

# **Altai Capital Management, L.P.**

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

Updated: March 2021

This brochure (“Brochure”) provides information about the qualifications and business practices of Altai Capital Management, L.P. (“Altai Capital”). If you have any questions about the contents of this Brochure, please contact us at 949-326-9611. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Altai Capital is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

This Brochure makes references to products such as private investment funds only for the purpose of describing Altai Capital’s advisory business. This Brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described herein. Any such offer or solicitation will be made solely to qualified investors by means of a confidential offering memorandum and related subscription materials.

## **Item 2—Material Changes**

There have been no material changes since the May 2020 update.

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## **Item 4—Advisory Business**

Altai Capital is a Delaware limited partnership formed in July 2009 and became a registered investment adviser with the SEC in September 2009. The General Partner of Altai Capital Management, L.P. is Altai Capital Management, LLC. Rishi Bajaj is the founding principal of Altai Capital (the “Founding Principal”) and owns, directly or indirectly, 100% of Altai Capital. Altai Capital and its affiliated entities provide discretionary investment advisory services including, but not limited to, managing and directing the investment and reinvestment of assets to private investment funds (each a “Fund” and collectively, the “Funds”) and separately managed accounts (together with the Funds, each a “Client” and collectively, the “Clients”) pursuant to one or more investment management agreements. Investors in Altai Capital Funds and separately managed accounts must be both “Accredited Investors” and “Qualified Purchasers”.

Altai Capital manages the assets of each Client in accordance with the terms of the governing documents applicable to each Client. Altai Capital formulates its investment objectives, directs and manages the investment and reinvestment of the Clients’ assets, and provides reports to investors (“Investors”). Investment advice is provided directly to the Clients according to the Clients’ particular investment objectives and not individually to the Clients’ Investors. As of December 31, 2020, Altai Capital had approximately \$191.3 million regulatory assets under management, all of which is managed on a discretionary basis on behalf of the Clients.

## Item 5—Fees and Compensation

Clients are typically charged a management fee that is generally based on the net asset value (“NAV”) of the assets under management at a negotiated rate depending upon the type of fund or account managed. Certain Clients will also be charged an annual performance fee depending upon the investment mandate. In such cases, the negotiated performance fee generally will be based on net capital appreciation at the end of a fiscal year for Altai Capital’s open-ended alternative offerings and realized gains for close-ended funds.

With respect to Altai Capital’s open-ended alternative offerings (in Fund and separately managed account format), losses can be typically carried forward from year-to-year, depending on the Client’s terms and conditions, so that no performance fee (or a reduced performance fee) is charged unless some or all of such losses incurred through the end of the period for which the fee is to be paid (or made) have been recouped (such an arrangement being called a high water mark provision).

Generally, the management fee is payable in advance, and is calculated and assessed as of the first day of each calendar quarter depending upon the Client. Withdrawing Investors from a Client that terminates investment advisory services before the end of a billing period are generally refunded any prepaid fees in excess of those applicable to the period of actual investment. Similarly, Investors that contribute to a Client on a day other than the first day of a calendar quarter are pro-rated. With respect to separately managed accounts, fee arrangements are negotiated prior to the engagement of Altai Capital as an investment advisor. In regard to Funds, the respective offering documents will disclose detailed information regarding the fees charged to the Funds. The Fund offering documents generally permit Altai Capital or an affiliate of Altai Capital to waive, rebate, or reduce all or part of the management fee and/or performance fee with respect to investments made by certain investors without waiving, rebating, or reducing the fees charged/payable to other investors (such as in the case of, but not limited to, investments in a Fund made by affiliates and employees of Altai Capital). In addition, in certain cases Altai Capital will have the discretion to grant special or more favorable rights, without limitation, with respect to fees, transfers, notices and transparency. Such rights may be granted to any Fund investor, including, without limitation, principals, members or employees (and their respective family members) of Altai Capital and its affiliates and other select third parties. To effect such waivers or modifications or to grant any special or more favorable rights, the Fund will enter into agreements (“Side Letters”).

Altai Capital may invest a portion of the Clients’ assets in shares of mutual funds or other investment companies, including Exchange Traded Funds (“ETFs”). Assets invested in such investment companies will be included in computing the management fees paid to Altai Capital. The same assets will also be subject to additional advisory and other fees and expenses, as set forth in the prospectuses of those investment companies, paid by the investment companies, but ultimately borne by the Clients.

Depending upon the Client and the authority granted to Altai Capital, Altai Capital will deduct its fees from the Client based on the terms of the investment management agreement or offering documents. Generally, separately managed accounts will be billed and will authorize payment to Altai Capital.

Clients will generally incur brokerage and other transaction costs in connection with the purchase and sale of investments by Altai Capital. Clients may also incur, to the extent permitted under the applicable Client documentation, costs and expenses associated with borrowing arrangements and other indebtedness.

Further, with respect to separately managed accounts, the expenses charged vary, and typically include but are not limited to: legal/compliance fees; administration, audit, accounting (including, but not limited to, trading, risk, portfolio management and accounting systems and software) and tax preparation fees; and administrative fees and custodial and transaction costs paid to custodians, broker-dealers and other third

parties; all of which are detailed in the investment management agreements. With respect to the Funds, expenses charged to underlying investors are detailed in the Funds' offering documents.

Investors should review all fees charged by Altai Capital, custodians and broker-dealers and other third parties to fully understand the total amount of fees to be paid by Clients. For information on brokerage costs, please also see "Item 12—Brokerage Practices".

#### Fees Paid in Advance

Please see responses in Item 5 above.

#### Additional Compensation and Conflicts of Interest

Neither Altai Capital nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

As stated in “Item 5—Fees and Compensation”, Altai Capital, or an affiliate of Altai Capital, charges performance fees for separately managed accounts and Funds. The fact that Altai Capital, or an affiliate of Altai Capital, is compensated based on trading profits may create an incentive for Altai Capital to make investments on behalf of its Clients that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance fee for the open-ended Funds received by Altai Capital, or an affiliate of Altai Capital, is based primarily on realized and unrealized gains and losses. As a result, the performance fee for the open-ended Funds earned could be based on unrealized gains that Fund Investors may never realize. The formula for calculating such fees may differ (i) from one Client to the next; and (ii) among Investors within a given Fund depending on (a) the interests selected by such Investor; and (b) when a given Investor invested in such Fund. This may create a conflict of interest with respect to the allocation of investment opportunities among Clients with the same or substantially similar strategies. Altai Capital is committed to allocating the investment opportunities on a fair and equitable basis and has established order aggregation and allocation policies and procedures to address the potential conflict of interest (See “Item 12—Brokerage Practices”). In addition, Altai Capital’s Chief Compliance Officer regularly reviews trading as described herein. Further, Altai Capital’s Chief Investment Officer regularly reviews Client portfolios in order to help ensure that all transactions are being allocated in a manner that Altai Capital believes to be in the best interest of all Clients.

## **Item 7—Types of Clients**

Altai Capital provides investment advisory services to private investment funds and separately managed accounts. Investment advice is provided directly to the Clients according to the Clients' particular investment objectives and not individually to the Clients' Investors.

Investors in Altai Capital Funds and separately managed accounts must be both "Accredited Investors" and "Qualified Purchasers" and may include, among others, high net worth individuals, corporations, trusts, charitable institutions, foundations, endowments, "fund of funds" and other U.S. and international institutional investors.

The offering memorandum for each Fund sets forth the required minimum amounts for investment by Investors in such Fund. Altai Capital, or an affiliate of Altai Capital, may waive such minimum.



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

Altai Capital's objective is to generate attractive returns by investing throughout the capital structures of leveraged and distressed companies; in companies in industries undergoing change; in complex, misunderstood situations; and in other opportunistic situations, where the investment's trading price has diverged from Altai Capital's estimate of intrinsic value. Altai Capital will take long and short positions in a range of financial instruments, including credit and credit-related instruments (*e.g.*, distressed debt, high yield securities, bank debt, credit default swaps, and convertible bonds), equities and other instruments tied to the performance of corporate entities. Altai Capital relies on extensive due diligence to formulate a view on each position in the portfolio and typically will seek investment opportunities that have a catalyst for the realization of value. For additional information on investment strategies and associated risks, please see the Funds' confidential private offering memorandum and other governing documents or separately managed account investment management agreement, as applicable.

The description contained herein is a brief overview of the investment strategy and financial instruments that may be used and is not intended to be complete. The risks discussed relate only to Altai Capital's investment strategy and methods of analysis, and the discussion is not intended to be a complete explanation of the risks involved in Altai Capital's investment program. All investing involves a risk of loss, and the investment strategy offered by Altai Capital could lose money over short or even long periods. Performance could be hurt by a number of different market risks including, but not limited to:

- Investing in securities involves risk of loss that investors should be prepared to bear.
- Securities purchased by the Clients may lack a liquid trading market, which may result in the inability of the Clients to sell any such security or other investment or to close out a transaction involving a foreign currency or to cover the short sale of an option, thereby forcing the Clients to incur potentially unlimited losses. Liquidity is of particular concern with respect to the markets for securities of small-capitalization and growth companies.
- Since each Client's portfolio will be concentrated in a very limited number of investments, the value of an investment in a Client may be subject to greater volatility and may be more susceptible to any single economic, political or regulatory occurrence or the fortunes of a single company or industry than would be the case if the Client's investments were diversified. Any position could ultimately result in significant losses to the Client and a greater reduction in the net asset value of the Client than if the Client was diversified. Up to 100% of the Client may be invested in a single investment.
- Altai Capital enters into transactions known as "short sales," in which it sells a security it does not own in anticipation of a decline in the market value of the security. Losses from short sales are potentially unlimited. In particular, a tender offer or similar transaction with respect to a company whose securities Altai Capital has sold short could cause the value of such securities to rise dramatically, resulting in substantial losses to the Clients. Broker-dealers may also require that Altai Capital to "cover" a short position at an inopportune time.
- Clients may have investments in issuers involved in (or the target of) acquisition attempts, tender offers, work outs, liquidations, spin offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved will be unsuccessful, will 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 Clients 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 Clients may be required to sell their

investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled issuers in which the Clients may invest, there is a potential risk of loss by the Clients of their entire investment in such issuers.

- Certain positions that are taken by the Clients are designed to profit from forecasting absolute price movements in a particular instrument. Predicting future prices is inherently uncertain and the losses incurred, if the market moves against a position, will often not be hedged. The speculative aspect of attempting to predict absolute price movements is generally perceived to exceed that of attempting to predict relative price fluctuations.
- Altai Capital may utilize leverage by selling securities short. The more leverage employed, the more likely a substantial change will occur in the value of a Client's interests. In addition, selling securities short results in interest charges to the Clients.
- Altai Capital may receive material non-public information that restricts its ability to allow the Clients to buy or sell securities of a company for substantial periods of time when the Clients otherwise could realize profit or avoid loss. This may adversely affect the Clients' flexibility with respect to buying or selling securities.
- The value of the fixed-income securities in which the Clients may invest change as the general levels of interest rates fluctuate. When interest rates decline, the value of the Clients' fixed-income securities can be expected to rise. Conversely, when interest rates rise, the value of such securities are generally expected to decline. Investments in lower rated or unrated fixed income securities in which the Clients will typically invest, while generally providing greater opportunity for gain and income than investments in higher rated securities, usually entail greater risk (including the possibility of default or bankruptcy of the issuers of such securities).
- The Clients may invest in high yield securities. High yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. Major economic recessions could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.
- The Clients may invest in distressed securities. Investment in the securities of financially and/or operationally troubled issuers involves a high degree of credit and market risk. Securities of such issuers are typically more volatile and less liquid than securities of companies not experiencing such difficulties. If a company is in bankruptcy, bondholders' and other creditors' claims are subject to factors such as deterioration of collateral during a stay in bankruptcy, challenges and/or possible invalidation of security interests, and disallowance or subordination of claims, all of which may be difficult to predict. Failure to accurately assess the probability of these events could have a detrimental effect on the Clients' investments in distressed securities.
- The Clients equity investments may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. There are no absolute restrictions in regard to the size or operating experience of the companies in which Altai Capital may invest. Relatively small companies may lack management depth or the ability to generate internally, or obtain externally, the funds necessary for growth and companies with new products or services could sustain significant losses if projected markets do not materialize. Equity prices are directly affected by issuer specific

events, as well as general market conditions. In addition, in many countries investing in common stocks is subject to heightened regulatory and self-regulatory scrutiny as compared to investing in debt or other financial instruments.

- The Clients may make use of various derivative instruments such as options and futures. The use of derivative instruments involves a variety of material risks, including the high degree of leverage sometimes embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses. Certain of the derivatives that may be traded by Altai Capital may be principal-to-principal or “over-the-counter” contracts between the Clients and third parties entered into privately, rather than on an established exchange. The risk of counterparty nonperformance can be significant in the case of these “over-the-counter” instruments, and “bid-ask” spreads may be unusually wide in these substantially unregulated markets. The risks posed by such instruments and techniques, which can be extremely complex and may involve leveraging of the Clients’ assets, include: (i) credit risks (the exposure to the possibility of loss resulting from a counterparty’s failure to meet its financial obligations); (ii) market risk (adverse movements in the price of a financial asset or commodity); (iii) legal risks (the characterization of a transaction or a party’s legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights); (iv) operational risk (inadequate controls, deficient procedures, human error, system failure or fraud); (v) documentation risk (exposure to losses resulting from inadequate documentation); (vi) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (vii) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (viii) concentration risk (exposure to losses from the concentration of closely related risks, such as exposure to a particular industry or exposure linked to a particular entity); and (ix) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).
- The Clients may trade options which is speculative and involves a high degree of risk. If Altai Capital purchases a put or a call option, it may lose the entire premium paid. If Altai Capital writes or sells a put or call option, its loss is potentially unlimited.
- Altai Capital may secure the appointment of person(s) to the board of directors of an issuer in which the Clients have an investment. In doing so, individual(s) (including members, partners, officers, managers, employees or affiliates of Altai Capital and their respective affiliates or designees) serving on the board of directors of the issuer will acquire fiduciary duties to the issuer and to the issuer’s shareholders, members, unitholders, partners or other owners of the issuer in addition to the duties such persons owe the Clients. Such fiduciary duties may require such individuals to take actions that are in the best interests of the issuer or its shareholders, members, unitholders, partners or other owners. Accordingly, situations may arise where persons appointed to an issuer’s board may have a conflict of interest between any duties that they owe to the issuer and its owners, on the one hand, and any duties that they owe to the Clients, on the other hand.
- Altai Capital employees may receive compensation for serving on the board of directors of an issuer in which the Clients have an investment. Altai Capital employees may have an incentive to act in their own interest in preserving the role for which they are being compensated. Altai Capital employees may therefore have an incentive to put their interest in receiving compensation from their board position ahead of the fiduciary duty owed by such employee to the Clients.

- Altai Capital from time to time could enter into arrangements with issuers, which may, among other things, limit the number of additional shares that may be acquired by the Clients, require the Clients to sell shares only at times “insiders” can sell or limit the volume and time periods where sales may occur. These arrangements may also require the Clients to maintain a minimum investment in order to preserve their right to designate a representative to the board of directors of such issuers. In order to address certain of these limitations, the Clients may enter into registration rights agreements with issuers whereby the Clients have the right to register and sell their shares in a public offering.

## **Item 9—Disciplinary Information**

Altai Capital has not been involved in any legal or disciplinary events since its inception that would be material to a client's evaluation of the company or its personnel. In addition, Altai Capital's employees have not been involved in any legal or disciplinary events in the past 10 years (and, to the best of Altai Capital's knowledge and belief, in years preceding that 10-year period) that would be material to a client's evaluation of the company or its personnel.

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

Altai Capital and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

Various affiliates of Altai Capital serve as either the general partner or managing member (each, a “General Partner”) of certain Funds, including Altai Capital Eagle GP LLC as the general partner of Altai Capital Eagle LP and Altai Capital Osprey GP, LLC as the managing member of Altai Capital Osprey, LLC. The Founding Principal of Altai Capital also serves as managing member of these affiliates. Altai Capital serves as the investment adviser for both of these Funds.

Any individuals acting on behalf of the General Partners are subject to the supervision and control of Altai Capital in connection with any investment advisory activities. In accordance with SEC guidance, all of the General Partners are deemed registered as investment advisers in reliance on the Form ADV filed by Altai Capital.

Altai Capital shares office space with an Investor. From time to time, this Investor engages Altai Capital back-office employees, on a recurring or ad-hoc basis, to provide various services (“Services”) including, but not limited to, the (i) performance of clerical tasks associated with sharing physical office space and (ii) assistance in the preparation and presentation of financial reporting tools for the Investor and its affiliated entities (the “Financial Reporting Project”). To clarify, the Financial Reporting Project pertains to the Investor’s overall business portfolio and is not specific to its investments in Altai Capital Clients. All Services are administrative in nature and do not include investment advisory services which are being provided by Altai Capital to the Investor pursuant to separate advisory agreements. Compensation, if any, for such projects is at the sole discretion of the Investor and is not material to the total compensation of Altai Capital or its back-office employees involved. Additionally, despite sharing office space, this Investor does not receive any information or other incremental benefit related to its investment in Altai Capital Funds that is not available or not provided to other Investors in the Funds. See “Item 11— Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” for more information on Altai Capital’s policies and procedures regarding shared office space.

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

As a fiduciary, Altai Capital owes a duty to all of its Investors to act in an ethical manner and to place its Clients' interests first. Accordingly, Altai Capital has adopted a Code of Ethics (the "Code") that places restrictions on personal securities trading and other conduct by employees, principals, affiliates and related persons (collectively, "Employees"). Among other things, the Code requires Employees to obtain prior approval from Altai Capital's Chief Compliance Officer before placing a personal securities transaction in reportable securities. Approval for personal securities transactions will not be granted for any security held by Clients or any security that Altai Capital is considering trading on behalf of such Clients. Altai Capital requires that its Employees arrange for duplicate trade confirmations and account statements to be provided to Altai Capital with respect to their personal securities transactions.

Altai Capital has developed and implemented policies and procedures, including those included in the Code, governing the dissemination of material non-public information. These policies seek to control the flow and prevent the potential misuse of material non-public information. As part of its procedures, Altai Capital's Compliance Officer maintains a restricted list (the "Restricted List"). The Restricted List contains the names of companies about whom parties at Altai Capital, and its affiliates, may possess material non-public information (from whatever source) as well as the names of companies with whom Altai Capital has agreed to some form of contractual trading restriction. Transactions in issuers that are included on Altai Capital's Restricted List are subject to certain trading restrictions and/or prohibitions, including restrictions on personal securities transactions.

Altai Capital's employees may serve on the board of directors of companies for which investment interests have been purchased for the accounts of Clients. Employees serving in such a capacity may receive shares of the company as compensation for their service. In addition to any restrictions on the disposition of shares received as compensation imposed on the employee from their service on any company board, the account(s) that hold shares of the company received as compensation are subject to the restrictions, transaction preclearance and duplicate statement disclosure policies required by the Code as described above.

As mentioned in "Item 10—Other Financial Industry Activities and Affiliations", Altai Capital shares office space with an Investor. Because of the special relationship and office sharing arrangement, and in recognition of Altai Capital's responsibilities under the Advisers Act, Altai Capital designates this Investor, together with its affiliates, directors, officers, partners, employees, members, representatives and agents, subject to certain policies, procedures and guidelines as set forth in the Code.

Altai Capital will provide a copy of its Code of Ethics to any existing or prospective Client upon request.

### **Gifts and Business Entertainment**

From time to time in the ordinary course of business, Altai Capital or its Employees may accept business meals, business entertainment, or gifts from persons with whom Altai Capital does business. Altai Capital has included policies and procedures within the Code intended to prevent such activities from unduly influencing Employee decisions with respect to managing Client accounts (e.g., selection of broker-dealers for execution of Client securities transactions).

### Outside Business Activities and Political Contributions

Altai Capital and its Employees must obtain prior written approval from the Chief Compliance Officer before engaging in outside business activities (including, but not limited to, being an officer, director, limited or general partner, member of a limited liability company, employee or consultant of any non-Altai Capital entity or organization) or making any political contributions.



## Item 12—Brokerage Practices

Altai Capital has sole discretion on broker-dealers used and commissions paid. It is Altai Capital's intention that the rate of commission paid will not exceed 5 cents per share for U.S. securities and will generally be 15 basis points for most foreign securities. However, commission rates will generally vary from 0.75 cents to 5 cents per share for U.S. securities, and for foreign securities there may be occasions in illiquid markets in which commissions paid may be as high as 40 basis points. When selecting broker-dealers and negotiating commission rates, Altai Capital is guided by the principal objective of seeking to obtain best execution for the Funds including, but not limited to, the financial stability and reputation of the broker-dealer, and the quality of investment research, investment strategies and special execution capabilities.

In making its decisions regarding the allocation of brokerage transactions for the Clients, Altai Capital seeks to obtain the best execution, taking into account the following factors: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer; (iv) the quality, comprehensiveness and frequency of available research services considered to be of value to Altai Capital and its Clients; (v) the value of brokerage services over and above trade execution provided to Altai Capital and its Clients; and (vi) the competitiveness of commission rates in comparison with other broker-dealers satisfying Altai Capital's other selection criteria. Although Altai Capital generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

Where best price and execution may be obtained from more than one broker-dealer, Altai Capital may purchase and sell securities through broker-dealers who provide research, statistical and other information, although not all Clients may in every instance be the direct beneficiaries of the research services provided. Research furnished by broker-dealers may include, but is not limited to, information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts and personal meetings with security analysts and are not conditioned on the placement of securities transactions through the broker-dealer.

The broker-dealers that have entered into prime brokerage arrangements with Altai Capital may occasionally provide Altai Capital with introductions to potential Fund investors. Altai Capital does not compensate these broker-dealers and such introductions will have no bearing on the placement of securities transactions.

### Soft Dollar Benefits

The term "soft dollars" refers to a means of paying brokerage firms or other third parties for products and services through commission revenue, based on the volume of brokerage commission revenues generated from securities transactions executed through broker-dealers by an investment advisor on behalf of advisory clients. Altai Capital is specifically authorized to direct brokerage to firms which furnish or pay for research and/or brokerage services within the "safe harbor" provided by Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act"). Consequently, a conflict of interest exists as Altai Capital benefits from the arrangement because it does not have to produce or pay for the research it receives and has an incentive to

select a broker-dealer based on Altai Capital's interest in receiving research or other products or services, rather than the Clients' interest in receiving the most favorable execution.

Other broker-dealers through which Altai Capital effects transactions may provide Altai Capital with investment research and other products and services that are generally made available to all institutional investors doing business with such broker-dealers. These bundled services are made available to Altai Capital on an unsolicited basis and without regard to the rates of commissions charged or paid by Altai Capital or the volume of business Altai Capital directs to such broker-dealers.

Since these products and services are merely made available by broker-dealers as part of a bundled business package to Altai Capital, which may or may not use them, it is Altai Capital's understanding that such broker-dealers do not set discrete prices for such products and services. Accordingly, Altai Capital does not separately compensate such broker-dealers for the provision of such services and does not believe that it "pays-up" for such broker-dealers' services since the broker-dealers do not break out the costs for such services. Further, Altai Capital does not make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

#### Brokerage for Client Referrals

Altai Capital occasionally effects transactions or otherwise utilizes broker-dealers that have, or whose affiliates have, referred or recommended investors to Altai Capital and broker-dealers or registered representatives of broker-dealers that personally or through related persons or family members have investments in Funds managed by Altai Capital. The existence of these relationships gives rise to conflicts of interest as it creates an incentive for Altai Capital to direct more business to these broker-dealers in order to generate future referrals or additional affiliated investments rather than selecting broker-dealers based on the Funds' interest in receiving most favorable execution. To address these conflicts of interest, Altai Capital only utilizes a broker-dealer if it has determined in advance that the transaction would be in the pertinent Funds' best interest.

#### Trade and Other Clerical Errors

Trade and other clerical errors resulting in gains will be for the benefit of the Clients and the gains will not be retained by Altai Capital. Altai Capital generally is under no obligation, however, to reimburse the Clients for trade and other clerical errors made by Altai Capital, its agents and affiliates, as such errors are considered by Altai Capital to be a cost of doing business.

While Altai Capital is under no obligation to reimburse the Clients for trade and other clerical errors made by Altai Capital, its agents and affiliates, any correction of a trade or other clerical error will only be made to the extent required so that the Clients do not incur a loss related to such error.

Notwithstanding the foregoing, Altai Capital will be obligated to reimburse the Clients for any trade or other clerical error resulting from Altai Capital's willful misconduct, gross negligence or material breach under the exculpation of liability and indemnification provisions of the investment management agreements maintained with the Clients. Altai Capital, subject to its fiduciary obligations, will determine whether or not any trade or other clerical error is required to be reimbursed in accordance with such liability and exculpation provisions. Altai Capital, in its sole discretion, reserves the right to reimburse the Clients for any trade or other clerical error. Altai Capital's reimbursement of the Clients for any particular error will not constitute a waiver of any policy to cause the Clients to bear the losses from other trade or other clerical errors.

## Allocation of Investment Opportunities

Participation in specific investment opportunities may be appropriate, at times, for one or more Clients. If it is determined by Altai Capital that it would be appropriate for more than one Client to participate in an investment opportunity, Altai Capital will seek to execute orders for all of the participating Clients on a fair and equitable basis, taking into account such factors as the relative amounts of capital available for new investments and the investment programs and portfolio positions of the participating Clients. Orders may be combined for all such accounts, and if any order is not filled at the same price, securities will be allocated on an average price basis. Similarly, if an order on behalf of more than one Client cannot be fully executed under prevailing market conditions, securities may be allocated among the different accounts on a basis which Altai Capital considers fair and equitable and in the best interests of all of the participating Clients. Although certain Clients may pursue investment objectives that are similar to one another, the portfolios of such Clients may differ as a result of purchases and redemptions being made at different times and in different amounts, differences in investment programs and guidelines and tax, regulatory and liquidity considerations.

If Altai Capital determines that the purchase or sale of a security is appropriate with regard to multiple Clients, Altai Capital may, but is not obligated to, purchase or sell such a security on behalf of such Clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating Client will receive the average price, with transaction costs generally allocated pro rata based on the size of each Client's participation in the order as determined by Altai Capital. In the event of a partial fill, allocations may be modified on a basis that Altai Capital deems to be appropriate, including, for example, in order to avoid odd lots or de minimis allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker-dealer or counterparty selected by Altai Capital. As a result, certain trades in the security for one Client may receive more or less favorable prices or terms than trades for another Client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. Notwithstanding the foregoing, the nature and structure of the Clients are different and trades may not be executed on an aggregate basis or allocated on a pro rata basis.

## **Item 13—Review of Accounts**

The Clients' portfolios are reviewed with regard to positions held, risk, exposure and proper settlement on a daily basis by the portfolio manager, in-house operations and other senior Altai Capital management, where appropriate.

Altai Capital serves as the administrator for Altai Capital Eagle LP and Altai Capital Osprey, LLC. As administrator, Altai Capital sends via electronic mail, fax or other transmission method an unaudited statement of the value of each Investor's individual investment account in the entity in which it is invested. All statements show the value of the investment at month-end which includes monthly P&L net of expenses, including management fees, an accrual for performance fees, if any, and any contributions or withdrawals of capital. These statements are sent monthly to investors in Altai Capital Osprey, LLC and quarterly to investors in Altai Capital Eagle LP.

Investors in the Funds receive annual financial statements, prepared by Altai Capital and audited by KPMG LLP ("KPMG"). The audited financial statements are forwarded to each Investor within one hundred twenty (120) calendar days of the respective Fund's fiscal year-end. KPMG also prepares Schedule K-1s or similar tax information for each Fund Investor that requires them as soon as reasonably practical after the end of each fiscal year. In addition to the foregoing reports and statements, and upon the request of certain Investors or third parties representing Investors, Altai Capital may also provide, in its sole and absolute discretion, more frequent disclosure or additional information not contained in the above-mentioned reports and statements, either due to legal/regulatory constraints that must be followed by some of the Funds' Investors and/or the specific needs of and requests made by certain Investors. This may enhance such Investor's ability to make investment decisions with respect to the Fund and possibly affect such Investor's decision to contribute or withdraw from the Fund.

To the extent Altai Capital advises on a separately managed account, the Client will generally receive directly from the broker-dealer, bank, or other institution (i) transactional reporting at or near the time that trades are executed and (ii) will be afforded full transparency with respect to portfolio holdings. Additionally, Altai Capital provides performance and other portfolio-based reporting as agreed to by Altai Capital and the separately managed account Clients.

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

Other than the previously described products and services that Altai Capital receives from broker-dealers, Altai Capital does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

Altai Capital does not directly or indirectly compensate any person for client referrals.

## **Item 15—Custody**

All of the open-ended Fund assets are held in custody by unaffiliated broker-dealers, banks or custodians, while evidence of certain privately-issued, uncertificated securities held by the close-ended Funds may be recorded through book entry only. However, a registered investment adviser who, directly or through an affiliate, acts as the general partner or managing member to a limited partnership or other comparable pooled investment vehicle is considered to have custody over client assets. Rule 206(4)-2 under the Investment Advisers Act of 1940 imposes a number of requirements on an SEC registered investment adviser that is deemed to have custody of its clients' funds and securities.

To comply with Rule 206(4)-2 and to provide meaningful protection to Fund Investors, each Fund is subject to an annual financial statement audit by an independent public account registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements are prepared in accordance with United States generally accepted accounting principles, and are distributed to each Fund Investor within one hundred twenty (120) days of the Fund's fiscal year end.

With respect to separately managed accounts, Clients are generally responsible for selecting their custodian and receiving periodic account statements directly from the broker-dealer, bank, or other institution providing such services. Clients should carefully review these statements and are urged to compare them with any reporting provided by Altai Capital.

## **Item 16—Investment Discretion**

As stated above, Altai Capital and its affiliated entities have been granted discretionary trading authority over its managed Clients pursuant to an investment management agreement with each Client. Altai Capital's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines as set forth in its confidential private offering memorandum and investment management agreement. In the case of separately managed accounts, Altai Capital's investment decisions and advice are subject to the investment objectives and guidelines as set forth in the investment management agreement.

## Item 17—Voting Client Securities

Altai Capital votes Clients' proxies in a manner that serves the best interests of its Clients, as determined by Altai Capital in its sole discretion. To that end, Altai Capital takes great care to vote proxies in a way that it believes, consistent with its fiduciary duty, will cause its Clients' securities to increase the most or decline the least in value. Consideration is given to both the short and long-term implications of the proposal to be voted on when considering the optimal vote. Altai Capital's Chief Compliance Officer (the "CCO"), or an authorized person designated by the CCO, is responsible for identifying the proxies upon which Altai Capital will vote, consulting with the portfolio manager to vote the proxies in the best interest of Clients, and submitting the proxies promptly and properly.

Altai Capital will vote its Clients' proxies in the best interest of its Clients and not its own interests. In voting Client proxies, Altai Capital seeks to avoid material conflicts of interest between the interests of itself on the one hand and the interests of its Clients on the other. Altai Capital currently has identified no conflicts of interest between the interests of its Clients and Altai Capital in the proxy voting process. Nevertheless, if Altai Capital determines that it is facing a material conflict of interest in voting a proxy, its procedures provide for a Proxy Voting Committee (the "Committee") to convene and to determine the appropriate vote. Decisions of the Committee must be unanimous. If a unanimous decision cannot be reached by the Committee, a competent third party will be engaged, at Altai Capital's expense, who will determine the vote that will maximize shareholder value. As an added protection, the third party's decision is binding.

Altai Capital's complete proxy voting policy and procedures have been memorialized in writing and are available for each Client Investor upon request. In addition, Altai Capital maintains a record of all of the proxy votes cast on behalf of the Clients; such records may be reviewed at Altai Capital's offices.

### Securities Class Actions

As a fiduciary, Altai Capital always seeks to act in the Clients' best interests with good faith, loyalty, and due care. Altai Capital's standard advisory contract authorizes it to direct client participation in class actions. The CCO will determine whether the Clients will (i) participate in a recovery achieved through a class action; or (ii) opt out of the class action and separately pursue their own remedy. The CCO oversees the completion of Proof of Claim forms and any associated documentation, the submission of such documents to the claim administrator, and the receipt of any recovered monies. The CCO will maintain documentation associated with Clients' participation in class actions.



## **Item 18—Financial Information**

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