

Item 1 – Cover Page

Nantahala Capital Management, LLC

130 Main St. 2nd Floor
New Canaan, CT 06840

203-909-6430

www.nantahalapartners.com

March 31, 2021

This Brochure provides information about the qualifications and business practices of Nantahala Capital Management, LLC (“Nantahala” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at 203-404-1172 and/or paul@nantahalapartners.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Nantahala is a registered investment adviser with the SEC. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information based on which you determine to hire or retain an investment adviser.

Additional information about Nantahala also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Firm brochure (“Brochure”) was prepared for Nantahala’s annual updating amendment for its fiscal year ending December 31, 2020. Nantahala is currently registered as an investment adviser with the SEC.

Though Nantahala does not believe that there have been any material changes made to this Brochure since the last update made March 30, 2020, updates have been made to Items 4B, 4E, 5, 8A, 8B (with several new disclosures), & 10C. Clients and prospective investors should review the Brochure in its entirety.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting Paul Rehm either by phone at 203-404-1172 or by email at paul@nantahalapartners.com.

Additional information about Nantahala is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Nantahala who are registered, or are required to be registered, as investment adviser representatives of Nantahala.

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Item 4 – Advisory Business

A. Description of the Advisory Firm

Nantahala Capital Management, LLC, a Massachusetts limited liability company, is the investment manager to the Clients, as defined below. Nantahala was organized in May 2004. Wilmot B. Harkey and Daniel J. Mack are the principal owners and Managing Members of Nantahala.

B. Types of Advisory Services

Nantahala provides investment advice and management to privately placed investment funds including limited partnerships (the “Partnerships”) and non-U.S. companies or limited partnerships of which Nantahala is the investment manager (the “Offshore Funds,” jointly with the Partnerships, the “Funds”). The Offshore Funds pursue their investment activities by investing all their assets in the Partnerships in a mini-master structure. Nantahala’s clients also include separately managed accounts and funds of one (“Separate Accounts”), primarily for other pooled investment vehicles. The Funds and Separate Accounts are jointly referred to herein as “Clients.”

Nantahala utilizes a long-term fundamental value investing methodology with a primary focus on small to mid-sized U.S. companies. The Clients’ investment objectives are generally to seek strong and consistent risk-adjusted returns. Nantahala focuses on investments in equity, fixed-income, and equity-derivative securities. Nantahala will, however, invest in other asset classes of securities as opportunities arise. Nantahala intends to achieve the Clients’ objectives through value-oriented securities selection and disciplined risk management, holding long and short positions while, within certain investment strategies, generally seeking to maintain near market-neutral exposure to certain risk factors. While Nantahala follows the same investment approach for most Clients, some individual Clients follow strategies that have differing or more limited focuses, more concentrated investments in companies that are in Nantahala’s primary strategy portfolios, or differing approaches to risk management.

Some Clients are offering interests (the “Interest(s)”) to certain qualified investors as described in response to Item 7, below (such investors or prospective limited partners are referred to herein as “Investors”).

C. Client Tailored Services and Client Imposed Restrictions

Advisory services are tailored to achieve the Clients’ investment objectives. Generally, Nantahala has the authority to select which and how many securities and other instruments to buy or sell without consultation with the Clients or their Investors. Arrangements with Separate Accounts may vary.

D. Wrap Fee Programs

Nantahala does not participate in wrap-fee programs.

E. Amounts Under Management

Nantahala's assets under management (AUM) based on the net asset value of its Funds and Separate Accounts as of December 31, 2020 were approximately:

Discretionary Amounts:	Non-Discretionary Amounts:	Date Calculated:
\$1,313,662,234	\$0	December 31, 2020

Nantahala's calculated AUM figure does not include committed but uncalled capital.

Item 5 – Fees and Compensation

A. Fee Schedule

1. Management Fee

From the Funds, Nantahala typically receives a monthly or quarterly asset-based management fee calculated as a percentage of each Investor's capital account, payable monthly in advance or quarterly in arrears, depending on the specific Fund. The management fee typically ranges between 1.0% and 2.0% annually. From Separate Accounts, Nantahala generally receives management fees comparable to those paid by the Funds; however, fee structures are subject to negotiation and may vary from those paid by the Funds.

2. Incentive Allocation or Fee

Nantahala generally receives a performance allocation or fee from the Funds equal to a percentage of the net income allocated to each Investor for the year, subject to a "high water mark" procedure such that the incentive allocation or fee is taken only to the extent net income allocated to that Investor exceeds any cumulative losses that were allocated to that Investor for earlier periods that have not been recovered. This incentive allocation or fee is generally 20% and is typically made at the end of each calendar year. From Separate Accounts, Nantahala generally receives performance allocations or fees comparable to those paid by the Funds; however, fee structures are subject to negotiation and may vary from those paid by the Funds.

The incentive allocation or fee will only be charged to accounts of those Investors who are "qualified clients" as defined in Rule 205-3 of the Investment Advisers Act of 1940.

Fees and other compensation are negotiable in certain circumstances, and arrangements with any particular Investor may vary. Although Nantahala believes its fees are competitive, lower fees for comparable services may be available from other investment advisers.

B. Payment of Fees

Advisory fees, incentive allocations or fees, and third-party fees (discussed below) are generally deducted from Client assets as initiated by Nantahala or the Client. Advisory fees, which are paid in advance or in arrears depending on the Fund or Separate Account, are withdrawn at the beginning of the month or quarter. Incentive allocations or fees are generally allocated or paid as of the last business day of the calendar year and as of or following any date on which an Investor makes a withdrawal or receives a distribution from such Investor's capital account(s).

C. Third-party Fees

The Clients shall generally pay such costs and expenses as Nantahala shall reasonably determine to be necessary, appropriate, or advisable to carry on its business and realize its objective, which may include but are not limited to: (i) advisory fees; (ii) all general investment expenses (i.e., expenses which Nantahala reasonably determines to be directly related to the investment of a Client's assets); (iii) all administrative, legal, accounting, auditing, record-keeping, tax form preparation, compliance and consulting costs and expenses; (iv) fees, costs and expenses of third-party service providers that provide such services; and (v) any extraordinary expenses, among other expenses. Investors should refer to a Fund's offering documents or a Separate Account's governing documents for a full disclosure of costs and expenses that may be borne by the Clients. Because each Client has separate governing agreements that define the terms of the expenses borne by each Client, some Clients bear expenses that others do not. In these circumstances, while one Client may bear a lower portion of a given expense as a result of its governing agreements, Nantahala will not have the ability to increase the portion of such expense borne by other Clients.

Nantahala's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the Clients. Such charges, fees, and commissions are exclusive of and in addition to Nantahala's advisory fee, and Nantahala shall not receive any portion of these commissions, fees, and costs.

Please see Item 12 of this Brochure for more information about Nantahala's brokerage arrangements for its Clients.

D. Prepayment of Fees

Nantahala generally does not permit withdrawals on dates other than the last day of each calendar month. In the event that Nantahala makes an exception to this policy, it may agree

to pro rate the management fee in whole or in part, in its sole direction or as stipulated in the Client's governing documents.

E. Outside Compensation for the Sale of Securities

Neither Nantahala nor its supervised persons accepts compensation for the sale of securities or other investment products outside of its association with Nantahala.

The foregoing response to Item 5 represents Nantahala's basic compensation arrangements. The management fees and incentive allocations or fees described above are structured to comply with Rule 205-3 under the Advisers Act and applicable state laws.

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

As discussed in Item 5.A., in addition to advisory fees, Nantahala generally receives a performance allocation or fee equal to a percentage of the net income allocated to each Investor for the year.

The performance allocation or fee may provide a possible incentive for Nantahala to make riskier or more speculative investments on behalf of a Client than those which would be recommended under a different fee arrangement. In addition, this arrangement may cause Clients to pay a greater expense than if such fees were not charged. Notwithstanding this potential incentive, Nantahala will evaluate investments in a manner that it considers to be in the best interest of the Clients, given those Clients' investment objectives, investment strategies, suitability of the investment, and risk profile.

To the extent that there may be differences in Nantahala's compensation arrangements, such circumstances could create an incentive for Nantahala to manage Client portfolios to favor a portfolio that pays performance-based compensation over one that did not. Notwithstanding this conflict, Nantahala will allocate transactions and opportunities among Client accounts in a manner it believes to be as equitable as possible, in accordance with its trade allocation policy, and with consideration for each Client's objectives, programs, limitations, and capital available for investment.

Item 7 – Types of Clients

Nantahala provides investment advice and management to the Partnerships, Offshore Funds, and Separate Accounts. Separate Account Clients, including Offshore Funds that are part of Separate Accounts, may include funds of funds, endowments, pension plans, or other institutional investors.

Nantahala may, in the future, provide the same or similar services to other privately placed investment funds and/or separately managed accounts.

Prospective Investors in the Funds must meet eligibility criteria and are subject to certain withdrawal requirements and limitations. Depending on the Fund, interests are offered to “Accredited Investors” (as defined in Regulation D under the Securities Act of 1933), “Qualified Clients” (as defined in Rule 205-3 under the Investment Advisers Act of 1940) and/or to “Qualified Purchasers” (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended). Shares in the Offshore Funds are offered to non-U.S. persons and a limited number of U.S. persons who are Qualified Purchasers, Accredited Investors, and exempt from U.S. federal income taxation. Generally, similar terms will apply to Separate Accounts, though Investors in such Separate Accounts may negotiate terms that differ or are more favorable than those for the Funds.

The minimum initial investment in the Funds is \$1,000,000, subject to waiver at the discretion of Nantahala.

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

Investing in securities involves risk of loss that Clients and their Investors should be prepared to bear. The following is a general summary of the principal types of securities and other instruments in which the Funds may invest, certain trading techniques that they may employ, the investment criteria that they plan to apply and the guidelines established with respect to the composition of the investment portfolio. Investors and potential Investors in the Funds are urged to review the risk factors and other disclosures set forth in the applicable Fund’s offering documents, because such risk factors and disclosures are tailored for risks applicable to such Fund.

A. Methods of Analysis and Investment Strategies

Nantahala seeks to provide Clients with strong risk-adjusted returns on their capital. There can be no assurance that the Clients will achieve this objective or that substantial losses will not be incurred.

Nantahala practices research intensive, fundamental security selection and bases its investment decisions on internally generated research and research obtained from outside sources. While Nantahala focuses on small and middle capitalization equities and related fixed-income and equity-derivative securities, Nantahala may invest in companies of any magnitude of market capitalization. The Clients may take long and short positions in a wide range of public and private equity and debt securities and derivatives, including, but not limited to, listed equities, when-issued equities, bonds, listed put or call options, total return swaps, OTC derivatives, warrants, special purpose acquisition companies (“SPACs”), loans, and other instruments in implementing its strategies and, in certain cases, these positions are leveraged, either through outright borrowings or through leverage embedded in derivatives acquired by the Clients.

Nantahala focuses on intrinsic value by identifying securities which are mispriced relative to the real economic value they represent and on the expected timing for the mispricing to be corrected by market forces. The Clients generally invest in securities Nantahala believes are substantially mispriced and are likely to and are likely to generate excess returns, on a probabilistic basis, over the Fund's holding period. With a process that focuses on not only the long-term value of a security but also the reasons a security might be mispriced, Nantahala strives to further reduce risk by attempting to avoid situations where long-term value may never be realized.

Nantahala's approach to assessing a particular security's risk characteristics divides risk into two types: 1) the specific risks of the security; and 2) the general risks associated with the security's asset class or sector. Nantahala manages the first type of risk by appropriately allocating capital, meaning the riskier a security appears to be, the smaller a portion of capital can be allocated to it. The second type of risk is managed by taking opposing positions to neutralize general exposures Nantahala does not wish to take. For example, if Nantahala favors a particular retailer over others but does not want to be exposed to the general risk of the retail sector, then Nantahala will take positions against other retailers so that the net exposure to the overall retail sector is neutralized. Generally, Nantahala seeks to build a portfolio from a bottoms-up basis that minimizes undesired factor risk in the portfolio.

From a top-down basis, Nantahala's portfolio risk management philosophy is designed to protect the portfolio from large and difficult to predict moves in markets and individual securities via: 1) balancing undesired risks; 2) large margins of safety; 3) diversification; 4) long optionality; and 5) carefully managed use of leverage.

Nantahala will pursue investment opportunities in a variety of asset classes, while employing a variety of hedging methodologies in an attempt to hedge risks associated the Clients' portfolios. Without limiting the nature of the securities or the nature of the strategies in which the Clients may invest, the following represent some of the strategies the Nantahala will deploy including:

Undervalued Equity Securities. Nantahala looks at four elements in determining whether a security is undervalued: 1) the value of the business; 2) the value of the security; 3) the price of the security; and 4) the relationship between value and price. Nantahala seeks to make an investment at a price that will reflect a "margin of safety," a discount to estimated value that compensates the Client sufficiently for the risks inherent in the security.

Overvalued Equity Securities. Many of the points made in the section on undervalued equities pertain here except with the opposite objective of attempting to profit from price declines by selling short overvalued securities. In addition to valuation, reasons for establishing a short position on a security may include but are not limited to little or no revenue growth, a perilous financial condition, questionable management, evidence of

accounting irregularities, or a poor competitive position. Shorting a security often involves additional risks of “buy-in,” the forced closure of the short position by the prime broker in order to return the borrowed security, and the unlimited loss potential of a short position due to the lack of a theoretical ceiling value.

Risk Arbitrage. Nantahala may employ risk arbitrage in assessing the probability that an announced transaction will be completed, the timing of such a transaction, and the risk that the terms of the transaction will change. The transaction may be a merger, tender offer, sale, liquidation, spin-off, exchange offer, or other form of asset conversion. The assessment of probability, risk, valuation, and timing requires analysis of business, financial, regulatory, and legal issues specific to each transaction. A risk arbitrage investment may involve long or short positions or a combination of the two.

High-Yield Securities. Economic cycles and changes in interest rates, in addition to issuer-specific developments, sometimes produce attractive opportunities to purchase or short high-yield securities. These securities include debt and preferred stock rated below investment grade. Many of these companies are highly leveraged and have complex capital structures. The securities of such issuers may present investment opportunities due to limited research coverage, a greater than average sensitivity to overall market movements, and the analytical challenges involved in determining the fair value of such securities.

Financially Distressed Issuers. The Clients may from time to time purchase or short debt securities of issuers experiencing financial distress which present opportunities since the market often fails to accurately value the issuer's securities or to assess the likely effect of future events. Debt investments may take the form of the purchase of bank loans, equipment leases, trade payables and traded debt, or preferred stock of companies which may undergo Chapter 11 bankruptcy proceedings, financial reorganizations, exchange offers, liquidations, and other extraordinary transactions. The Clients may also invest in equity securities of such companies.

Capital Structure Arbitrage. The Clients will also engage in modified capital structure arbitrage which consists of the purchase of securities of an issuer coupled with the sale of other securities of the same issuer to take advantage of attractive price disparities and/or otherwise to hedge certain of its exposure given that particular issuer's financial situation. Nantahala will seek to evaluate the terms and structure of an issuer's debt and equity securities relative to each other and to the issuer's business risk as well as an expected revaluation event. In addition, the Clients may be net long or net short.

Leverage. The Clients have the power to borrow and may do so when deemed appropriate by Nantahala for reasons such as enhancing the Clients' returns or meeting redemptions that would otherwise result in the premature liquidation of investments.

Fundamental Equity Long/Short Strategies. Employing a relative value strategy, Nantahala may pair long and short investments, usually within a particular sector (e.g., financials), industry group (e.g., financial services), or subgroup (e.g., securities brokers).

Options and Other Contracts. Clients may engage in various types of options and derivative security transactions, including hedging in equity and index options (both puts and calls) to reduce the risk of both short and long positions. Clients may invest in options when the General Partner believes that such options present a more favorable risk/reward profile than directly trading in the underlying security. Clients may establish similar positions by entering into "swaps" or other contracts with a financial institution whereby the parties agree that each will be obligated to the other for the amount of relative increase or decrease in the market value of one or more securities. Such contracts may be used for investment or to hedge risk.

Hedging Strategies. Nantahala typically employs various hedging techniques to reduce certain actual or potential undesired risks to which its Client portfolios may be exposed. These hedging techniques involve taking long or short positions in equities or exchange traded funds, and also involve the use of derivative instruments, which may include, but are not limited to swaps, futures and forward contracts, exchange-listed and over-the-counter put and call options, currency contracts, and interest rate transactions. Nantahala may employ these hedging techniques directly.

Nantahala also may engage in currency hedging on behalf of international strategies to hedge the currency exposure of said international strategies back into the U.S. dollar. Such currency hedging activities seek to reduce fluctuations in the value of the non-U.S. dollar denominated shares arising from fluctuations in the exchange rate and may involve transactions including the purchase and sale of spot and forward contracts, currency options and currency futures contracts to manage currency risks.

Control Positions. From time to time, a Client may purchase a large enough position in a company to have some influence, friendly or unfriendly, on the management and/or board of directors of that company. The Client may propose shareholder resolutions at the company's annual meeting, hire proxy solicitation firms to oppose company sponsored resolutions, nominate one or more persons (whether affiliated with Nantahala or not) to the board of directors, or otherwise attempt to influence the company's direction.

Foreign Securities. Nantahala will monitor investment opportunities in capital markets outside of the United States, as well as in foreign securities traded in domestic markets. Investment decisions will be based upon criteria similar to those employed in U.S. markets with additional consideration being given to currency risk and the host country's political, regulatory, and tax environment. Nantahala will hedge potential foreign currency risk where appropriate.

Restricted Securities and Non-Public Securities. Nantahala invests in non-registered securities purchased directly from the issuer or from institutional investors who originally acquired such securities in "private placements" pursuant to registration exemptions under the Securities Act of 1933, as amended. Restricted securities are subject to legal restrictions on resale and, therefore, may be illiquid and subject to wide fluctuations in value. Clients may also invest in securities of non-public companies.

Risk Management and Diversification. Nantahala's commitment to risk management is significant and it will employ a disciplined approach to managing risk. Nantahala focuses on security selection in an attempt to mitigate risk. Although Clients will have no fixed diversification requirements, Nantahala seeks to mitigate security selection risk through hedging, position sizing, loss limit strategies, and other risk management considerations.

Nantahala is not limited with respect to the types of investment strategies it may employ, the markets or instruments in which it may invest or the percentage of its capital that may be invested in a single security. Clients may also enter into joint venture arrangements, co-invest with third-parties, or otherwise participate in pooled investment vehicles with others. Depending on conditions and trends in securities markets and the economy generally, Nantahala may pursue other objectives or employ other techniques it considers appropriate and in the best interests of the Clients.

Initial Public Offerings. Nantahala may purchase for Clients securities that are part of an initial public offering ("IPOs"). Underwriters may not sell such IPO securities to certain persons, including brokers or people associated with brokers. Certain Clients or Investors may be ineligible to participate in investments in IPO securities; therefore, some Investors may not participate in any gain or loss associated with any IPO securities.

Investing in securities involves risk of loss that Clients and Investors should be prepared to bear.

B. Risks of Investments and Strategies Utilized

Risks Associated with Investments in Distressed Securities. The Clients invest in "below investment grade" securities and obligations of domestic and non-U.S. issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Some of these securities may not be publicly traded, and it may be difficult to obtain information as to the true condition of such issuers. Additionally, in certain periods, there may be little or no liquidity in markets for these securities. Such investments also may be affected adversely by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, or disenfranchise particular claims.

Micro-, Small Capitalization and Mid-Capitalization Risks. The Clients invest in securities of micro-, small capitalization and mid-capitalization issuers. While in Nantahala's opinion the securities of small capitalization and mid-capitalization issuers may offer the potential for greater capital appreciation than investments in securities of large capitalization issuers, securities of small capitalization issuers may also present greater risks. For example, some small capitalization and mid-capitalization issuers often have limited product lines, markets, or financial resources. They may be subject to high volatility

in revenues, expenses, and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts, and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger capitalization issuers. The market prices of securities of small capitalization and mid-capitalization issuers generally are more sensitive to changes in earnings expectations, to corporate developments, and to market rumors than are the market prices of large capitalization issuers. Transaction costs in securities of small capitalization and mid-capitalization issuers may be higher than in those of large capitalization issuers.

Bank Loans. The Clients' investment programs may include investments in significant amounts of bank loans and participations. These obligations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the Clients to directly enforce their rights with respect to participations.

Bankruptcy Claims. The Clients may invest in bankruptcy claims which are amounts owed to creditors of companies in financial difficulty. Bankruptcy claims are illiquid, generally do not pay interest, and there can be no guarantee that the debtor will ever be able to satisfy the obligation on the bankruptcy claim. The markets in bankruptcy claims are not generally regulated by U.S. federal securities laws or the SEC. Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. In addition, under certain circumstances, payments and distributions may be reclaimed if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

Risks Associated with Bankruptcy Cases. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions that may be contrary to the interests of the Clients. In some cases, the company may not be able to reorganize and may be required to liquidate assets. Such investments can result in a total loss of principal. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain. Nantahala, on behalf of the Clients, may elect to serve, directly or through an affiliate, on creditors' committees, equity holders' committees, or other groups to ensure preservation or enhancement of the Clients' position as creditors or equity holders. In addition, a portion of the Clients' assets may be invested in securities and loans with limited liquidity. If the Clients are represented by Nantahala on a committee or group, they may be restricted or prohibited under applicable law from disposing of its

investments in such company while it continues to be represented on such committee or group.

Loans of Portfolio Securities. Clients may lend their portfolio securities. In the event of the bankruptcy of the other party to a securities loan there could be delays in recovering the securities lent. To the extent that the value of the securities the Clients lent has increased, the Clients could experience a loss if such securities are not recovered.

Non-Performing Nature of Debt. It is anticipated that certain debt instruments purchased by the Clients will be non-performing and possibly in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to the loans.

Commodities and Derivative Investments. The prices of commodities contracts and derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies.

Highly Volatile Markets. The prices of financial instruments in which the Clients may invest can be highly volatile. Price movements of forward and other derivative contracts in which the Clients' assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Clients are subject to the risk of failure of any of the exchanges on which their positions trade or of its clearing houses.

Use of Leverage and Financing. Nantahala may leverage the Clients' capital because the use of leverage may enable the Clients to achieve a higher rate of return. Any event which adversely affects the value of an investment by the Clients would be magnified to the extent the Clients are leveraged. The cumulative effect of the use of leverage by the Clients in a market that moves adversely to the Clients' investments could result in a substantial loss to the Clients which would be greater than if the Clients were not leveraged.

Hedging Transactions. Nantahala may not anticipate a particular risk to hedge against it. While the Clients may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Clients than if it had not engaged in any such hedging transactions. For a variety of reasons, Nantahala may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Clients from achieving the intended hedge or expose the Clients to risk of loss. For certain quantitatively derived

hedging transactions that involve trading baskets of securities, assumptions about the anticipated trading activity of one Client relative to another Client could adversely affect the correlation between the Clients' hedging actions and the actual exposure sought to be hedged.

Derivatives and Hedging. The Clients may invest and trade in a variety of derivative instruments, both to hedge the Clients' portfolios and for profit. The Clients' ability to profit or avoid risk through investment or trading in derivatives will depend on Nantahala's ability to anticipate changes in the underlying assets, reference rates, or indices.

Short Selling. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Clients of buying those securities to cover the short position. There also can be no assurance that the securities necessary to cover a short position are available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Forward Trading. Forward contracts and options thereon are not traded on exchanges and are not standardized. Disruptions can occur in any market traded by the Clients due to unusually high trading volume, political intervention, or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which Nantahala would otherwise recommend, to the possible detriment of the Clients. Market illiquidity or disruption could result in major losses to the Clients.

Limited Diversification. It is possible that Nantahala may select investments that are concentrated in a limited number or types of investments. This limited diversity could expose the Clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those investments.

Non-U.S. Securities. Investments in securities of non-U.S. issuers (including non-U.S. governments) pose a range of potential risks which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability, illiquidity, price volatility, and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards, and requirements comparable to or as uniform as those of U.S. issuers.

Emerging Markets. In addition to the risks associated with investments outside of the United States, investments in emerging markets (i.e., the developing countries) may involve additional risks. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries and little or no market may exist for the

securities. Clients may be subject to a number of additional risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, and lack of enforcement of existing regulations.

Illiquid Investments. Securities, in particular PIPE transactions in which Nantahala transacts on behalf of Clients, bank debt and other claims, and other assets are or may be subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and a Client may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid investments often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of investments eligible for trading on national securities exchanges or in the over-the-counter markets. Clients may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, Clients may be required to hold such investments despite adverse price movements. Even those markets which Nantahala expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

Other Activities of Nantahala and its Affiliates. Conflicts of interest arise from the fact that Nantahala and its affiliates provide investment management services to multiple Clients, including investment funds, managed accounts, proprietary accounts and other investment vehicles. Any Client may have investment objectives, programs, strategies and positions that are similar to or conflict with those of other Clients or compete with or have interests adverse to another Client. Such conflicts could affect the prices and availability of Financial Instruments in which such Client invests. Even if another Client has investment objectives, programs or strategies that are similar to those of the Client, Nantahala may give advice or take action with respect to the investments held by, and transactions of, other Clients that may differ from the advice given or the timing or nature of any action taken with respect to the investments held by, and transactions of, such Client for a variety of reasons, including differences between the investment strategy, risk management, financing terms, regulatory treatment and tax treatment of the Clients. As a result, the Clients may have substantially different portfolios and investment returns. Conflicts of interest may also arise when Nantahala makes decisions on behalf of any Client with respect to matters where the interests of Nantahala or one or more other Clients differs from the interests of such Client.

Investments in Different Parts of the Capital Structure. Different Clients from time to time invest in different parts of the capital structure of an issuer, which could give rise to potential conflicts of interest. For example, a Client may own an equity investment in an

issuer while another Client owns a debt investment in the same issuer. If another Client made a debt investment in an issuer in which a different Client held an equity investment, Nantahala could be required to take actions for the different Clients that are adverse to each other (for instance, if the company underwent a reorganization or other major corporate event, conflicts could arise between the interests of debt holders and equity holders, and, accordingly, between the interests of different Clients). Likewise, different Clients from time to time may invest in different debt instruments or series of preferred equity of a company, giving rise to conflicts concerning their respective entitlements or priority in a bankruptcy proceeding or other transaction. Nantahala will seek to resolve such conflicts of interest in a fair and equitable manner.

Liquidation of Assets of Other Clients and Other Classes. Nantahala provides investment management services to multiple Clients, and may provide such services to additional Clients in the future, that have investment objectives, programs or strategies that result in significant overlapping positions among Clients. In addition, some Clients have different or additional terms than those of other Clients in their operating agreements, including different fees, information rights and liquidity rights. Additional information may affect any Client's decision to invest additional capital in, to remain invested in, to withdraw from or to terminate such Client's account. Any such withdrawals or terminations could cause any Client to liquidate its positions ahead of other Clients, which may have a material adverse effect on other Clients investments therein.

Co-investments. Nantahala may, in its sole discretion, determine to offer co-investment opportunities to existing Clients or prospective investors in connection with securities owned by current Clients, either at the time of acquisition or post-acquisition, on such terms as Nantahala may determine in its sole discretion. While Nantahala may elect to offer co-investment opportunities to a Client, Nantahala shall have no obligation to do so, and no Client shall be entitled to participate in any such co-investment opportunity unless otherwise agreed by Nantahala. Nantahala may, in its sole discretion, determine the amount of a co-investment opportunity, if any, offered to a particular Client and may, in its sole discretion, allocate co-investment opportunities instead to other Clients or third parties. Nantahala or its affiliates may receive fees and/or allocations from co-investors, which may differ as among co-investors and may differ from the fees and/or allocations borne by Clients.

Co-investments with Third Parties. Nantahala may co-invest with third parties through joint ventures or other entities. Third-party involvement with an investment may negatively impact the returns of such investment if, for example, the third-party co-venturer has financial difficulties, has economic or business interests or goals that are inconsistent with those of Clients or is in a position to take (or block) action in a manner contrary to the Clients' investment objective. In circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such

investments, including incentive compensation arrangements. Such compensation arrangements will reduce the co-investment returns.

Valuation. Securities which Nantahala believes are fundamentally undervalued or overvalued may not ultimately be valued in the capital markets at prices and/or within the time frame Nantahala anticipates. In particular, purchasing securities at prices which Nantahala believes to be distressed or below fair value is no guarantee that the price of such securities will not decline even further. Similarly, securities deemed overvalued and sold short, may continue to appreciate further. Investments in thinly traded, restricted, or private securities may be difficult to value in the capital markets and may require assessment of fair value by Nantahala or a third party in accordance with Client governing agreements.

Business Continuity and Cybersecurity Risks. Nantahala has adopted a business continuation strategy to maintain critical functions in the event of a partial or total building outage affecting Nantahala's offices or a technical problem affecting applications, data centers or networks. The recovery strategies are designed to limit the impact on Clients from any business interruption or disaster. Nevertheless, Nantahala's ability to conduct business may be curtailed by a disruption in the infrastructure that supports its operations and the regions in which its offices are located. In addition, Nantahala's asset management activities may be adversely impacted if certain service providers to Nantahala or its Clients fail to perform. In addition, with the increased use of technologies such as the Internet to conduct business, Client portfolios could be susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber security failures or breaches by a third party service provider and the issuers of securities in which the portfolio invests have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, and violations of applicable privacy and other laws.

Assumption of Business, Terrorism and Catastrophe Risks. Clients will be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events such as a pandemic. These catastrophic risks of loss can be substantial and could have a material adverse effect on Nantahala's business and Clients' portfolios including investments made by Nantahala.

Brexit. The United Kingdom formally withdrew from the European Union on January 31, 2020. The ongoing withdrawal process could cause an extended period of uncertainty and market volatility, not just in the United Kingdom but throughout the European Union, the European Economic Area and globally. It is not possible to ascertain the precise impact these events may have on Nantahala Clients from an economic, financial or regulatory perspective but any such impact could have material consequences for Clients. The future application of EU-based legislation to the private fund industry in the UK will depend, among other things, on how the UK renegotiates its relationship with the EU. There can be no assurance that any

renegotiated laws or regulations will not have an adverse impact on Clients and their investments, including the ability of a Client to achieve its investment objectives.

Coronavirus Risks. In December 2019, a novel strain of coronavirus (known as COVID-19) surfaced in Wuhan, China, which has resulted in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across China and South Korea, among other affected countries. These closures have caused the disruption of manufacturing supply chains and local and global economies, the duration of which remains uncertain. As of March 2020, COVID-19 has spread across the world, which has resulted in additional market disruptions. The extent to which COVID-19 may negatively affect the operations of Nantahala and the performance of Clients is difficult to predict. Any potential impact on such operations and performance will depend to a large extent on future developments and new information that may emerge regarding the duration and severity of COVID-19 and the actions taken by authorities and other entities to contain COVID-19 or treat its impact. These potential impacts, while uncertain, could adversely affect the performance of Clients.

Nantahala's hedging strategies may involve frequent trading of securities. Frequent trading of securities can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment with Nantahala. Prospective Investors should read the entire Brochure, including the potential conflicts of interest described in Item 11 as well the relevant Fund's offering documents and other materials that may be provided by Nantahala and consult with their own advisers before deciding to subscribe for Interests.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose any legal or disciplinary events that are material to a Client's or prospective Client's evaluation of our advisory business or the integrity of our management. Nantahala and its management personnel have no reportable disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

A. Registration as a Broker-Dealer or Broker-Dealer Representative

Neither Nantahala nor its management persons are registered as a broker-dealer or broker-dealer representative.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither Nantahala nor its management persons are registered as futures commission merchant, commodity pool operator, or a commodity trading advisor.

C. Relationships Material to this Advisory Business and Possible Conflicts of Interest

Nantahala Capital GP, LLC, QR GP LLC, and RF GP LLC are related persons to Nantahala and are sponsors of limited partnerships, serving in the capacity of General Partners of different Clients managed by Nantahala. The relationships pose no conflict of interest with Nantahala's other Clients.

D. Selection of Other Advisers or Managers

Nantahala does not utilize or select other advisers or third-party managers. All assets are managed by Nantahala.

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

A. Code of Ethics

Nantahala has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended. The Code governs the activities of each member, officer, director, and employee of Nantahala, as well as any individual deemed by Nantahala to be an “access person” under the Investment Advisor's Act Rule 204A-1 based on the nature of their relationship with Nantahala or services performed (collectively herein, “Employees”). Nantahala holds its Employees to high standards of integrity and business practices that reflect its fiduciary duty to its Clients. In serving its Clients, Nantahala strives to avoid conflicts of interest or the appearance of conflicts of interest in connection with the activities of its Employees and those of its Clients. Nantahala's Code seeks to address conduct in areas in which conflicts of interest might arise, which include, but are not limited to personal securities transactions; outside business activities; political contributions; and gifts and entertainment.

When persons covered by the Code engage in personal securities transactions, they must adhere to the following general principles as well as to the Code's specific provisions: (a) at all times the interests of Client must be paramount; (b) personal transactions must be conducted consistent with the Code in manner that avoids any actual or potential conflict of interest; and (c) no inappropriate advantage should be taken of any position of trust and responsibility. Employees covered by the Code have certain trading restrictions and reporting obligations of their personal securities transactions. Each Employee is provided with a copy of the Code and must annually certify that they have received it and have complied with its provisions. In addition, any Employee who becomes aware of any potential

violation of the Code is obligated to report the potential violation to the Chief Compliance Officer.

Although Nantahala's policies and procedures generally prohibit Employees from trading in the same securities that Nantahala buys or sells for Client Accounts, there are limited circumstances in which Employees can also personally dispose of the same securities that Nantahala buys or sells for Client accounts, and Employees may own securities of issuers whose securities are subsequently bought for Client accounts. Further, there are limited circumstances in which Employees are permitted acquire the same securities that Nantahala buys or sells for Client accounts. Nantahala's policy as to such transactions is that neither Nantahala nor its Employees are to benefit from price movements that may be caused by transactions for Client accounts or otherwise because of Nantahala's recommendations regarding a particular security.

Nantahala will make available a full copy of the Code upon request. A request may be made either by calling Paul Rehm at 203-404-1172 or by emailing him at paul@nantahalapartners.com.

B. Recommendations Involving Material Financial Interests

Nantahala does not recommend to Clients, or buy or sell for Client accounts, securities in which Nantahala has a material financial interest. Nantahala generally does not recommend to Clients, or buy or sell for Client accounts, securities in which related persons have a material financial interest, but situations do arise in which related persons have a material financial interest in private or public companies that later become attractive investments for Nantahala Clients as do situations in which related persons may invest and hold a material financial interest in public or private companies alongside Nantahala Clients. At times, this presents conflicts of interest with regard to trading decisions made on behalf of Nantahala Clients relative to trading decisions made by the related persons. Nantahala addresses these conflicts of interest through Code policies and procedures such as its personal trading policy, which enacts adequate controls such as trading prohibitions and/or preclearance procedures to address any conflicts.

Situations may arise where certain assets held by one or more Funds and Separate Accounts managed by Nantahala may be transferred to other Funds and Separate Accounts managed by Nantahala, including for the purpose of rebalancing the portfolios of such funds and investment accounts. Such transactions will be conducted in accordance with, and subject to, Nantahala's fiduciary obligations to the Clients and shall be subject to applicable laws and regulations.

C. Investing Personal Money in the Same Securities as Clients

Nantahala's Employees can, in limited circumstances, buy or sell the same instruments that Nantahala buys or sells for Client accounts, and they can own securities of issuers whose securities are subsequently bought for Client accounts because of Nantahala's recommendations regarding a particular security. Nantahala's policy is designed (i) to prevent potential legal, business, or ethical conflicts; (ii) to minimize the risk of unlawful trading in any account where Employees have an interest; and (iii) to guard against the misuse of confidential information. All personal trading and other activities must avoid any conflict or potential conflict of Investor interest. Employees are prohibited from engaging in unlawful trading and any trading that may appear to be improper. Further, Employees are generally encouraged to invest for the long-term through instruments and opportunities that will not conflict with their responsibility to serve Nantahala's trust.

D. Trading Securities At/Around the Same Time as Clients' Securities

As discussed above, in limited circumstances, Nantahala's Employees can buy or sell public or private securities for themselves that Nantahala also recommends to Clients. Nantahala documents all transactions and has policies and procedures in place to address Client and Employee trading, including to, at minimum, mitigate conflicts of interest such as when Client transactions cannot be executed in advance of Employee transactions (e.g. potential side by side investments in public or private companies).

Item 12 – Brokerage Practices

A. Factors Used in Selecting or Recommending Broker-Dealers

1. Research and Other Soft Dollar Benefits

Nantahala seeks to obtain "best execution" of the securities transactions being effected for its Clients' accounts. To fulfill this obligation, Nantahala generally executes securities transactions in such a manner that the Client's total cost or proceeds in each transaction is the most favorable under the circumstances. The determinative factor is not necessarily the lowest possible commission cost but whether the transaction represents the best qualitative execution. In seeking best execution, Nantahala considers the full range of the broker's services, including the value of research provided, execution capability, commission rate, financial responsibility, and responsiveness.

Nantahala's Clients generally authorize Nantahala to select brokers to effect transactions on their behalf. Nantahala has established general criteria to determine which brokers are qualified to provide brokerage services to its Clients, and may consider, among others, the following relevant factors:

- quality of execution - accurate and timely execution.
- the actual executed prices of securities and the broker's commission rates.
- research (including economic forecasts, investment strategy advice and fundamental advice on individual securities, valuation advice, and market analysis), custodial and

other services provided by such brokers, and/or dealers that are expected to enhance Nantahala's general portfolio management capabilities.

- the sizes and types of the transactions and access to liquidity.
- the difficulty of execution and the ability to handle difficult trades.
- financial stability and reputation of the broker; and
- the operational and compliance facilities of the brokers and/or dealers involved (including back office efficiency).

Nantahala is currently not using formal commission sharing agreements, but receives from broker-dealers research, products and services that fall within the Section 28(e) safe harbor of the Securities Exchange Act. Clients may pay commissions, spreads or mark-ups to a broker-dealer in an amount greater than the amount another broker-dealer charges if Nantahala determines, in good faith, that the amount of commissions, spreads or mark-ups charged by such broker-dealer is reasonable in relation to the value of brokerage and research products or services provided by such broker-dealer. Any such research and/or other products or services to be obtained with soft dollars generated by a Client's transactional activity may be used by Nantahala to service Clients other than the Client generating such soft dollars and would be a benefit to Nantahala in that Nantahala would not have to pay for or provide such research, services or other products itself.

The availability of soft dollars from certain broker-dealers presents Nantahala with conflicts of interest and gives incentives for Nantahala to disregard its obligations to Clients (including, without limitation, its best execution obligations) when directing orders. The receipt of information, products or services paid for with soft dollars is in addition to, and not in lieu of, the management fees and performance-based fees received by Nantahala and/or its affiliates, and such fees are not reduced as a consequence of the receipt of such products or services purchased with soft dollars.

Consistent with seeking to obtain best execution, Nantahala employs a number of policies and procedures designed to address the conflicts identified in this section.

2. Brokerage for Client Referrals

In selecting broker dealers Nantahala may consider the broker dealer's referrals of prospective Client accounts or Investors. To the extent that Nantahala would otherwise be obligated to pay for "finding" services, it has a conflict of interest in considering those services when selecting a broker-dealer. It also faces a conflict because it benefits from increases in the size of its assets under management.

3. Directed Brokerage

Nantahala generally does not direct brokerage. Securities transactions are executed by brokers selected by Nantahala in its discretion and without the consent of the Client or Investors. In the event that a Client or Investor in a Separate Account directs Nantahala to use a specific broker or other transacting party, Nantahala will not negotiate the terms and conditions (including commission rates) relating to the services provided by that broker or transacting party; Nantahala does not have any responsibility for obtaining for the Client from any such broker or transacting party the best prices or particular commission rates with or through any such broker or transacting party; and the Client may not obtain rates as low as it might otherwise obtain if Nantahala had discretion to select transacting parties other than those chosen by the Client.

B. Aggregating Trading for Multiple Client Accounts

Nantahala's Allocation Policy seeks to allocate investment opportunities among Clients in the fairest possible way, taking into account Clients' best interests. Nantahala may (but is not required to) aggregate orders for Client accounts for which it or its principals have trading authority. Nantahala follows procedures designed to ensure that allocations do not involve a practice of favoring or discriminating against any Client or group of Clients. Account performance is not a factor in trade allocations. It is Nantahala's basic policy that no Client for whom Nantahala has investment decision responsibility shall receive preferential treatment over any other Client within the context of a given investment strategy. In allocating securities among Clients, it is Nantahala's policy that all Clients should be treated fairly and that, to the extent possible, all Clients should receive equivalent treatment.

For Clients that employ similar investment strategies, Nantahala generally places Client orders on an aggregated basis.

At any point in time, Nantahala's portfolio managers are trading to reach a discretionary target position size (the "Target Position Size") for investments within a Client's portfolio within the context of a given investment strategy. The Target Position Size for a Client's portfolio is based on a number of factors including, but not limited to, the Client's investable capital, their investment objectives and guidelines, their risk profile in conjunction with the risk profile of the investment strategy, and the risk and return profile of the investment.

Unless otherwise instructed or otherwise based on, but not limited to, the factors listed below, allocations of filled orders are made to each Client account employing primarily the same investment strategy on a pro-rata basis, which is generally determined based upon:

- the net assets of participating Clients, some multiple thereof that is reflective of the use of leverage for applicable Clients, or the investable capital base for a Client as determined by Nantahala in accordance with Client investment objectives and guidelines (herein, "Relative Assets") in the case of trading activity when adding a new position;

- the relative size of an existing position ("Relative Position Size") in the case of trading activity intended to exit or hedge a position.
- the relative calculated shares needed to bring Clients to each of their Target Position Sizes, which are generally pari passu either according to Relative Assets or Relative Position Size in the case of trading activity that increases or decreases an existing position's size; or
- the relative risk factor exposures of Client portfolios. For example, hedging transactions may be executed for a specific Client or group of Client portfolios within an investment strategy and allocated in a manner specific to factors Nantahala perceives in need of hedging in a Client portfolio or group of portfolios. Positions may serve as both investments and hedges, and in cases where a hedge could have one or more basis' of allocation, Nantahala always seeks to execute the trade with the end-allocation in mind and make the trading and allocation decisions in a fair and equitable manner.

Certain Client accounts have an investment mandate to solely invest in a limited number of securities after Clients employing other investment strategies have fully reached their Target Position Sizes ("Overflow Accounts"). When exiting a position entirely, reductions in a position (long or short) will be allocated to each Client account, including Overflow Accounts, on a pro-rata basis based on the relative size of such existing investment position in each Client account. Notwithstanding the methodology set forth in this paragraph, allocation decisions will be made by Nantahala, in part, based on Nantahala's assessment of investment opportunities in both existing and prospective positions.

Each Client that participates in an aggregated order in the context of a given investment strategy will participate at the average share price for the order, and transaction costs will be shared pro rata based on each Client's participation in the transaction. Factors that may be considered by Nantahala when allocating securities among Clients include, but are not limited to:

- The Client's investment objective and strategies.
- The Client's risk profile.
- The Client's tax status or legal reasons.
- The Client's available cash.
- The Client's liquidity requirements.

Finally, a Client may buy or sell specific securities that are not deemed appropriate for other Client accounts at the time based on investment considerations specific to the Client that differ from those of Clients invested in a similar investment strategy. Where execution opportunities for a particular security are limited, Nantahala attempts in good faith to allocate such opportunities among Clients in a manner that, over time, is equitable to all Clients.

Item 13 – Review of Accounts

A. Frequency and Nature of Periodic Review and Who Makes Those Reviews

Nantahala performs various daily, weekly, monthly, quarterly, and annual reviews of all Client accounts to ensure consistency with the Clients' strategies and performance objectives. Portfolio, performance, and risk management reviews are conducted by Portfolio Managers. Portfolio financing and cash management reviews are conducted by the Execution & Operations Associate under the supervision of the Portfolio Managers and the Chief Operating Officer. Nantahala's Chief Operating Officer / Chief Compliance Officer conducts additional reviews for compliance with investment objectives, guidelines, and/or restrictions.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Reviews may take place more frequently if triggered by economic, market, or political conditions.

C. Content and Frequency of Regular Reports

Investors in the Clients will generally receive unaudited reports of performance monthly and will receive audited year-end financial statements annually. Separate Account Clients may receive regular reporting at other specified intervals.

Item 14 – Client Referrals and Other Compensation

Registered investment advisers are required to disclose all material facts regarding any compensation or other benefits they receive, directly or indirectly, for Client referrals. Nantahala has no information applicable to this Item.

Item 15 – Custody

Nantahala satisfies the SEC's custody requirements by holding Client assets with a qualified custodian and subjecting each Client to an annual audit, and the audited financial statements are distributed to each limited partner (or member or owner). The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Client's fiscal year end.

Item 16 – Investment Discretion

The Funds' governing documents generally authorize Nantahala to invest and trade the Clients' assets in a broad range of investments, to be selected at Nantahala's sole discretion, with no specific limitations as to type, amount, concentration, or leverage. Further, Nantahala may enter into any type of investment transaction and employ any investment methodology or strategy it deems appropriate. Separate Account Clients may negotiate certain limitations on Nantahala's investment discretion on a case-by-case basis.

Pursuant to the Funds' governing documents and investment management agreements between Nantahala and the Funds, each Investor generally designates Nantahala as its attorney-in-fact to execute, certify, acknowledge, file, record, and swear to all instruments, agreements, and documents necessary or advisable to carrying out the Clients' business and affairs, including execution of a Fund's limited partnership agreement. An Investor's execution of a subscription agreement constitutes its execution of a Client's governing documents. Separate Account Clients and/or their Investors generally grant Nantahala discretionary authority to manage securities accounts on their behalf, but the scope of authority (e.g. power of attorney) delegated to Nantahala may be defined or limited within Separate Account governing documents.

Item 17 – Voting Client Securities

Nantahala exercises voting authority over Client proxies and has adopted proxy voting policies and procedures in accordance with Rule 206(4)-6 of the Investment Advisers Act of 1940, as amended. The policies require Nantahala to vote proxies received in a manner consistent with the best interests of the Client.

The policies also require Nantahala to vote Client proxies in the interest of maximizing shareholder value. To that end, Nantahala will vote in a way that it believes, consistent with its fiduciary duty, will cause the value of the issue to increase the most or decline the least. Consideration will be given to both the short- and long-term implications of the proposal to be voted on when considering the optimal vote. Votes on all matters are determined on a case-by-case basis and in the best interest of Clients. However, the policies permit Nantahala to abstain from voting proxies with respect to shares of a particular security which Nantahala deems to have no value or if the vote is purely administrative in nature or if it believes that its vote will have an immaterial impact on the vote's outcome. If applicable, Nantahala generally does not vote Client proxies with respect to shares of a particular security that have been re-hypothecated pursuant to prime broker agreements or are on loan with prime brokers as of the record date, or where Nantahala does not have a position when voting materials are received.

Nantahala will generally vote in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors, and increases in or reclassification of common stock, and for other

proposals, voting in accordance with the recommendation of management unless such vote is determined to have an adverse effect on the interest of the Client.

Where a proxy proposal raises a conflict between Nantahala's interests and the interests of the Client, Nantahala will seek to resolve the conflict. Where the conflict of interest is a personal conflict involving the covering member of the investment team, the covering member of the investment team will abstain from the voting decision, and another member of the investment team will make the voting decision. Nantahala may alternatively disclose material conflicts of interest to Clients and obtain their consent before voting.

Nantahala will make a copy of those policies and procedures and/or information concerning its voting record on account proxy matters available upon request. Such a request may be made by either calling Paul Rehm at 203-404-1172 or emailing him at paul@nantahalapartners.com.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide Investors with certain financial information or disclosures about Nantahala's financial condition. Nantahala has no financial commitment that is reasonably likely to impair its ability to meet contractual commitments to Clients.

Item 19 – Requirements for State-Registered Advisers

Not applicable.