions, and the possibilities for errors may be greater than for other transactions. Additionally, there is no guarantee that these hedging transactions will prevent losses. The success of the Master Fund’s hedging strategy will be subject to the Investment Manager’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 portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Master Fund’s hedging strategy will also be subject to the Investment Manager’s ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. In addition, hedging transactions may result in poorer overall performance than if no such hedging transactions were executed. Moreover, the Investment Manager may determine not to hedge against, or may not anticipate, certain risks. Finally, Clients may be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular investments and counterparties).

Options. The Master Fund may engage in the trading of options when appropriate. Such trading involves risks substantially similar to those involved in trading margined securities in that options are speculative and highly leveraged. Specific market movements of the securities underlying an option cannot accurately be predicted. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the security underlying the option which the writer must purchase or deliver upon exercise of the option.

Derivatives. The Master Fund may invest in derivative financial instruments. In addition, the Master Fund may, from time to time, utilize both exchange-traded and over-the-counter futures, options and contracts for differences, for hedging purposes, as well as other derivatives. Regulatory restraints may restrict the instruments that the Master Fund may trade. Such derivative instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a gain or a loss which is high in proportion

to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. Further, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged.

Leverage. The Onshore Fund, Offshore Fund and/or the Master Fund, as applicable, may employ leverage in connection with its investment strategies or for any other purpose deemed necessary, desirable or appropriate at such times, in such amounts and subject to such terms and conditions as the General Partner and/or Investment Manager, as applicable, may determine in its sole and absolute discretion. Such leverage may take a variety of forms, including loans, repurchase agreements, derivative instruments that are inherently leveraged, margin borrowing from securities brokers and dealers and other financing arrangements, as determined by the General Partner and/or Investment Manager, as applicable, in its sole and absolute discretion. The use of leverage increases both the possibility for gain and the risk of loss. Leverage may be secured by securities and other assets. Under certain circumstances, a lender may demand an increase in the collateral that secures such obligations, and if we are unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy such obligations. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of borrowing and the interest rates on that borrowing, both of which will fluctuate, may have an effect on profitability. In addition, the use of leverage may cause a U.S. tax-exempt Investor to realize unrelated business taxable income.

Securities Lending and Borrowing. The Master Fund may lend securities to securities brokers and other institutions as a means of earning additional income or may borrow securities from securities brokers or other institutions to cover short positions. If the other party to such transaction becomes insolvent or bankrupt, the Master Fund could experience delays and extra costs in recovering payment or the securities. To the extent that, in the meantime, the value of securities changes, the Master Fund could experience further losses. Security loans must be fully collateralized, and the Investment Manager must be satisfied with the creditworthiness of the other party to the transaction.

Price and Liquidity Fluctuations of Investments. It is expected that the Master Fund's investments will generally be in public securities. However, the market value of the Master Fund's investments may fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of financial markets, developments or trends in the securities markets and the financial condition of the issuers of the securities in which the Master Fund invests. During periods of limited liquidity and higher price volatility, the Master Fund's ability to acquire or dispose of its investments at a price and time that the Master Fund deems advantageous may be impaired. As a result, in periods of rising market prices, the Master Fund may be unable to participate in price increases fully to the extent that it is unable to acquire the desired positions quickly; the Master Fund's inability to dispose fully and promptly of positions in declining markets will conversely cause its net asset value to decline as the value of unsold positions is marked to lower prices.

Competition. The securities industry is extremely competitive. The Investment Manager will compete for investment opportunities against various other investors, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs. Competitive investment activity by other firms may reduce the Master Fund's opportunity for profit by reducing the availability of or increasing the price of what the Master Fund believes to be, based on its investment criteria, exceptional investment opportunities.

Securities Market Volatility. Securities markets are volatile and may decline significantly in response to adverse issuer, political, regulatory, market or economic developments. Different parts of the market and different types of debt and equity securities may react differently to these developments. For example, small cap stocks may react differently than large cap stocks. Issuer, political or economic developments may affect a single issuer, issuers within an industry, sector or geographic region, or the market as a whole.

Risk of Operations/Liquidity Risks. Although the securities that the Master Fund may acquire will be traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it difficult or impossible for the Master Fund to liquidate its positions and would thereby expose it to losses. In addition, some of the securities in which the Master Fund may invest may be thinly traded, potentially making it difficult for the Master Fund to dispose of a position at the time or price desired. Moreover, in periods of extreme market volatility, the bid/ask spreads for some securities that ordinarily are liquid may widen, making it difficult or undesirable to sell the securities. Furthermore, if investors elect to withdraw/redeem a substantial amount, the Master Fund might be forced to close out existing positions at a time when it was disadvantageous to do so. There can be no assurance that the trading markets will remain liquid enough for management to close out existing positions at any time there is a need to do so.

Risks of Foreign Investments. The Master Fund may invest in securities of foreign companies, governments and government agencies. Investing in such securities, which are generally denominated in foreign currencies, and the use of forward foreign currency exchange contracts, involves unusual risk not typically associated with investing in securities issued by U.S. companies or by the U.S. government or its agencies or instrumentalities. Investing in emerging markets poses greater risks and a greater potential for returns than investing in developed countries. Securities of companies in these emerging markets are generally more volatile and may be much more volatile than securities issued by companies located in developed countries. The Master Fund may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between such currencies and the U.S. dollar. Moreover, individual foreign economies may compare unfavorably with the U.S. economy in growth of gross national product, rate of inflation, rate of savings and capital reinvestment, resource self-sufficiency, balance-of-payment positions and in other respects. Some of the countries in which the Master Fund may invest have laws and regulations that currently preclude or severely restrict direct foreign investment in securities of their companies. Securities of some foreign companies are less liquid, and their prices are more volatile than securities of comparable U.S. companies. Investing in foreign securities creates a greater risk of securities clearance and settlement problems. Further, some of the securities in which the Master Fund may invest may be thinly traded and relatively illiquid or may cease to be traded after the Master Fund invests in them. In addition to being illiquid, such securities may be issued by unseasoned companies and may be highly speculative. In addition, the Master Fund occasionally may acquire relatively large positions in a few securities. In such cases, and in the event of extreme market activity, the Master Fund may not be able to liquidate investments promptly, if the need should arise, which could materially and adversely affect the results of such investments.

Small Capitalization Companies. Although the Master Fund generally intends to invest in companies with large capitalization, the Master Fund may invest in securities of companies with small market capitalizations where such companies meet the investment criteria described herein. While such companies may provide significant potential for appreciation, such investments, particularly small-capitalization securities, involve higher risks in some

respects than do investments in securities of larger companies. The prices of small capitalization and even medium-capitalization securities are often more volatile than prices of large capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to long investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in some medium or small-capitalization securities, an investment in those securities may be illiquid. The small to medium-sized market capitalization securities may, at times, significantly underperform the large capitalization securities and may do so in the future. A related concern for short sale risk is that smaller companies tend to be more readily acquired.

Securities of Sub-Investment Grade Companies. Special risks may arise if the Master Fund invests in the securities of sub-investment grade and highly leveraged companies. Although such investments may result in significant returns to the Master Fund, they involve a substantial degree of risk. If the “natural leverage” created by a company’s high level of borrowing work against a Master Fund short position, the Master Fund’s losses would be heightened. If the Master Fund purchases distressed and/or non-performing debt securities, and subsequent to purchasing them finds that they are no longer readily traded by broker-dealers, these securities may not show any return for a considerable period of time. Many distressed and/or non-performing securities ordinarily remain unpaid while the company is in bankruptcy and may not ultimately be paid unless and until the company reorganizes and/or emerges from bankruptcy proceedings. As a result, if they are no longer readily traded by broker-dealers, such securities may have to be held for an extended period of time. There is no assurance that the Investment Manager will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Master Fund invests, the Master Fund may lose its entire investment. Under such circumstances, the returns generated from the Master Fund’s investments may not compensate the investors adequately for the risks assumed.

Special Situation Investments. The Master Fund may invest in companies involved in, or the target of, acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Master Fund of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Master Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of the transactions involving financially troubled companies in which the Master Fund may invest, there is a potential risk of loss by the Master Fund of its entire investment in such companies.

Borrowing; Interest Rates; Margin. The General Partner and/or the Investment Manager may borrow funds from brokerage firms and banks on behalf of the Onshore Fund, Offshore Fund and/or the Master Fund to be able to increase the amount of capital available for marketable securities investments. The rates at which the Onshore Fund, Offshore Fund or the Master Fund can borrow, in particular, will affect the operating results of the Funds. Even if the Master Fund makes a profit on a trade, the interest expense incurred in carrying the position may exceed the profit generated by the trade. Any use of short-term borrowings or repurchase agreements will result in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure the Master Fund’s margin accounts or repurchase obligation decline in value, the Master Fund could be subject to a “margin call,”

pursuant to which the Master Fund 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 drop in the value of the Master Fund's assets, the Master Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

Institutional Risks; Counterparty Risk. Institutions will have custody of the assets of the Funds. Certain assets of the Funds will be exposed to the credit risk of the dealers, brokers and exchanges through which the Investment Manager deals, whether the Investment Manager engages in exchange-traded or off-exchange transactions. These firms and/or financial institutions, regardless of how large or well-capitalized, may encounter financial difficulties that impair the operating capabilities or the capital position of the Funds. If any broker-dealer or other financial institution holding the Clients' assets were to become bankrupt or insolvent, it is possible that the Client would be able to recover only a portion, or in certain circumstances, none of its assets held by such bankrupt or insolvent entity.

Discretion and Changes in Investment Strategy. The Investment Manager has considerable discretion in choosing the securities that may be acquired, and it has the right to modify the investment strategy, selection criteria or hedging techniques used by the Clients without the consent of the Investors.

Business Continuity and Disaster Recovery. The General Partner, the Investment Manager, their affiliates, the Clients' and their portfolio companies' business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster (e.g., tornadoes, floods, hurricanes and earthquakes), terrorist attacks or other circumstances resulting in property damage, network interruption and / or prolonged power outages. Although the General Partner, the Investment Manager and/or their affiliates have implemented various measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. If such business operations are disrupted or suspended for extended periods of time, Clients may be adversely affected.

Cyber Security Breaches and Identity Theft. The General Partner, the Investment Manager, their affiliates, the Clients' and their service providers' and portfolio companies' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, other security breaches and/or usage errors by their respective professionals. Although the General Partner, the Investment Manager and/or their affiliates have implemented various measures 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, the General Partner, the Investment Manager, their affiliates, one or more Funds, their service providers and/or their portfolio companies may have to make a significant investment to fix or replace them. The failure of these systems for any reason could cause significant interruptions in such parties' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the reputation of the General Partner, the Investment Manager, their affiliates, the Clients and/or their portfolio companies, subject any such entity and their respective affiliates to legal claims and/or otherwise affect their business and financial performance. Specifically, cyberattacks and the failure of such systems may interfere with the processing of investor subscriptions or withdrawals/redemptions, impact the Clients' ability to value their assets, cause the release of confidential information and/or subject the Funds to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. The Funds also may incur substantial costs for cyber-security risk management to

prevent any cyber incidents in the future. The Funds and their investors could be negatively impacted as a result.

Item 9: Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Item 10: Other Financial Industry Activities and Affiliations

Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

The General Partner has delegated its responsibility as commodity pool operator ("CPO") of the Onshore Fund and the Master Fund to the Investment Manager, and the directors of the Offshore Fund have delegated their responsibility as CPO of the Offshore Fund to the Investment Manager. In such role, the Investment Manager is exempt from registration with the U.S. Commodity Futures Trading Commission (the "CFTC") as a CPO pursuant to CFTC Rule 4.13(a)(3). Pursuant to an applicable exemption, the Investment Manager is also exempt from registration with the CFTC as a commodity trading advisor.

We do not recommend or select other investment advisers for our clients.

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

Code of Ethics

Paqua has adopted a "**Code of Ethics**" that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees' personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

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

- Employees must at all times place Clients' interests first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics' Employee Investment Policy (described below); and
- Employees should not take inappropriate advantage of their position at the Firm.

Personal Securities Trading

Employees, their spouses, immediate family members and other dependents are required to request that their brokers send duplicate copies of personal discretionary brokerage account statements to the CCO. These records are used to monitor compliance with the Paqua "**Employee Investment Policy**." The Employee Investment Policy restricts employees' personal securities trading to only liquidating trades of securities held by the employee at the

time of employment with the Firm (a **"Liquidating Trade"**) subject to the CCO's pre-approval. Employees are prohibited from trading in any single securities other than government and municipal-focused securities. Employees are permitted to trade ETFs and ETNs subject to the CCO's pre-approval. ETF and ETN transactions are subject to a minimum holding period of at least 90 days.

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

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

Cross Trades and Principal Transactions

While Paqua does not anticipate transferring securities from one Client account to another Client account (each such transfer, a **"Cross Trade"**), the Firm would only so do if Paqua determined the Cross Trade was in the best interests of both Clients. Further Paqua would seek to ensure that any such Cross Trade is consistent with the investment objectives and policies of each Client account involved in the trade and applicable law, as well as with the Firm's fiduciary duty and obligation to seek to obtain best execution for each Client.

Principal Transactions

To the extent that Cross Trades may be viewed as principal transactions due to the ownership interest in a Client by the Firm or its personnel, the Firm will comply with the requirements of Section 206(3) of the Advisers Act, including that any such transactions will be considered on behalf of investors in such Client and approved or disapproved by (i) an advisory board comprised of representatives of such investors; (ii) independent members of a board of directors; or (iii) a committee consisting of one or more persons selected by the Firm (or its affiliate), and any valuation approved by such a committee may, in the discretion of the committee, be determined by an independent third party that has appropriate experience in providing such valuations.

Item 12: Brokerage Practices

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

Best Execution

In selecting brokers and negotiating commission rates, the Investment Manager will take into account the financial stability and reputation of brokerage firms, and the research, brokerage, or other services provided by such brokers.

The Master Fund will maintain an account with the Prime Brokers, through which the Master Fund may execute trades, borrow securities and maintain custody of its securities. The

Investment Manager reserves the right to change the brokerage and custodial arrangements described above.

In selecting an appropriate broker-dealer to effect a client trade, we seek to obtain “**Best Execution**,” meaning generally the execution of a securities transaction for a client in such a manner that a client’s total costs or proceeds in the transaction are most favourable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration a number of qualitative and quantitative factors, including: the ability to achieve prompt and reliable executions; the ability to obtain access to a security; the financial stability and reputation of the particular broker-dealer; the quality, comprehensiveness, frequency of available research and related services considered to be of value to the Master Fund; and the competitiveness of commission rates in comparison with other broker-dealers satisfying the other selection criteria. Research and related services furnished by broker-dealers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing services, and discussions with research personnel.

Soft Dollars

The Firm may use “**Soft Dollars**”. In such cases, Soft Dollar credits, generated by the Master Fund’s trading activities, would be used to purchase brokerage and research services or products that would otherwise have been Client expenses. We intend to keep any such arrangements within the parameters of the safe harbor of Section 28(e) of the Securities Exchange Act of 1934.

Item 13: Review of Accounts

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

Account Reporting

We perform various periodic reviews of each client’s portfolio. Such reviews are conducted by our officers.

We will distribute annual audited financial statements with respect to the previous fiscal year to all Investors within 120 days of the relevant Fund’s fiscal year end. We intend to distribute other interim reports to Investors.

Item 14: Client Referrals and Other Compensation

We do not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither we nor any of our related persons, directly or indirectly, compensate any person who is not a supervised person for client referrals.

Item 15: Custody

We will be deemed to have custody of Client funds and securities because we have the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account. Account statements related to the Clients are sent by qualified custodians to Paqua.

We will comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") (i.e., the "custody rule") by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Fund's annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), we will distribute the Fund's audited financials to Investors within 120 days of such Fund's fiscal year end.

Item 16: Investment Discretion

We will have full discretionary authority over the Master Fund including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities.

Item 17: Voting Client Securities

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

The Firm determines whether and how to vote corporate actions and proxies on a case-by-case basis, and will:

- Attempt to consider all aspects of the vote that could affect the value of the issuer or that of the Client.
- Vote in a manner that it believes is consistent with the Client's stated objectives.
- Generally, vote in accordance with the recommendation of the issuing company's management on routine and administrative matters, unless the Firm has a particular reason to vote to the contrary.

Generally, clients may not direct our vote in a particular solicitation.

We may, from time to time, make a recommendation to a Client regarding whether to participate in any class action suits in which one or more of the Clients are eligible, based upon a reasonable assessment of the costs and benefits relating to such participation. We may recommend not to participate in a class action suit for any number of reasons, including, without limitation, if we determine that the anticipated out-of-pocket costs associated with any potential recovery are likely to exceed the amount of the potential recovery or if the Client account intends to pursue its legal rights outside of the class. Any proceeds from a class action suit will be allocated among the participating Clients and their underlying Investors currently existing at the time of recovery of such proceeds.

Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

Item 18: Financial Information

We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to clients and have not been the subject of a bankruptcy petition at any time during the past ten years.