

# Kingstown Capital Management, LP

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This Brochure provides information about the qualifications and business practices of Kingstown Capital Management, LP ("Kingstown" or "Adviser"). Kingstown is an SEC registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. This document is not an advertisement, an offer to sell or the solicitation of an offer to purchase interests in any fund managed by Kingstown. Offers to invest in any such interests may be made only pursuant to appropriate offering documents. Investors must be qualified and approved prior to investing. Restrictions may apply to specific funds which may differ from other investment products managed by Kingstown.

If you have any questions about the contents of this Brochure, please contact us at 212.319.1309. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Kingstown is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

There have been no material changes to the Firm's business practices since our last annual update dated March 2020.

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## **Item 4: Advisory Business**

Kingstown, established in 2006, provides investment management services on a discretionary basis only. The principal owners of Kingstown are Michael Blitzer and Guy Shanon.

Kingstown is the investment manager for Kingstown Partners Master Ltd. (a Cayman Island exempted company), Kingstown Partners, LP (a U.S. Limited Partnership), Kingstown Partners Offshore Limited (a Cayman Island exempted company), Kingstown Partners II, LP (a U.S. Limited Partnership), Ktown, LP (a U.S. Limited Partnership), Kingfishers LP (a U.S. Limited Partnership), and Kingstown 1740 Fund, LP (a U.S. Limited Partnership), collectively the “private funds.” All entities/accounts managed by Kingstown will generally be referred to as “funds” throughout this brochure. “Investor” refers to any limited partner or shareholder in any of the above referenced funds.

The investment manager allows Funds to impose reasonable restrictions on investing in certain securities or types of securities. Funds can and do have certain restrictions or objectives that result in differences between accounts.

As of December 31, 2020, the gross discretionary assets under management were approximately \$753,808,509.

## **Item 5: Fees and Compensation**

### **Management Fees**

Kingstown receives fees for investment management services based on assets under management and as disclosed in the respective fund offering documents and investment management agreements. Management fees are generally payable quarterly in advance based on the terms of each investment management agreement. Management fees for the funds are calculated by a third-party administrator and deducted from each investor's capital account.

Clients and investors have negotiated management fees that are more or less than what is disclosed in the fund offering documents and management agreements and which are payable on different terms. Kingstown has discretion to waive or reduce the management fee with respect to the capital accounts of one or more investors without notifying the other investors or without reducing the management fee with respect to the capital accounts of the other investors. Management fees are waived for employees and affiliates.

Investors should refer to the fund offering documents of each respective private fund for specific redemption provisions.

### **Other Fees**

Funds, pursuant to the offering documents and management agreements, will bear operating expenses. Typically these expenses include but are not limited to: (i) its investment expenses such as brokerage commissions, clearing and settlement charges, custodial fees, bank service fees, interest expense, and extraordinary expenses; (ii) administrative expenses; (iii) legal expenses; (iv) professional fees (including, without limitation, expenses for research, consultants and experts) relating to investments; (v) travel expenses related to investigating investment opportunities; (vi) accounting and bookkeeping expenses; (vii) auditing and tax preparation expenses; (viii) printing and mailing expenses, (ix) and fees and out-of-pocket expenses of any service company retained to provide accounting, investor, administrative or custodial services for the funds. Potential investors should review the appropriate offering documents for complete disclosure of permissible expenses.

Item 12 further describes the factors that Kingstown considers in selecting or recommending broker-dealers for transactions and determining the reasonableness of their compensation (e.g., commissions).

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

Kingstown Capital Partners, LLC, the General Partner, receives an annual performance allocation fee from its private fund investors at the end of each fiscal year as disclosed in the respective fund offering documents and investment management agreements. Generally, investors pay a performance fee equal to a percentage of the net capital appreciation credited to each investor, subject to a high-water mark and a hurdle. In measuring clients' assets for the calculation of performance-based fees, Kingstown shall include realized and unrealized capital gains and losses.

The General Partner has discretion to waive or reduce the performance allocation with respect to the capital accounts of one or more investors without notifying the other investors or without reducing the performance allocation fee with respect to the capital accounts of the other investors. Performance fees are waived for employees and affiliates.

The General Partner, in its discretion, has agreed to a different incentive compensation arrangement with respect to advisory clients or underlying investors, including a rate that is more or less than what is disclosed in the fund offering documents and management agreements, rebating incentive fees, deferring or spreading incentive fee calculations over multiple years, or providing a hurdle for which incentive fees are only earned above a certain amount.

Kingstown recognizes that these types of arrangements may create an incentive to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Kingstown also recognizes that such fee arrangements create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities and that such fee arrangements create an incentive to favor accounts for which the managing members have personal capital investments. In order to address these potential conflicts, Kingstown has developed policies and procedures for allocating investments to clients in a fair and equitable manner.

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

Kingstown provides portfolio management services to private funds. A minimum investment of \$1,000,000 is generally required to invest in any of the Kingstown funds, with additional capital contributions equal to at least \$250,000. However, Kingstown has discretion to waive or reduce the minimum investment for one or more investors (or prospective investors) as long as they qualify to invest based on all other suitability and regulatory requirements.

Kingstown may decline to accept an investment even if the proposed investor satisfies such suitability and regulatory requirements. Kingstown has discretion to accept additional capital contributions in different amounts from one or more investors without notifying the other investors and, in certain cases, has entered into such arrangements with certain investors.

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

### **Investment Objective and Strategy and Methods of Analysis**

Kingstown primarily uses independent fundamental analysis and generally seeks to maintain a long-term time horizon. Kingstown uses a value-oriented, event-driven strategy that focuses on identifying undervalued securities arising in special situations.

Event driven investing requires the investor to make predictions about the likelihood that an event will occur and the impact such event will have on the value of a company's securities. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, a company may announce a plan of restructuring or a spinoff which promises to enhance value and fail to implement it, resulting in losses to investors. In liquidations and other forms of corporate reorganizations, the risk exists that the reorganization either will be unsuccessful, will be delayed 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 fund of the security in respect of which such distribution was made.

Because of the inherently speculative nature of event driven investing, the results of the fund's operations are expected to fluctuate from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results that are expected in future periods.

### **Risks Associated with Investment in the Private Fund**

There is no assurance that the fund(s) will achieve its investment objective. Investing in our funds is speculative and involves significant risks, including the loss of principal. Investors should understand such risks and have the financial ability and willingness to accept them for an extended period of time. The information provided with respect to this item is not intended to be a summary of all the risks associated with an investment in the Kingstown funds, but rather some of the more specific risks associated with our strategy and the types of securities in which we typically invest. Investors should refer to the fund offering documents for an expanded description of our investment strategy and risks.

#### **Force Majeure**

Fund investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). These risks could, among other effects, adversely impact the value of investments, cash flows, cause personal injury or loss of life, damage property, or instigate disruptions of service. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on a portfolio company. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Funds invest. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more portfolio companies or its assets, could result in a loss to the Funds. Any of the foregoing may therefore adversely affect the performance of the Funds and its investments.

#### **Foreign Investments**

Funds may invest outside the U.S. or in securities denominated in non-U.S. currencies. Such investments pose currency exchange risks (including blockage, devaluation and non-exchangeability) as well as a range of other potential risks that include expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding non-U.S. companies which may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those applicable to U.S. companies. Further, foreign securities markets may not be as liquid as U.S. markets. Transaction costs of investing outside the U.S. are generally higher than in the U.S. Higher costs result because of the cost of converting a foreign currency to dollars, the payment of fixed brokerage commissions on some foreign exchanges and the imposition of transfer taxes or transaction charges by foreign exchanges. Less government supervision and regulation of exchanges, brokers and issuers generally exists abroad than in the U.S., and it is more difficult to take appropriate legal action in non-U.S. courts. In addition, non-U.S. markets have different clearance and settlement procedures from U.S. markets. Some foreign markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that

could adversely affect the fund's performance.

### **Derivatives**

Funds may invest in complex derivative instruments which seek to modify or replace the investment performance of particular securities, commodities, currencies, interest rates, indices or markets on a leveraged or unleveraged basis. These instruments generally have counterparty risk and may not perform in the manner expected by the counterparties, thereby resulting in significant loss or gain to the investor. These investments are all subject to additional risks that can result in substantial or total loss of all or part of an investment, in particular, interest rate and credit risk volatility, world and local market price and demand, and general economic factors and activity. Derivatives may have very high leverage embedded in them which could substantially magnify market movements and result in losses greater than the amount of the investment.

The markets in which derivative transactions are affected may be "over-the-counter" or "inter-dealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a credit 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*) since such markets may lack the established rules and procedures for swift settlement of disputes among market participants found in "exchange-based" markets. These factors may result in losses due to adverse market movements while replacement transactions are executed or otherwise. Such "counterparty risk" is present in all swaps, and is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the funds have concentrated its transactions with a single or small group of counterparties. The funds will not be restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty.

### **Illiquid Investment**

Some of the investments in the funds may be subject to legal or other restrictions on transfer or may be investments for which no liquid market exists. The market prices, if any, of such investments tend to be more volatile and it may not be possible to sell such investments when desired or to realize their fair value in the event of a sale. In addition, by taking concentrated positions in certain securities, the fund may not be able to quickly liquidate such positions due to limited trading volume and liquidity. The percentage of illiquid investments may increase with investor redemptions as the fund may not be able to liquidate these positions on a pro rata basis. Securities in which the funds may invest include those that are not listed on a stock exchange or traded in an over-the-counter market. As a result of the absence of a public trading market for these securities, they are likely to be less liquid than publicly traded securities. There may be substantial delays in attempting to sell non-publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid. Furthermore, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements that would be applicable if their securities were publicly traded.

### **Short Positions**

A short sale involves the sale of a security that the funds do not own in the hope of purchasing the same security (or a security exchangeable for such security) at a later date at a lower price. To make delivery to the buyer, the funds must borrow the security, and is obliged to return the security to the lender, which is accomplished by a later purchase of the security. A profit or a loss results from a short sale if the price of the security decreases or increases, respectively, between the date of the short sale and the date on which the short position is covered, i.e., the security to replace the borrowed security is purchased. A short sale involves the theoretically unlimited risk of an increase in the market price of the security that would result in a theoretically unlimited loss.

### **Highly Volatile Markets**

The prices of commodities contracts and all derivative instruments, including futures and options prices, are highly volatile. Price movements of forward contracts, futures contracts and other derivative contracts

in which the funds invest 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 and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The funds also are subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses.

### **Concentration**

A significant portion of the funds' investments may be concentrated in only a few securities, industries, countries or geographic regions. This concentration may cause a proportionately greater loss than if the funds' investments were more diversified.

### **Turnover**

The funds may invest on the basis of certain short-term market considerations. The turnover rate within the funds' investments may be significant, potentially involving substantial brokerage commissions and fees.

### **Cash Holdings**

The funds have the ability to maintain cash in the absence of suitable investment opportunities. The funds may maintain significant cash balances. The funds do not have an optimal cash level but seek to opportunistically invest capital in investments that present asymmetric risk/rewards and limited downside. Cash has been the 'default' position when such opportunities have not existed. Investor fees are calculated based on the investor's market value including cash.

### **"Master-Feeder" Structure and investor redemptions**

Although a common hedge fund structure, the "master-feeder" fund structure presents certain unique risks to investors. For example, a smaller feeder fund investing in the Master Fund may be materially affected by the actions of a larger feeder fund investing in the Master Fund. If a larger feeder fund or investor withdraws from the Master Fund, the remaining feeder funds may experience higher pro rata operating expenses, thereby producing lower returns. The Master Fund may become less diverse due to a redemption by a larger feeder fund, resulting in increased portfolio risk or increases in the percentage of illiquid investments. Under certain circumstances, such as when an investor is redeeming and requires a Fund to liquidate holdings to fund such redemption in cash, a conflict of interest can arise in that the action taken to protect the interest of one investor (e.g., a redeeming investor) may be taken at the potential detriment of other investors (e.g., non-redeeming investor) by virtue of their holding (indirectly through Funds) the same issuer's securities or instruments. These competing interests can be made more pronounced when large investors (or affiliated investors), comprising all of the third party investors in a Fund, request a full redemption of their capital from such Fund. Further, in the context of a Fund with redeeming and non-redeeming investors, Kingstown will generally seek to have any action taken for the benefit of redeeming investors not impair or compromise the interests of the continuing/non-redeeming investors, but no assurance can be provided to that effect. The Master Fund is a single entity and creditors of the Master Fund may enforce claims against all assets of the Master Fund. In addition, to the extent the Fund's assets are invested in the Master Fund, certain conflicts of interest may exist due to different tax, regulatory or other considerations applicable to the Fund, the Offshore Fund and other feeder funds.

### **Affiliated Investors Afforded Equitable Treatment**

To the extent that Kingstown partners, employees and their respective family members also own interests in Funds, they may be permitted to withdraw from a Fund at more frequent intervals than other investors. If a Fund is required to liquidate holdings to satisfy these withdrawal requests, additional costs and expenses will be incurred and will be borne primarily by the remaining investors in the Fund. As noted above, the Kingstown Managing Partners have a significant amount invested in the Funds. As a result, to the extent that third-party investments in Funds are withdrawn, a substantial level of proprietary ownership of a Fund may exist. Because Kingstown's allocation policies are designed to facilitate all client accounts investing based upon relative available capital, Kingstown may make greater allocations of investment opportunities



(including limited investment opportunities) to Funds predominantly comprised of affiliated capital. In making these allocations, Kingstown will face a potential conflict of interest with other clients for whom the same investments would be appropriate, because the allocation to the Funds could be seen as favorably allocating investment opportunities to the proprietary accounts of Kingstown partners and employees, or those of Kingstown affiliates, to the extent they comprise a substantial portion of the investor base of such new Fund.

### **Disruption of Business**

Although Kingstown has a disaster recovery plan, there can be no assurance that interruptions caused by extraordinary events outside of the control of Kingstown, including acts of God (e.g., fire, flood, earthquake, storm, hurricane, other natural disaster, pandemics or epidemics), acts of war (e.g., war, invasion, acts of foreign enemies, hostilities, insurrection, or terrorist activities, whether war is declared or not), and financial system disruptions (e.g., bankruptcy filing or operational failure by a major financial institution, including a bank, broker-dealer, clearing agent, administrator, investment manager or securities or derivatives exchange), would not have an adverse effect on the Funds or their investment program. Such disruptions could result in adverse effects on one or more Funds' operations, the value of their investments and the ability of the Funds to trade their portfolios.

### **Potential Inability to Trade, Report or Manage Risk Due to Systems Failure**

The strategies implemented by Kingstown on behalf of the Funds are dependent to a significant degree on the proper functioning of Kingstown's internal and external computer, communication and information technology systems. Accordingly, systems failures, whether due to third-party failures upon which such systems are dependent or the failure of Kingstown's or a third-party's hardware or software, could disrupt trading or make trading impossible until such failure is remedied. Any such failure, and consequential inability to trade or manage risk (even for a short time), could, in certain market conditions, cause the Funds to experience significant trading losses, to miss opportunities for profitable trading or to become exposed to particular risk exposures. Any such systems failures also could cause delays in generating reports for investors.

### **Cybersecurity Breaches**

Kingstown and the Funds, like all businesses dependent on information technology systems, are subject to risks associated with a breach in cybersecurity. Cybersecurity is the technology, processes and practices designed to protect networks, systems, computers, programs and data from "hacking" by other computer users, other unauthorized access and the resulting damage and disruption of hardware and software systems, loss or corruption of data, as well as misappropriation of confidential information. If a cybersecurity breach occurs, the Funds may incur substantial costs, including those associated with: forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, investment losses from sabotaged trading systems, identity theft; unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information, and reputational damage. Breaches in cybersecurity during the Funds' trading could also result in investor information being hacked by foreign nations, which could result in losses to the Funds. Any such breach could expose Kingstown and the Funds to civil liability, as well as regulatory inquiry and/or action. Any such breach could also cause substantial withdrawals from the Funds. In addition, investors could be exposed to further losses as a result of unauthorized use of their personal information. Notwithstanding the foregoing, Kingstown may, but has no obligation to, purchase cybersecurity insurance coverage in the future. However, there can be no guarantee that every potential loss due to cyber-attack or theft of information could be insured against, nor that the limits of any insurance policy that may be acquired would be sufficient to cover all such losses.

### **Risks Associated with Service Providers**

Kingstown's clients are dependent upon its counterparties and third-party service providers, including Kingstown, the fund administrator, prime brokers, custodians, legal counsel, auditors and other service providers from time to time (the "Service Providers"). Errors are inherent in the business and operations of any business, and although Kingstown has adopted measures to prevent and detect errors by, and misconduct of, counterparties and Service Providers, and transact only with counterparties and Service

Providers it believes to be reliable, such measures may not be effective in all cases. Failures in systems and processes employed by Services Providers, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, the exercise or acknowledgement of security conversion, other mistakes in connection with investment-related corporate actions or in transactions not being properly booked, evaluated or accounted for. Any of the foregoing errors, misconduct or failures could have a material adverse effect on Kingstown, its clients and its client's investments.

## **Item 9: Disciplinary Information**

Kingstown has no legal or disciplinary events to report that would impact the evaluation of a client or prospective client (or investor) of Kingstown's advisory business or the integrity of our management.

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

Kingstown Management GP LLC is the General Partner and an affiliate of Kingstown. Kingstown Capital Partners LLC, also an affiliate, is the general partner of the U.S. limited partnerships. Michael Blitzer and Guy Shanon are the Managing Members of both General Partner entities as well as Limited Partners of the Adviser. In addition, Mr. Blitzer and Mr. Shanon serve as Directors for Kingstown Partners Master Ltd. and Kingstown Partners Offshore Limited. Michael Blitzer and Guy Shanon are Co-Chief Investment Officers for the funds.

David L. Rishel serves as Chief Compliance Officer for Kingstown. Mr. Rishel is a Partner at Hardin Compliance Consulting, a firm specializing in providing compliance consulting and support services to various registered investment advisers, broker-dealers, investment companies and private funds. Mr. Rishel is also registered with Bill Few Associates and Bill Few Securities, respectively, a registered investment advisor and a registered broker-dealer and FINRA member.

Inflection Point Acquisition Corp. ("IPAC") and its sponsor, Inflection Point Holdings LLC ("IPH") are affiliates of Kingstown. Michael Blitzer and Guy Shanon are co-CEOs and Directors of Inflection Point Acquisition Corp. The management and control of IPH shall be vested exclusively in Kingstown Capital Management, LP. Kingstown Capital Management, LP as the manager of Inflection Point Holdings LLC and shares voting and investment discretion with respect to the ordinary shares held of record by Inflection Point Holdings LLC. Kingstown Management GP LLC is the general partner of Kingstown Capital Management, LP and shares voting and investment discretion with respect to the ordinary shares held of record by Inflection Point Holdings LLC. Michael Blitzer and Guy Shanon are the Managing Members of Kingstown Capital Partners, LLC and share voting and investment discretion with respect to the ordinary shares held of record by Inflection Point Holdings LLC. Each of Kingstown Management GP LLC, Kingstown Capital Management LLP, Kingstown Capital Partners, LP, Michael Blitzer and Guy Shanon disclaims any beneficial ownership of the securities held by Inflection Point Holdings LLC other than to the extent of any pecuniary interest it or he, as applicable, may have therein, directly or indirectly.

Inflection Point Acquisition Corp. is a newly incorporated blank check company incorporated as a Cayman Islands exempted company and incorporated for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses, referred to as the initial business combination. IPAC has not selected any specific business combination target and has not, nor has anyone on their behalf, engaged in any substantive discussions, directly or indirectly, with any business combination target with respect to an initial business combination. Inflection Point Holdings LLC, has committed to purchase an aggregate of 8,250,000 warrants (or 9,150,000 warrants if the underwriter's over-allotment option is exercised in full), each exercisable to purchase one Class A ordinary share at \$11.50 per share, at a price of \$1.00 per warrant, or \$8,250,000 in the aggregate (or \$9,150,000 if the underwriter's over-allotment option is exercised in full), in a private placement that will close simultaneously with the closing of this offering. In connection with the consummation of this offering,

IPAC will enter into a forward purchase agreement with Kingstown Partners Master Ltd, Kingstown Partners II, LP, Kingstown 1740 Fund, LP and Kingfisher L.P., affiliates of Kingstown Capital Partners, LLC, collectively “Kingstown” and the sponsor, pursuant to which Kingstown will commit that it will purchase from IPAC up to 5,000,000 forward purchase units, consisting of one share of Class A common stock, or a forward purchase share, and one-third of one warrant to purchase one share of Class A common stock, or a forward purchase warrant, for \$10.00 per unit, or an aggregate amount of up to \$50,000,000, in a private placement that will close concurrently with the closing of the initial business combination.

The public Form S-1 filing is available here <https://sec.report/Form/S-1>.

These affiliated relationships create a conflict of interest as Mr. Blitzer and Mr. Shanon and their affiliated entities represent multiple related parties which at times may have competing interests. Furthermore, as officers and directors of IPAC they will lose their entire investment in IPAC if the initial business combination is not completed (other than with respect to public shares they may acquire during or after this offering), a conflict of interest may arise in determining whether a particular business combination target is appropriate for our initial business combination. Mr. Blitzer and Mr. Shanon will directly or indirectly own founder shares and/or private placement warrants following this offering and, accordingly, may have a conflict of interest in determining whether a particular target business is an appropriate business with which to effectuate our initial business combination. Further, each may have a conflict of interest with respect to evaluating a particular business combination if the retention or resignation of any such officers and directors was included by a target business as a condition to any agreement with respect to the initial business combination. Additionally, they will allocate their time to other businesses thereby causing conflicts of interest in their determination as to how much time to devote to each business. This conflict of interest could have a negative impact on their management of any and all entities that they control. Mr. Blitzer and Mr. Shanon as officers and directors presently have, and any of them in the future may have additional, fiduciary or contractual obligations to other entities and, accordingly, may have conflicts of interest in determining to which entity a particular business opportunity should be presented.

### **Outside Business Activities**

Mr. Blitzer serves on the Board of Directors of the Heilbrunn Center for Graham & Dodd Investing at the Columbia Business School where he has taught Applied Value Investing. Mr. Shanon has been an Adjunct Professor at Columbia Business School.

## **Item 11: Code of Ethics**

### **Code of Ethics**

Kingstown has adopted a Code of Ethics for all supervised persons of the Firm describing its high standards of business conduct and fiduciary duty to its clients. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, guidelines surrounding gifts and business entertainment items, personal securities trading, conflicts of interest, among other things. All supervised persons must acknowledge the terms of the Code initially upon hire as well as annually, or as amended.

Employees maintain personal securities accounts but are subject to strict guidelines. Employees are permitted to make trades for their own accounts in accordance with the Firm's Code of Ethics. In certain circumstances, employees are permitted to transact in private placements or limited offering (as those terms are defined). Furthermore, employees of the firm may sell existing securities from their personal accounts similar to those securities recommended to or owned by clients, but must first obtain pre-approval by the Chief Compliance Officer and a Managing Partner. Transactions are reported to the Chief Compliance Officer in accordance with the reporting requirements outlined in the Code and personal trading is monitored in order to reasonably prevent conflicts of interest between Kingstown and its clients.

A copy of the Code of Ethics may be obtained by sending an email to [info@kingstowncapital.com](mailto:info@kingstowncapital.com) or by phoning us at 212.319.1309.

## **Conflicts of Interest**

### **Side by Side Management**

Kingstown provides investment management services to the Funds. Where appropriate, client accounts are managed on a “pari-passu” basis. However, Funds can and do have certain restrictions or objectives that result in differences between accounts. Non pro rata transactions and allocations will be made by Kingstown. In some cases, the majority investors in a fund are Kingstown employees. Kingstown has policies and procedures in place to properly manage trade allocations and potential allocation conflicts.

### **Valuation**

Kingstown has adopted policies and procedures (“Valuation Policies”) to comply with its fiduciary obligation to accurately value client portfolios. The Valuation Policies describe Kingstown’s valuation and pricing guidelines and addresses specific pricing methodologies and hierarchies across a broad range of investment types. Various conflicts of interest arise in connection with the valuation of client assets. Specifically, higher valuations of client assets sometimes result in increased incentive and management fees, and in some cases, increased compensation for personnel. Investment advisers also have an incentive to inflate valuations to report better performance, which may preserve or enhance the investment adviser’s reputation and allow it to secure more investments in its funds. Conflicts of interest are heightened in the case of assets that do not have readily ascertainable market values. Kingstown seeks to mitigate conflicts of interest through, among other things, controls set forth in the Valuation Policy.

The net asset value of the funds is calculated by the administrator. Portfolio securities are valued by the administrator in accordance with agreed upon pricing guidelines. As investment adviser, Kingstown monitors valuation on an ongoing basis and provides assistance to the administrator for any hard to value securities as needed. For securities held which are not readily marketable, Kingstown will determine the market value in one of several ways depending on the nature of the investment and the market it trades in. These methods include, requesting broker quotes from market maker, internal valuation models and third-party valuation agents. A conflict of interest existed when security values are established by Kingstown.

### **Side Letters**

Kingstown has entered into side letters with one or more investors in certain private funds which have established different rights or privileges with respect to various items, including but not limited to, management fees, performance allocation fees, transparency, reporting, and capacity. Kingstown is allowed to enter into such side letters without approval from, or notice to, any investor.

### **Principal and Cross Transactions**

It is Kingstown’s policy that the Firm will not affect any principal or agency cross securities transactions for client accounts. It may be appropriate for one client to purchase/sell a security and for another client to sell/purchase the same security. It is generally Kingstown’s policy to implement the firm’s investment philosophy and mandate across all accounts. As a result, Funds hold similar or identical securities and rebalance or cross trades will be required. Kingstown engages in rebalancing and cross trades when the transaction is in the best interests of, and consistent with the investment objectives and policies of, all accounts involved in the transaction. If a cross transaction is considered, it is our policy to affect all cross trades in the most equitable and fair manner for all clients involved. Cross-trades will be affected at the current market price. Since, in such transactions, the Firm represents both the client-seller and client-buyer, it will have a conflict of interest given the obligation to obtain the best price and most favorable execution.

## **Item 12: Brokerage Practices**

Kingstown has discretion over what securities and the amount thereof to be bought and sold, the broker or dealer to be used as well as the commission rates to be paid.

Kingstown invests in illiquid securities or investments, limiting the broker-dealers with whom the funds deal. Transactions are generally allocated to brokers on the basis of best available execution and in consideration of such broker's provision or payment of the costs of brokerage and research services.

When selecting brokers, banks and dealers to effect transactions, Kingstown considers such factors as price, the availability of the brokers, banks, and dealers to effect transactions, their facilities, reliability and financial responsibility, research, as well as any products or services provided, or expenses paid, by such brokers, banks and dealers.

Kingstown has relationships with full-service brokers that provide research and other market information as part of their comprehensive service. Kingstown may select brokers based, in part, on the availability of research services. Kingstown does not participate in any arrangements where brokerage commissions generate soft dollar credits which are then applied to in-house or external research products. Kingstown does not participate in commission-sharing or directed brokerage arrangements and does not select brokers based upon client referrals.

### **Trade Allocation and Aggregation**

Kingstown will generally, for a number of reasons, aggregate brokerage orders for clients rather than execute individual transactions for each account. Some of these reasons include: (1) obtaining lower commission rates; (2) avoiding the time and expense of simultaneously entering similar orders for many client accounts that are managed similarly; (3) ensuring that all accounts managed in a particular style obtain the same execution to minimize differences in performance; and (4) obtaining a better execution price even though the commission rate may be higher than the lowest rate otherwise available.

Consistent with our obligation to seek best execution, Kingstown aggregates client orders whenever possible. We have developed procedures to ensure that purchase and/or sell orders which have been aggregated are fairly allocated so that, over time, all clients are treated fairly and consistent with their investment objectives.

An order filled through a series of executions through the same broker on the same terms (e.g., market or limit order) on the same day is generally allocated using an average price.

Preliminary allocations are made before execution. As a general policy, the allocation is finalized no later than the close of business on trade date. When an aggregated order is filled in its entirety, the order is allocated to participating accounts in accordance with the preliminary allocation schedule. When an aggregated order is only partially filled (and there is no reasonable expectation that the entire transaction will be completed within a reasonable period), the order will generally be allocated among the participating clients on an objective basis and in accordance with our established policies and procedures.

Generally, client accounts are managed by implementing the firm's core investment philosophy and mandate. However, Funds impose certain restrictions or objectives that result in differences between accounts. Non pro rata transactions and allocations will be made by Kingstown. Funds can and do have specific investment objectives and restrictions that will result in non pro rata allocations. The difference in investment restrictions and objectives may create a conflict of interest in the allocation of investments between funds. Position weightings vary over time due to capital flows of the funds and/or the investment objectives, limitations and restrictions applicable to certain funds that may limit Kingstown's ability to purchase and sell securities to maintain certain security weighting or position sizes. An exception to the general rule of pro rata allocation of investment opportunities is in the case where a Fund is in the process

of winding up its activities due to the requested redemption of all or substantially all of its third party capital (which in the case of the Funds, can require an extended redemption process pursuant to the applicable charter documents of the Fund). Certain funds are majority owned by Kingstown employees and have different investment mandates. Additionally, the Managing Partner may make trades based on tax related matters for some but not all funds, which may or may not be relevant for certain limited partners based on their own tax status and obligations. In cases in which different funds invest in the same companies or securities, certain funds' investments may not be made at the same time and in some cases may be at prices higher or lower than those paid by other funds which would possibly result in different investment returns from such investments. It is unlikely that the performance of each fund will be identical. Kingstown has established allocation policies and procedures that are designed to manage allocation conflicts.

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

### **Reviews**

Portfolio reviews are primarily conducted by a Managing Partner on a daily basis. Reviews include an analysis of position sizing based on fundamental developments related to portfolio investments.

### **Reporting**

On a monthly basis, investors receive an investor capital statement from the Administrator summarizing their individual performance. Kingstown also provides each investor with a monthly performance estimate.

On a quarterly basis, Kingstown provides each investor with a "quarterly investor letter" that includes performance information, commentary, investment updates and organizational updates.

On an annual basis, each investor in the private funds receives a copy of the Fund's financial statements audited by the independent auditors. In addition, Kingstown will provide each investor (if applicable) a copy of their Schedule K-1. Kingstown will also provide various ad hoc reports as requested by our clients and/or investors.

## **Item 14: Client Referrals and Other Compensation**

Kingstown has no active agreements with a third-party marketer that solicit investors for any Kingstown funds. In the past, Kingstown was a party to solicitation agreements for which third party firms solicited investors for certain Kingstown funds. Although these agreements have been terminated, Kingstown still makes payments to a third-party firm in accordance with the terms of one of the agreements.

A third-party marketer is compensated by Kingstown with a percentage share of the management fees or by the General Partner with a percentage share of the performance allocation. No additional fees are added to those that are already charged to investors as a result of our participation in these arrangements.

The Advisers and their respective personnel can be expected to receive certain intangible rewards and/or other benefits resulting from their activities on behalf of the Funds that will not be shared with the Funds. For example, when using certain credit cards, airline travel or hotel stays incurred as Fund expenses typically result in rebates, "miles," credit card "points" or credit in loyalty/status programs, and such benefits and/or amounts will benefit the Advisers and/or such personnel (and not the Funds, investors and/or portfolio companies) even though the cost of the underlying service is borne by the Funds.

## **Item 15: Custody**

Kingstown does not maintain physical possession of client cash and/or securities. However, the

managing partners of Kingstown also serve as the managing members of the General Partner of the private funds. As a consequence, Kingstown does have access to cash and securities in the private funds, along with the authority to perform various acts that are deemed to result in custody, as defined under Rule 206(4)-2 of the Advisers Act.

Securities (with the exception of certain “Privately Offered Securities”) for the funds are maintained at qualified custodians and cash is kept either at the prime broker or custodians or in the funds’ bank account which is administered by the funds’ administrator.

In addition, the annual financial statements of the funds are prepared in accordance with GAAP, audited by an independent accounting firm registered with the Public Company Accounting Oversight Board and distributed to all investors within 120 days of the Funds’ fiscal year end.

## **Item 16: Investment Discretion**

Kingstown has full discretionary authority over all assets it manages pursuant to investment management agreements. Discretion is exercised in a manner consistent with the investment objectives and strategies described in the fund offering materials.

## **Item 17: Voting Client Securities**

Kingstown has sole authority to vote client securities in accordance with the Firm’s proxy voting policies and procedures. Our procedures are reasonably designed for voting proxies in the best interests of clients consistent with the investment philosophy described in our fund offering materials.

It is our belief that proxy voting rights are valuable portfolio assets and an important part of the investment process, and we exercise our voting responsibilities solely with the goal of serving the best interests of our clients, as shareholders of a company. Kingstown has long been active in voting proxies on behalf of shareholders in the belief that the proxy voting process is a significant means of addressing crucial corporate governance issues and encouraging corporate actions that it believes enhance shareholder value. In determining how to vote on any proposal, we consider the proposal’s expected impact on shareholder value, without considering any benefit to us, as Adviser.

We consider the reputation, experience and competence of a company’s management when evaluating the merits of investing in a particular company, and we invest in companies in which we believe management goals and shareholder goals are aligned. Therefore, on most issues, we cast votes in accordance with management’s recommendations. This does not mean we do not care about corporate governance. Rather, it is a confirmation that our process of investing with shareholder aligned management is working. However, when we believe management’s position on a particular issue is not in the best interests of clients and investors, we will vote contrary to management’s recommendation.

Kingstown uses reasonable efforts to determine whether a potential conflict exists with respect to voting proxies. Kingstown is sensitive to conflicts of interest that arise in the proxy decision-making process and have identified various potential conflicts as part of our policies and procedures. Materiality determinations will be based on an assessment of the particular facts and circumstances and consultation with outside legal counsel. One or more of the following methods may be used to resolve a conflict, should one arise:

- In the case of a conflict of interest resulting from a particular employee’s personal relationships, removing such employee from the decision-making process with respect to such proxy vote; or
- Any other method as is deemed appropriate under the particular facts and circumstances, given the nature of the conflict.

A copy of our Proxy Voting Policy and Procedures, as well as information related to how proxies were voted, may be obtained by sending an email to [info@kingstowncapital.com](mailto:info@kingstowncapital.com) or by phoning 212.319.1309.

## **Item 18: Financial Information**

Kingstown has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.