

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
FORM ADV PART 2A: FIRM BROCHURE**

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**March 26, 2021**

**This brochure provides information about the qualifications and business practices of Basso Capital Management, L.P. (“Basso” or “the firm”), an investment adviser registered with the United States Securities and Exchange Commission (“SEC”). If you have any questions about the contents of this brochure, please contact us by telephone at (203) 352-6100 or by email at [legalnotices@bassocap.com](mailto:legalnotices@bassocap.com). The information in this brochure has not been approved or verified by the SEC or by any state securities authority.**

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

**Additional information about Basso is also 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 between the March 24, 2020 filing date of Basso's prior Part 2A on Form ADV and today's date.

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## **ITEM 4: ADVISORY BUSINESS**

### **General Description of Basso and its Advisory Services and Strategy**

Basso, a Delaware limited partnership, is an investment adviser with its principal place of business in Stamford, CT. The firm currently provides investment advisory services to two commingled fund vehicles, only one of which is offered to investors. In its more than 25 years of operations (including those of its predecessor), the firm has also provided investment advisory services to separately managed accounts, “funds of one”, registered investment companies (mutual funds) and Undertakings for Collective Investments in Transferable Securities (UCITS).

Basso (and its affiliated management entities) is owned by its two Founding Managing Partners – Chief Executive Officer (“CEO”) Howard Fischer, who started Basso’s predecessor in 1994, and Dwight Nelson, who joined the firm in 1999.

In addition to serving as CEO, Mr. Fischer has since 2011 been either the sole or principal portfolio manager of the firm’s only currently-offered fund, Basso SPAC Fund LLC (the “Fund”). The firm’s trading on behalf of the Fund focuses on the securities issued by special purposes acquisitions companies (“SPACs”), which are entities formed to seek potential acquisition opportunities within a specified time period. Given that Mr. Fischer alone manages the Fund, he is the firm’s sole partner participating in the firm’s revenues. Mr. Nelson manages a non-fee-producing proprietary-money-only fund that focuses principally on short-term bond trading – this entity is not considered to be a “client” for purposes of this brochure and the firm’s Form ADV filed contemporaneously with this brochure. Mr. Nelson also provides non-discretionary investment advisory services to high net worth individuals.

In this brochure Basso discusses certain conflicts of interest that may arise in its management of the Fund and the firm’s policies and procedures designed to detect and address these conflicts. Please request a copy of the Fund’s current offering materials for a fuller description of these and other conflicts and risks that may exist in connection with an investment in the Fund.

### **Investment Discretion and Mandate**

The firm has broad investment discretion when managing the Fund, which, as noted, primarily trades the securities issued by SPACs. These securities – including units, equities, warrants and rights - are traded on listed exchanges.

Basso does not currently, but would in the future, tailor its advisory services to an investor’s needs. For example, a SPAC or bond-trading account could be managed with investing or trading restrictions. Moreover, the firm is currently considering providing discretionary investment advisory services to managed accounts and high net worth and family office investors.

## **No Wrap Fee Programs**

Basso does not participate in wrap fee programs and does not manage wrap fee accounts.

## **Assets Under Management**

As of March 1, 2021, Basso had approximately \$208,967,000 in client (Fund) net assets under management, all of which were managed on a discretionary basis.

## **ITEM 5: FEES AND COMPENSATION**

### **Management Fees and Performance-Based Compensation**

With one exception, Fund investors are not charged a management fee based on their account balances. The Fund's initial investor elected, and continues, to pay a management fee in exchange for other beneficial terms.

Fund investors are charged performance-based compensation at year end or when they redeem or withdraw their investment. This compensation is deducted from the investor's account in arrears rather than billed or deducted in advance and is based on a percentage of the amount by which the net asset value of the investor's account has grown during the year. This compensation is not charged, however, unless the net asset value of an investor's account exceeds the investor's "high water mark". The high water mark is generally the highest prior net asset value of the investor's account, either at the time of initial investment or at any earlier year end, before reduction for any accrued performance-based compensation. In short, Basso does not earn performance-based compensation unless the investor has recouped losses measured against its high water mark. Basso may, in its discretion, waive or reduce the performance-based compensation for certain investors, and does waive this compensation for its personnel (partners and employees) who have invested in the Fund.

Basso's fee schedule is omitted because this brochure is only being delivered to qualified purchasers, as defined in the Investment Company Act of 1940, as amended ("40 Act"), and to non-U.S. persons.

Basso does not act as a broker-dealer, nor does it receive compensation for any broker-dealer activities. In addition, neither Basso nor any of its supervised persons accepts compensation that is solely transactional in nature, such as in connection with the sale of investment products or securities.

### **Fund Expenses**

The Fund pays all of its ongoing investment, administrative and operating expenses, some of which are or may be:

- Investment expenses such as brokerage commissions and other transaction charges; interest on margin accounts and other indebtedness; borrowing charges on securities sold short; taxes and other governmental charges; administrator

expenses; reporting expenses; legal fees in reviewing and negotiating trading documentation;

- certain research expenses;
- legal, external accounting, audit and tax preparation expenses; fees and expenses of service providers;
- litigation-related expenses;
- indemnification payments;
- the *pro rata* portion of the fees and expenses of any master fund or any trading vehicles that the Fund invests through, including directors' fees and expenses, when applicable; and
- reimbursements due to Basso for all costs and expenses, if any, borne by the firm on behalf of the Fund.

The Fund does not pay any of Basso's internal expenses, such as office rent and overhead, or employee salaries and health care.

#### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described in Item 5 above, Basso receives performance-based compensation for managing the Fund. The Fund's offering materials set forth the principal conflicts of interest that the firm may face with respect to receiving performance-based compensation – notably, that the firm may be incentivized to make riskier or more speculative investments than would be the case if this compensation was not received.

The types of conflicts that arise in conjunction with the side-by-side management of fund types with differing fee structures (such as an hourly or flat fee or a management/asset-based fee) are not currently at issue for Basso because it manages just one fee-producing entity. In prior periods, when the firm did undertake such side-by-side fund management, it implemented and maintained procedures that sought to ensure that all firm clients were treated fairly and equitably, in order to prevent potential conflicts from influencing the allocation of investment opportunities across various funds. During such periods, when the firm determined that more than one fund should purchase or sell a particular security at the same time, the firm used its best efforts to allocate these purchases and sales equitably after consideration of such factors as: cash available for investment in each fund, current fund asset mix and hedges, fund investment objectives and restrictions (such as those imposed by managers and regulators on 40 Act mutual funds and UCITS funds) and existing position sizes. With all factors being equal, it was Basso's policy to allocate trades on a pro rata basis when purchasing and selling securities. Basso expects to re-implement these procedures should additional funds or accounts be established with overlapping portfolio mandates.

## **ITEM 7: TYPES OF CLIENTS**

The Fund is considered to be a “pooled investment vehicle” because numerous individuals and entities are invested in it and their assets are combined prior to being invested by the firm. The Fund’s investors include institutional investors, other pooled investment vehicles (sometimes called “funds of funds”), high net worth investors and other individuals. The Fund limits non-Basso-personnel investors to persons who are both “qualified purchasers” as defined in the 40 Act and “accredited investors” as defined in the Securities Act of 1933, as amended. Generally, the Fund require a minimum initial investment of \$1,000,000, although this minimum can be waived and has been, for instance, for Basso personnel and “friend and family” investors.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Investment Strategy**

As noted in Item 4, Basso’s Fund trading focuses on investments in the securities issued by SPACs.

A SPAC is a publicly-traded, “blank check” funding vehicle for which a management team raises capital through an initial public offering (“IPO”), usually by selling units that consist of one share of equity and either one warrant and/or right or a portion of a warrant and/or right – these components of the unit typically trade separately on listed exchanges within approximately two months of the IPO. The capital raised in the IPO is placed in a trust and held for the benefit of the shareholders until such time as the management team identifies and consummates a merger, acquisition or other business transaction with one or more operating businesses or assets (a “Transaction”) or determines that a Transaction will not occur. Around the time of a Transaction shareholders have the option to retain their shares and thereby become investors in the new operating business or to request redemption of their shares at the pro-rata amount of the trust, which is usually equal to or in excess of the price paid for the unit in the IPO. If a Transaction does not occur, shareholders receive their pro-rata portion of the trust. The Fund typically buys units in the IPO and units and shares post IPO. Based on market prices, yields, an assessment of the Transaction (if any) and other factors, the portfolio manager determines whether and when to dispose, trade or remain invested in a SPAC’s shares, warrants or rights.

### **Overview of Risks Factors**

The following is a discussion of some of the material risks associated with investments in SPACs specifically as well as other more generalized risks connected to investing in the Fund. The Fund’s offering materials contain a more complete description of the risks associated with such an investment.

The Fund’s investors should understand that even the most rigorous processes do not ensure investing success. Investing in securities involves the possibility of losing some, and possibly all, of a person’s investment.

## **SPAC-Specific Risks**

### **Risks Relating to “Blank Check” Companies**

SPACs are blank check companies with no operating history - when the Fund invests in a SPAC, the SPAC typically has not conducted any discussions or made any plans, arrangements or understandings with any prospective Transaction candidates. Accordingly, there is a limited basis (if any) on which to evaluate the SPAC’s ability to achieve its business objective.

While certain SPACs are formed to make Transactions in specified market sectors, others are complete blank check companies, and the management of the SPAC may have limited experience or knowledge of the market sector in which the Transaction is to be made. Accordingly, at the time that the Fund invests in a SPAC, there may be little or no basis for the Fund to evaluate the possible merits or risks of the particular industry in which the SPAC may ultimately operate or the target business which the SPAC may ultimately acquire.

The regulatory model of a blank check public company has become generally accepted, but there may be unanticipated regulatory risks involved in the structure. In addition, because hedge funds are major investors in SPACs, SPACs may become involved in the generally increased scrutiny to which hedge funds are subject.

A SPAC will not generate any revenues until, at the earliest, after the consummation of a Transaction. While a SPAC is seeking a Transaction target its stock may be thinly traded. The economic model for a SPAC depends on there being a viable market for its securities prior to consummation of a Transaction. There can be no assurance that such a market will develop, despite the fact that such securities legally are freely tradable (having been publicly offered).

Notwithstanding the preceding paragraph, certain SPACs have, primarily in the past year, become the subject of increased, even speculative, trading activity. This has resulted in heightened valuations that may not reflect the true underlying value of the traded securities. Such trading changes the nature of SPAC ownership and investing and increases the likelihood of greater volatility in Fund returns.

### **Risks Relating to Trust Proceeds**

The proceeds of a SPAC IPO that are placed in trust are subject to risks, including insolvency of the custodian of the funds, mismanagement or fraud by the trustee, interest rate changes and credit and liquidity risks relating to the treasury or other securities in which the proceeds are invested.

### **Risks Relating to SPAC Management**

Each SPAC’s management team will be responsible for identifying business combination opportunities and negotiating the terms of the Transaction and, consequently, the Fund will be dependent upon the integrity, skill and judgment of the management team of each SPAC in which the Fund invests. At times a SPAC’s management consists of financial industry professionals who may have little, if any, experience in managing companies in the business sectors in which the potential issuers to be acquired by the SPAC operate.



It is not generally expected that the officers and directors of a SPAC will be required to commit their full business time and attention to the management of the SPAC, which could create a conflict of interest when allocating their time between the SPAC's operations and their other commitments. If such other commitments require the SPAC's officers and directors to devote more substantial amounts of time to their other businesses and affairs, their ability to devote time to the SPAC's management would be limited, possibly having a negative impact on the SPAC's ability to consummate a Transaction. In addition, the officers and directors of a SPAC in which the Fund invests may become involved with other SPACs in which the Fund does not invest which may engage in similar business opportunities. Consequently, these officers and directors could have conflicts of interest in determining to which SPAC a particular business opportunity should be presented. In such circumstances, there can be no assurance that a given business opportunity would be presented to the SPAC in which the Fund holds an investment. Moreover, after a Transaction the management of a SPAC will often step down, leaving investors dependent on the skill of the incumbent or new management of the issuer acquired by the SPAC.

### **Risks Relating to SPAC Transaction Targets**

The typical Transaction target is a private company. Due diligence on these companies may be difficult, and they will often not have the same level of financial controls as public entities. To the extent that a SPAC completes a Transaction with a financially unstable company or an entity in its development stage, the SPAC may be affected by numerous risks inherent in the business operation of that entity. If a SPAC completes a Transaction with an entity in an industry characterized by a high level of risk, the SPAC may be affected by the risks of the industry.

### **Risks Relating to Consummation of Transactions**

At times when general market conditions are not favorable for merger and acquisition activity or other capital formation, the percentage of SPACs that fail to find Transactions and must dissolve is likely to increase. During such periods, investors such as the Fund that are long SPAC securities are less likely to experience attractive risk-adjusted returns.

Once a Transaction is pending, stockholders may prefer the certainty of a return of funds held in trust to the uncertainty of a proposed Transaction. Where the Fund is a holder of such a SPAC's common stock, Basso will have the right to vote to approve or disapprove a prospective Transaction on behalf of the Fund. Whether the firm votes for or against the Transaction, it can elect cash redemption and the Fund's shares of common stock will be redeemed for cash regardless of whether the Transaction is approved and consummated. In contrast, where the Fund only holds warrants of a SPAC, it will not have the right to vote to approve or disapprove a prospective Transaction, and the decision will be made by the SPAC's stockholders. While the risk of stockholder rejection has been lessened in the current style of SPACs, nevertheless some risk remains that a management-sought Transaction will not be consummated.

SPACs are subject to significant "event risk"; that is, a SPAC's success depends on its ability to identify and close a Transaction within the relatively short period delimited in its

charter. If a SPAC fails to close a Transaction within that period the SPAC is typically required to liquidate and dissolve. As noted, upon such dissolution the holders of the SPAC's common stock receive a fixed distribution from a trust established to hold the IPO proceeds. Such distributions may reflect a loss compared to the initial IPO price because of the expenses of the SPAC's IPO, the SPAC's general and administrative expenses and the costs of seeking a prospective Transaction. Upon a SPAC's dissolution, the warrants will expire worthless. Therefore, the Fund may expect from time to time to suffer complete losses of its investments in certain SPAC warrants.

Further, the past two years have seen exponential growth in the number and size of SPAC IPOs. This has resulted in a far greater number of management teams (and trust-held funds) seeking SPAC Transaction targets. In turn, it may be the case that more SPACs fail to complete a Transaction, increasing the Fund's overall risks associated with such failures.

### **Post-Transaction Risks**

If a SPAC consummates a Transaction, there can be no assurance that an investment in the SPAC's units, shares, warrants or rights will ultimately prove to be more favorable to investors than a direct investment, if an opportunity were available, in the target business. This is especially the case with regards to SPAC warrants - warrant holders may sustain losses even in the event of a Transaction consummation if the value of the SPAC's common stock after the Transaction is less than the strike price of the warrants. In addition, because a SPAC may be able to call warrants for redemption after the warrants become exercisable if the sale price of the common stock equals or exceeds a specified price for a specified number of trading days, the Fund's profit potential with respect to SPAC warrants may be limited by such call feature.

The operating companies that result from a Transaction face all the risks that typically follow a major business merger or consolidation, including the risks relating to integration and the risks inherent in trying to achieve a new business plan. In addition, many Transactions involve the use of substantial leverage, and the debt burden on the operating company may exceed what is prudent or manageable. Further, SPAC operating companies often are public companies for the first time following consummation of the Transaction and therefore may not be experienced in facing the challenges, expenses and risks of being a public company, including the increased regulatory and financial scrutiny and the need to comply with applicable governance and accounting requirements.

### **Concentration on a Single Strategy**

Substantially all of the Fund's investments will be in SPAC securities and at times may include the operating companies into which SPACs invest or merge. This concentration will reduce the likelihood of the more stable performance that might result from a more diversified investment strategy. Moreover, the prices of SPAC securities have historically been correlated with each other because certain investors analyze SPACs as a sector rather than as individual companies.

### **Other Risks; Reliance on Basso**

The success of the Fund depends on Basso's ability to invest successfully. To do so, the firm relies on Howard Fischer. Were the firm to cease to be able to operate effectively (for financial, tax, regulatory or other reasons), the Fund would likely dissolve. Should the services of Mr. Fischer become unavailable to the firm, it is also likely that the Fund would dissolve – certain “key man” language in the Fund's offering materials addresses this. Particularly in disrupted markets, were the Fund required to liquidate due to either circumstance, substantial losses could be incurred.

As with any commercial enterprise, Basso's business is dependent on its profitability. The firm manages revenues and expenses to the best of its ability on an ongoing basis. There can be no assurance that the firm will at all times be able to maintain a favorable ratio of revenues to expenses.

### **Financing Arrangements; Availability of Credit**

The Fund uses leverage, the level of which will vary on an ongoing basis in relation to the Fund's capital and may from time to time be significant. There can be no assurance that the Fund will be able to maintain adequate financing arrangements under all market circumstances. Portfolio financing may not be available on advantageous terms, if at all, for certain investment assets. As a general matter, the banks and dealers that provide financing to the Fund can apply essentially discretionary margin, collateral discount (haircut), financing, security and collateral valuation policies. Changes by banks and dealers in such policies, or the imposition of other credit limitations or restrictions, whether due to the occurrence of certain triggering events, market circumstances or governmental, regulatory or judicial action, may result in large margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to (or the triggering of cross-acceleration clauses in) agreements with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time - for example, as a result of illiquidity in the credit markets and systemic deleveraging in the marketplace. The imposition of such limitations or restrictions could compel market participants to mark down and/or liquidate all or part of their portfolios at disadvantageous prices resulting in lower valuations for such assets, which may affect the valuation of assets held by the Fund. In addition, credit limitations or restrictions could result in all or a portion of the Fund's positions becoming subject to severe collateral discounts by financing counterparties and/or being liquidated at disadvantageous prices by the Fund or by the Fund's finance counterparties. In the broad market decline experienced in 2008 and 2009, banks and dealers substantially curtailed financing activities and increased collateral requirements, forcing many hedge funds to liquidate positions. There can be no assurance that the Fund will be able to maintain adequate financing to pursue its investment program and achieve its objectives.

### **Reliance on Corporate Management and Financial Reporting**

The Fund's investment strategies may rely on the financial information made available by the issuers in which the Fund invests. Basso has no ability to independently verify the financial and other information disseminated by the possibly hundreds of issuers in which the Fund may

invest and is dependent upon the integrity of both the management of these issuers and the reporting process in general. Numerous widely-publicized instances of corporate fraud have demonstrated the material losses which investors in corporations and other investment vehicles, such as investment funds, can incur as a result of alleged corporate mismanagement, fraud and accounting irregularities.

### **Market Risks in General**

All of the Fund's strategies are subject to some dimension of market risk: directional price movements, deviations from historical pricing relationships, changes in the regulatory environment, changes in interest rates, changes in market volatility, changes in the liquidity of certain positions or categories thereof, flights to quality, credit squeezes and other market conditions. The Fund's style of investing is risky, potentially more risky than other investing strategies. Numerous examples exist of hedge fund strategies, particularly those that have involved the use of leverage or illiquid securities, from time to time incurring sudden and dramatic losses arising from market risk and other factors. There can be no assurance that the Fund will not sustain a sudden, dramatic - and potentially total - loss.

The Fund's positions and strategies may not be diversified. Regardless, even significant diversification may not provide meaningful risk control. In fact, diversification may reduce the Fund's profit potential as a result of certain strategies being unprofitable while others are profitable.

Position duration, which often cannot be predicted when an investment is initiated, can intensify market risk. Withdrawals or loss of access to leverage can exacerbate position duration risk. There can be no assurance that the Fund will be able to maintain a particular position, or group of related positions, for the duration required to realize the expected gains, or avoid losses, from such positions.

### **Changing Interest Rates**

The Fund will pay interest on amounts financed with prime brokers and other custodians at floating rates that may be based on the Federal Funds Rate or London Interbank Offering Rate (LIBOR). An increase in interest rates would increase the Fund's interest expense and reduce the spread between the Fund's return on its leveraged investments and the cost of its borrowings. In addition, an increase in interest rates would adversely affect the ability of a SPAC to obtain the additional funding that is sometimes necessary to complete a Transaction. Changes in interest rates also could make certain investments subject to pre-payment risk. Changes in interest rates also have the potential to impact the market value of equities and derivatives. Fluctuations in interest rates, if significant, could materially and adversely affect the Fund's operations and performance.

### **Volatility of Prices; Stagnant Markets**

The instruments that may be traded by the Fund have been subject to periods of high and/or low price volatility in the past, and such periods can be expected to recur for those and other instruments, impacting the returns of such instruments. Price movements are influenced by

many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions.

While volatility can create profit opportunities for the Fund, it can also create the specific risk that historical or theoretical pricing relationships could be disrupted or changed indefinitely, causing what should otherwise be comparatively low-risk positions to incur losses. On the other hand, the lack of volatility can also result in losses for certain of the Fund's strategies that profit from price movements.

Conversely, although volatility is one indication of market risk, as noted above, certain of the investment strategies employed by the Fund may be designed to profit from volatility - relying for their profitability on market volatility contributing to perceived mispricings. In periods of trendless, stagnant markets and/or deflation, certain hedge fund strategies may have materially diminished prospects for profitability. The warrants issued by SPACs, as in the case with any option, will increase in value as market volatility increases and decline in value in stagnant markets.

### **Lack of Liquidity**

The market for the SPAC securities traded by the Fund may have limited liquidity. Lack of liquidity can make it difficult or impossible for the Fund to purchase or sell securities at desired prices or in desired quantities, as a result of which, among other things, it may be economically unfeasible for the Fund to recognize profits on open positions or to close out open positions against which the market is moving. In addition, illiquidity can disconnect market values from certain of the principal factors utilized in Basso's analyses. Fair value accounting requirements may dictate that the firm take mark-downs, which may be significant, on illiquid positions even though the firm has no intention of selling such positions in the foreseeable future.

A significant decline in the liquidity available to certain other funds managed by Basso was a major contributor to material losses incurred by those funds in 2008.

### **Developing New or Additional Investment Strategies**

Basso expects that, over time, it will develop additional trading strategies to be used on behalf of the Fund. The firm is not restricted from using the Fund's capital in developing and incubating new strategies, even if the firm has limited experience in a new strategy. There can be no assurance that the firm will be successful in implementing more diversified strategies or such other strategies as it may from time to time develop for the Fund.

### **Duration of Investment Positions**

Certain Fund transactions will involve acquiring related positions in different instruments. Optimizing the probability of being able to exploit the pricing anomalies among these positions may necessitate holding such investments for a particular duration. Actual holding periods will depend on numerous market factors which can both expedite and disrupt price divergences and convergences. In addition, periods of illiquidity in the markets in which the Fund trades could result in the Fund becoming unable to exit certain positions within the time period originally anticipated by Basso and could result in the Fund being unable to realize an

anticipated gain or limit anticipated losses on such positions within the originally expected time frame, if at all.

### **Equity Securities**

The Fund's investments and trades will be based in part on Basso's predictions of the future price level of different equity or equity-related securities. Numerous inter-related and difficult-to-quantify economic factors influence the prices of equities, including market sentiment and subjective and extraneous political and economic factors. There can be no assurance that the firm will be able to predict future price levels correctly. The Fund's directional equity positions may be leveraged, and even comparatively minor adverse market movements can result in substantial losses.

### **Warrants**

One of the Fund's primary investment strategies involves investing and trading in SPAC warrants, which are a form of option. SPAC warrants are inherently risky because they expire worthless unless the issuer consummates a Transaction within a relatively short period. Even after consummation of a Transaction, the warrants may expire worthless if the value of the SPAC's common stock after the Transaction is less than the strike price of the warrants.

### **Importance of Basso's Market Judgment and Analysis**

Although Basso may use quantitative and qualitative valuation methods to complement other analytical tools in evaluating the economic components of certain prospective trades, the firm's quantitative strategies are by no means wholly systematic: Howard Fischer's market judgment and discretion are fundamental to the implementation of these strategies. The Fund's strategies and investments rely on the firm's interpretation of information available to the firm, which may include information from news sources, an issuer's structure or material agreements, the governing terms of an investment and applicable laws and regulations. The firm's analyses may be incorrect or incomplete or impacted by changes to the information originally relied upon by the firm. There is no assurance that the firm's analyses will result in positive returns on particular investments or the portfolio overall.

## **ITEM 9: DISCIPLINARY INFORMATION**

There have been no legal or disciplinary actions that are material to a client's or prospective client's evaluation of Basso's advisory business.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Basso Management, LLC, a Delaware limited liability company, serves as the Fund's managing member. Basso GP, LLC, also a Delaware limited liability company, serves as Basso's general partner.

Basso has delegated certain discretionary sub-advisory authority to Basso Associates UK Limited ("BAUK"), a wholly-owned Basso subsidiary. BAUK has not, however, been granted such authority with respect to the Fund – BAUK's current sub-advisory authority currently

applies solely to the proprietary-money-only fund managed by Dwight Nelson. BAUK is authorized and regulated by the United Kingdom regulator, the Financial Conduct Authority, under Part 4a of the U.K. Financial Services and Markets Act 2000. BAUK personnel are subject to Basso's policies and procedures as set out in the Basso Compliance Manual and Code of Ethics as well as those set out in the BAUK Financial Conduct Authority Compliance Manual.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

Basso is an SEC-registered adviser and has adopted a Code of Ethics ("Code") pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended ("Advisers Act"), that is built on the principle that the firm owes a fiduciary duty to its investors. The Code and related compliance procedures in place at the firm seek to prevent activities that run, or appear to run, contrary to the best interests of the Fund. Some of the underlying principles of the Code include the obligation to act with integrity, competence and respect in all work matters, to place the interests of the firm and its clients above personal interests, to avoid actual or potential conflicts of interest and to uphold the rules governing capital markets. All principals and employees of the firm must confirm that they understand the Code and agree to comply with it both upon initial employment and through an annual certification.

Basso's principals and employees may trade securities for their own accounts. The firm has considered the related conflicts of interest that may arise with respect to the Fund and determined to allow personal trading in SPAC securities only with the pre-approval of Howard Fischer and the Chief Compliance Officer. In addition, no trades are permitted in the securities of companies listed on the firm's "restricted list", discussed below.

Basso reviews the monthly and/or quarterly personal trading records of firm personnel to confirm that any SPAC security trades were approved in advance and that no trades were made in securities listed on the firm's restricted securities list.

The Code also contains policies and procedures designed to ensure that insider trading is not engaged in. Insider trading is generally understood to be trading on the basis of material non-public information. The Code addresses the principal elements of insider trading, including materiality, and the procedures for personnel to follow when they come into possession of material non-public information. Maintenance of the restricted list, mentioned earlier, is a central component of the firm's insider trading procedures.

To augment the Code, Basso personnel receive training or compliance reminders in a number of areas. These typically cover such topics as insider trading, market manipulation, regulations that govern trading, required government filings and anti-money laundering prohibitions. Conflicts of interest that can impact the firm and the Fund, such as those arising from the giving and receipt of gifts to and from business partners, and the making of political contributions, are also discussed and the subject of specific compliance procedures.

Investors or prospective investors may obtain a copy of the Code by making a written request to Basso Capital Management, L.P., Attention: Chief Compliance Officer, 1266 East Main St., 4th Floor, Stamford, CT 06902.

### **Conflicts of Interest**

Basso is subject to additional conflicts of interest which may impact its clients and investors beyond those discussed immediately above. The Fund's offering materials contain a more complete description of the most significant conflicts of interest associated with an investment in the Fund - potential investors should read about those conflicts carefully. Briefly, those conflicts concern: other business activities that the firm and its partners may engage in which may create time and resource competition with the Fund; other accounts and funds that the firm may open or manage which may have differing features and rights than those of the Fund and allocation issues between and among the Fund and such other funds or accounts as the firm may manage in the future. In addition, although the firm devotes a significant amount of time to its Fund-management responsibilities, the firm is required to devote only such time and attention to the business and affairs of the Fund as it determines to be necessary or advisable. The firm's partners are currently involved in other business ventures and may organize or become involved in other business ventures in the future. The Fund and the firm will not share in the risks or rewards of these other ventures.

## **ITEM 12: BROKERAGE PRACTICES**

### **Selection of Broker-Dealers**

The Fund maintains a number of different brokerage and custody arrangements with banks and other established financial institutions. The selection of brokers to execute securities transactions for the Fund's accounts is guided by the primary goal of obtaining "best execution" for clients. In determining whether the Fund is receiving best execution from specific counterparties, and in circumstances where execution may be obtained from more than one broker or dealer, Basso evaluates such factors as price (including commissions and spreads), quality of investment research, broker reputation, trade execution and liquidity provision capabilities, market knowledge and the other services provided by the broker. Best execution does not always mean getting the lowest possible price for a particular trade.

Basso currently uses three principal electronic communications networks for trading common stock and options. In selecting these networks, the firm considered their ease of use, speed and routing of trades, trade execution and fullness of market price disclosure.

Basso does not currently generate or receive "soft dollar" commissions from any of the brokers or electronic communications networks it trades with. The firm does receive research from brokers but does not pay for that research.

### **Directed Brokerage**

Basso does not permit its clients or investors to direct brokerage, which is the practice of requiring the firm to execute transactions through a specified broker-dealer. As noted, the firm considers numerous factors in determining which brokers to work with and seeks to obtain best



execution at all times. The firm may in the future provide investment advisory services to additional funds whose investors are advised by a single manager or a managed account in which the client may want the firm to execute transactions through a specified broker-dealer. These clients should understand that compliance with a directed brokerage arrangement may result in the firm being unable to achieve the most favorable execution of the client's trades. Directing brokerage may also cost clients more money. For example, in a directed brokerage account, clients may pay higher brokerage commissions because the firm may not be able to aggregate orders to reduce transaction costs or clients may receive less favorable prices.

### **Trade Aggregation and Allocation**

As discussed above in Item 6, Basso does not currently face trade allocation or aggregation issues because it only manages one entity that purchases and sells SPAC securities, the Fund. Should the firm again manage overlapping portfolios across two or more entities, it expects to re-implement long-established procedures to ensure fair and equitable treatment of all clients in the allocation of investment opportunities.

### **Trade Errors**

In the course of Fund trading Basso personnel may make "trade errors" - *i.e.*, errors in executing specific trading instructions. Examples of trade errors include purchasing or selling the wrong security, or the right security in the wrong quantity or account. Trade errors may result in losses or gains. The firm attempts to identify and minimize trade errors, in part by promptly reconciling confirmations with order tickets and intended orders. Any losses incurred by the Fund due to a trade error are reimbursed to the Fund by the firm. Reimbursement is made as soon as reasonably possible after the trade error. If reimbursement is unduly delayed, a reasonable amount of pro rata interest will be added to the reimbursement amount.

## **ITEM 13: REVIEW OF ACCOUNTS**

Howard Fischer is responsible for developing and implementing the Fund's overall strategy. He also sets position sizes, diversification targets, price parameters and the day-to-day trading activities of the Fund.

Beyond direct investment activities, various personnel perform a range of reviews on an ongoing basis for Basso and the Fund. The firm's operations team, in conjunction with the Fund's prime brokers, bank and administrator, focuses on cash management, cash reconciliation, trade confirmation and reconciliation, portfolio valuation and corporate actions. The firm's General Counsel/Chief Compliance Officer performs compliance reviews covering such areas as the firm's restricted trading list, personal trading, beneficial ownership levels and reporting obligations, trade errors and proxy voting. The firm's Chief Financial Officer focuses on preparation of monthly accounts and annual financial statements, portfolio and net asset valuation, cash management and reconciliation, audit activities, books and records maintenance and other matters.

All Fund investors receive account statements and reports of estimated investment performance on a monthly basis. The Fund also sends a weekly estimate of investment performance and, on request, a periodic transparency report that provides such portfolio data as

leverage and top position exposures. Basso also provides investors with audited financial statements annually through the Fund's administrator. Communications with any investors other than those described above are as agreed between the firm and the investor.

#### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

As discussed in Item 12, Basso does not currently have any soft dollar arrangements. The firm does not pay for client or investor referrals.

#### **ITEM 15: CUSTODY**

Basso, and more specifically, Basso Management, LLC, is deemed to have custody of the Fund's assets by virtue of its control over these assets. Investment advisers with custody of client assets must meet the requirements of Rule 206(4)-2 of the Advisers Act. The Fund's assets are held in custody by qualified custodians, which are broker-dealers or banks unaffiliated with Basso (or with Basso Management, LLC). The Fund is subject to an annual audit and the audited financial statements are distributed to each investor in the Fund within 120 days following the Fund's fiscal year end. The audited financial statements are prepared in accordance with U.S. generally accepted accounting principles by an independent public accountant that is registered with and subject to inspection by the Public Company Accounting Oversight Board.

#### **ITEM 16: INVESTMENT DISCRETION**

Basso has full discretionary authority when managing the Fund. The authority is discussed in the Fund's offering materials and set out in the Fund's Second Amended & Restated LLC Agreement. This discretion includes the authority to determine the securities to be bought and sold, the timing, quantity and price of these securities transactions, the broker or dealer to be used and the commission rates paid. The firm generally also has full discretion, as discussed above in Item 12, to select prime brokerage and other banking and counterparty relationships, as well as related investment parameters, such as leverage.

Basso has in the past managed and would in the future consider managing assets for an investor or account that sought to provide input regarding portfolio composition, leverage or similar parameters. Nonetheless, the firm would generally expect to retain full, day-to-day, discretionary authority over the investment process within the agreed upon parameters.

#### **ITEM 17: VOTING CLIENT SECURITIES**

Basso has the authority to vote all securities held by the Fund. The firm has adopted proxy voting policies and procedures consistent with Rule 206(4)-6 under the Advisers Act. The general policy is to vote proxy proposals in a way that the firm believes will cause the related investment's value to increase the most or decline the least. In limited circumstances, the firm may abstain from voting a proxy when it believes this course of action would be in the Fund's best interest.

Basso's General Counsel/Chief Compliance Officer or his designee, in coordination with the firm's investment professionals and operations staff, prime brokers and an independent proxy

voting service: receives proxy voting materials; determines the Fund's holdings as of the record date; identifies and addresses any material conflicts between the firm's interests and those of the Fund; determines how to vote, or as noted, whether to abstain from voting; submits proxy votes and keeps proxy voting records. If a conflict of interests is identified, the firm will not vote the proxy on behalf of the Fund until it has determined that the conflict is not material or has agreed upon and implemented a method for resolving the conflict.

As a standard practice, the portfolio manager in charge of the security being voted is asked for voting instructions. A brief description of the ballot is circulated to the portfolio manager along with the official ballot, which contains a more detailed statement of the issues being voted, and typically, company management's voting recommendations. Votes contrary to company management's recommendation on routine matters are supported by an explanation from the portfolio manager, as are all votes on non-routine matters. Examples of non-routine matters include mergers, substantial asset dispositions, material acquisitions, SPAC-duration extensions and certain corporate governance changes.

Basso does not permit individual investors or a group of investors to direct proxy voting.

Investors may obtain a copy of Basso's proxy voting policy, and information regarding how client securities have been voted, by making a written request to Basso Capital Management, L.P., Attention: Chief Compliance Officer, 1266 East Main St., 4th Floor, Stamford, CT 06902.

#### **ITEM 18: FINANCIAL INFORMATION**

Basso does not solicit prepayment of fees from its clients. The firm has not been the subject of a bankruptcy petition during the past ten years.