

**Bandera Partners LLC**

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**Firm Brochure  
Form ADV Part 2A**

March 31, 2023

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This brochure provides information about the qualifications and business practices of Bandera Partners LLC (“Bandera” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at (212) 232-0116. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC does not imply that the SEC has endorsed or approved the qualifications of the Firm or its representatives nor imply that the Firm has attained a level of skill or training.

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

**Item 2 – Material Changes**

There are no material changes to this brochure since the date of Bandera's annual updating amendment on March 30, 2022.

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## **Item 4 – Advisory Business**

### **Overview of Bandera**

Bandera Partners LLC (“Bandera” or the “Firm”) provides investment advisory services to Bandera Master Fund L.P. (“Master Fund”), and its U.S.-based feeder fund, Bandera Value Fund LLC (“Onshore Fund”). Bandera makes its investment decisions through the Master Fund. Bandera Partners Management LLC, an affiliate of Bandera, serves as the general partner of the Master Fund (the “General Partner”).

Bandera Offshore Value Fund Ltd., a Cayman Islands exempted company (the “Offshore Fund”), is an additional feeder fund that invests in the Master Fund. Participation in the Offshore Fund by investors that are individual retirement accounts subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended, is “significant.” Bandera Offshore Value Fund Ltd. (the “Offshore Fund”) is structured to invest substantially all of its assets in the Master Fund and it has no flexibility to make any other investments. The inclusion of the Offshore Fund as a private fund in this Form ADV is not to be deemed an admission that Bandera or any of its related persons is a fiduciary of the Offshore Fund or any investor in the Offshore Fund with respect to the Offshore Fund’s assets for purposes of the Employee Retirement Income Security Act of 1974, as amended, or the Internal Revenue Code of 1986, as amended.

The Master Fund, the Onshore Fund and the Offshore Fund are collectively referred to herein as the “Funds.” Presently, neither Bandera nor the General Partner has any advisory clients other than the Funds.

Bandera Partners LLC is a Delaware limited liability company founded in 2006 by Gregory Bylinsky, Jefferson Gramm and Natalie Banas. Bandera began providing investment advisory services to the Master Fund in November 2006.

Bandera’s clients are solely Funds, and as such, Bandera does not tailor its advisory services to the needs of individual investors. Bandera generally does not accept investor restrictions on taking positions in certain types of securities.

### **Advisory Services Provided by Bandera**

Bandera, on behalf of the Master Fund, primarily seeks to make investments that will achieve long-term growth of capital, with dividends and income being secondary considerations.

Bandera seeks to commit capital as a long-term shareholder to companies whose market capitalizations are significantly below their intrinsic value, and to make investments in special situations, such as spin-offs and reorganizations. Bandera’s strategies are implemented using fundamental analysis of companies and financial statements. This fundamental analysis yields Bandera’s estimate of a company’s intrinsic value, which is necessarily measured using a combination of objective and subjective factors. Some of those factors include an assessment of the company’s business model and markets, the quality of management and other risks associated with the projected future stream of

earnings. The Master Fund will typically hold between five and thirty stocks at any given time. The Master Fund will invest in companies of any market capitalization.

A key part of Bandera's approach is to concentrate its analytical resources on companies that are likely to be undervalued. Bandera seeks investments that it believes present a low risk of permanent capital loss.

Bandera undertakes intensive research on companies that are candidates for inclusion in the Master Fund. Bandera typically examines in detail the financial statements and business model of a company, as well as a company's industry as a whole. Companies chosen from this process for inclusion in the Master Fund's portfolio generally will be perceived by Bandera to be trading at a significant discount to their intrinsic value, be reasonably financially stable, possess some advantage or advantages over other companies in their industry (*e.g.*, they have a legal or geographic product protection, they are the lowest-cost producer or they have a superior product), and have the potential for significant appreciation in their stock price over time. Bandera particularly seeks stable and growing companies that generate significant amounts of free cash flow.

Bandera also seeks out special situations, such as opportunities arising from corporate mergers, spin-offs, bankruptcies, restructurings, distressed debt and other events, to incorporate into the Master Fund's portfolio. Bandera particularly seeks special situations that it believes are minimally correlated with the direction of the broader securities markets. Up to 100% of the Master Fund's portfolio may be invested at any time in special situations, and the Master Fund may from time to time use leverage, short selling and warrants, options and other securities to take advantage of special situations. Such investments may also be in thinly traded, low-priced and low market value securities that carry risks of illiquidity and delisting (see Item 8 below).

From time to time, Bandera may take an activist stance in selected investments where Bandera believes that activism may greatly increase profit potential. Activist investments can be time-consuming and often require meeting with company management and other investors, sending public letters to company management and boards of directors, and on some occasions, becoming directors of companies.

Although Bandera generally seeks to invest for the long term (with the exception of many special situations), Bandera may sell securities regardless of how long the securities have been held, especially in cases where the fundamentals of a company have changed. Bandera may also change the investment strategies of the Master Fund if it believes that such change is in the interest of the Master Fund.

Bandera generally sells a stock when it reaches or exceeds Bandera's estimate of its intrinsic value. Bandera's purchase and sale decisions will generally be made without regard to tax ramifications, but it expects to generally implement a mid- to low-turnover, long-term holding strategy. The Master Fund primarily invests in the securities of U.S. and non-U.S. companies but may also engage in other transactions to the extent deemed appropriate by Bandera, including, without limitation, transactions involving closed-end and open-end mutual fund shares, risk arbitrage, private equity and control situations,

“going private” issuers, bonds, options and cash equivalents, private placements and direct or indirect investments in intellectual property assets, viatical settlements or litigation claims, as well as – to a limited extent – transactions involving (i) foreign currency forward contracts, options on foreign currencies and foreign currencies related thereto and (ii) commodity futures contracts, options on commodity futures contracts, and commodities. The Master Fund may also sell securities short and purchase securities on margin and may acquire exposure to certain securities synthetically through swaps or contracts for differences (CFDs) or similar instruments. Certain of the above investments may be illiquid and/or difficult to value.

Bandera may cause the Master Fund to depart from its normal investment policies—for instance, by allocating all or substantially all of the Master Fund’s assets to cash reserves—in response to extraordinary market, economic, political or other conditions. There is no assurance that the performance goals of the Master Fund will be realized.

### **Ownership of Bandera**

Bandera’s principal owners (the “Principals”) are its two Managing Partners, Jefferson Gramm and Gregory Bylinsky.

### **Client Assets Under Management**

As of December 31, 2022, the net asset value of client assets managed by Bandera on a discretionary basis was approximately \$360 million. Bandera does not currently manage any client assets on a non-discretionary basis.

### **Item 5 – Fees and Compensation**

The information set forth below details the fees, expenses and compensation borne by the Funds.

<b>Description</b>	<b>Amount</b>	<b>When Paid</b>
Brokerage and transaction costs and investment-related expenses	As incurred by the Master Fund. The Onshore Fund and the Offshore Fund will bear their <i>pro rata</i> share of all such costs and expenses incurred in connection with the Master Fund’s investment activities.	As billed
Management fee	The Master Fund pays Bandera a monthly management fee equal to 1/12th of one percent (approximately 1% annually) of the net asset value of the Master Fund as of the last business day of each calendar month (before giving effect to any month-end redemptions and distributions), adjusted for certain amounts indicated	Monthly in arrears

	<p>below. For purposes of calculating the management fee, the net asset value of the Master Fund is determined before reduction for the management fee and performance-based fees accrued or payable as of the calculation date. In certain circumstances, management fees will be prorated. The Onshore Fund and the Offshore Fund will bear their <i>pro rata</i> share of the management fees. Seed investor fees and other participations in net management fee income are allocated to the Funds' seed investors on an ongoing basis. All such amounts effectively reduce the management fees payable to Bandera, and the total of such amounts and the management fees payable to Bandera do not exceed 1% annually.</p>	
Administration fees and expenses	<p>Fees payable to the Master Fund administrator by the Master Fund are charged at the administrator's customary rates for the performance of the administrative services and the provision of corporate offices. Fees of the administrator vary with the size of the Master Fund, subject to an annual minimum fee. In addition, the Funds will reimburse their respective administrators for certain out of-pocket expenses. The Onshore Fund and the Offshore Fund will bear their <i>pro rata</i> share of such fees and expenses.</p>	Monthly in arrears
Legal, audit, and ongoing offering expenses, banking fees, and operational and extraordinary fees and expenses.	<p>As incurred by the Funds. The Onshore Fund and the Offshore Fund will bear their <i>pro rata</i> share of all fees and expenses incurred by the Master Fund, as well as such entity's own fees and expenses.</p>	As billed

Bandera, in its sole and absolute discretion, may waive, reduce or grant rebates of the management fees chargeable with respect to certain investors.

Advisory fees are not paid in advance; therefore redeeming investors are not owed a refund.

Investors in the Funds are charged profit allocations, which are described in greater detail in the relevant Fund's offering memorandum and below.

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

Investors in the Funds are charged profit allocations (“performance-based fees”) in connection with their investments in the Funds.

Performance-based fees are calculated and charged at the Master Fund level and are subject to recouping a “loss carryforward.” Performance-based fees accrue monthly and are paid annually. If an investment is redeemed prior to the end of a calendar year, a performance-based fee will be computed and charged with respect to such investment as though the redemption date were at the end of that calendar year. The rate at which performance-based fees are charged to investors in the Funds currently is 10% of such investor's *pro rata* share of the Master Fund's net new profits, depending on the class of interests held by such investor. In addition, performance-based fees charged to certain “seed investors” holding classes of securities that are no longer offered by the Funds are subject to a “hurdle” (such that performance-based fees may not be charged to such investors until net new profits have been achieved for any given year in excess of the hurdle).

Performance-based fees accrue on net new profits after the deduction of management fees, but before the deduction of performance-based fees. The Master Fund's net new profits for any period includes all net realized and unrealized investment gains or losses plus dividend, interest and other investment income less interest, operating and other expenses incurred by the Funds (including management fees). Performance-based fees are determined individually with respect to each investor in the Funds.

The performance-based fees are paid to the “allocation partners” of the Master Fund, including the General Partner.

The performance-based fees are described in greater detail in the confidential offering memoranda of the Onshore Fund and the Offshore Fund.

Bandera has no side-by-side management arrangements.

#### **Item 7 – Types of Clients**

Bandera currently provides investment advice solely to pooled investment vehicles, including the Master Fund.

Investors in the Onshore Fund and the Offshore Fund may include individuals, entities, trusts, investment companies and individual retirement accounts. The minimum initial investment for interests in the Onshore Fund and the Offshore Fund is generally \$1,000,000, and subsequent additional investments must be at least \$100,000, although Bandera may in its discretion reduce such amounts (generally to not less than \$250,000 with respect to the minimum initial investment).



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

### **Analysis Methods and Investment Strategies**

Information regarding the methods of analysis and investment strategies of Bandera employed in providing investment advisory services to the Master Fund is described above in Item 4.

### **Material Risk Factors**

Investment in the Funds is speculative and is suitable only for investors who can tolerate substantial risks. An investor may lose some or all of its investment. There is no assurance that the Funds will be successful and will achieve their investment objectives. A subscription for Shares should be considered only by sophisticated investors who have carefully read the Offering Memorandum(s), which contains a more complete description of the risk factors associated with the investment, and who understand the risks involved. An investment in the Funds should be made only after consulting with independent, qualified sources of investment, legal, tax, accounting and other advice. The risks of investing in the Funds include, without limitation, those set forth below.

#### Dependence on Investment Manager and Key Personnel

The investment activities of the Funds will be conducted exclusively by Bandera. Members will not have the opportunity to evaluate fully for themselves relevant economic, financial and other information regarding the investments of the Funds. The Funds may choose not to disclose to Members the individual securities or other investments held by the Funds. Members are dependent on the Bandera's judgment and abilities. Accordingly, no person should invest in the Funds unless he or she is willing to entrust all aspects of the investment activity of the Funds to Bandera.

The Funds rely in large measure on Bandera's qualitative and quantitative analysis to invest in equities and other securities and investments. No assurance as to the future performance of the Funds can be provided. To the extent that Bandera's decisions are incorrect, the Funds' portfolio will be subject to loss. Furthermore, the death, incapacity or retirement of Gregory Bylinsky or Jefferson Gramm may adversely affect investment results.

#### Market Risk

The performance of the Master Fund is dependent in part on the performance of the securities markets. Specifically, the Master Fund is subject to market risk, including the possibility that stock prices overall will decline over short or even long periods. Stock market gyrations may lead to losses in the Master Fund, and losses may occur frequently and over a significant period of time. Market movements are difficult to predict and are influenced by many factors. Bandera believes that investment in the Funds is appropriate only for investors with an investment horizon of a minimum of three years, and Bandera discourages investments by short-term investors.

The Funds are also subject to investment style risk, which is the possibility that returns from value stocks will trail returns from other asset classes, investment styles or the overall

stock market. “Value” stocks (as typically categorized by reference to value indexes or value factors) tend to go through cycles of doing better—or worse—than common stocks in general. These periods have, in the past, lasted for as long as several years.

Because of the nature of the Master Fund’s investment activities, the results of the Funds’ operations may fluctuate from month to month and from period to period. Accordingly, investors should understand that the results of a particular period may not necessarily be indicative of results in future periods.

### Economic Conditions

The success of the Master Fund’s investment activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, technological developments and national and international political circumstances, trade wars, governmental or regulatory intervention in capital markets, currency exchange controls and failures of major financial institutions, as well as changes in the financial condition of the issuers of the Master Fund’s investments and the Master Fund’s brokers and dealers and other custodians and counterparties due to other factors. Such conditions may affect the level and volatility of securities prices and the liquidity of the Master Fund’s investments. Volatility or illiquidity in the financial markets could impair the Master Fund’s profitability or result in losses. The Master Fund may maintain substantial investment positions that can be adversely affected by such volatility or illiquidity; the larger the positions, the greater the potential for loss. Moreover, economic slowdowns or downturns may lead to losses.

### Risk of Epidemics and Pandemics

The value of the Master Fund’s investment portfolio may decline due to disruptions caused by the spread of large-scale epidemics and pandemics. The ongoing global and national health crises caused by the global outbreak of the novel coronavirus resulting in the disease known as “COVID-19,” and the governmental and social responses intended to minimize its impact, have caused significant disruption of the global and national economies and instability in the financial markets. Further outbreaks of COVID-19 could cause additional, extended or more restrictive quarantines, business and school shutdowns, mass cancellations of events and travel, substantial reductions in consumer demand and the volume of business activity and financial transactions, labor shortages, further supply chain and distribution channel interruptions, and disruptions in the provision of healthcare services, any of which may contribute to economic and financial market instability.

In addition to contributing to general economic disruptions and financial market instability, the COVID-19 pandemic may adversely affect underlying portfolio companies more directly, including by negatively impacting (i) their respective operating statuses and their employees, (ii) their supply chains and distribution channels, (iii) the ability of their customers to conduct business with them, and (iv) the industries in which they operate generally, all of which could have a significant impact on their financial conditions. Issuers may experience reduced cash flows and the loss of key employees due to decreased demand for products or services.

The extent to which the COVID-19 pandemic will continue to cause economic disruptions and financial market volatility and instability and adversely impact the Fund will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of outbreaks of COVID-19, the emergence of new variants of the virus and new and continued actions taken by governmental authorities to reduce the spread of COVID-19 and contain the related financial and economic impact of the pandemic. The same or similar risks may apply to any future pandemics and epidemics.

### Concentration Risk

The Master Fund will generally maintain between five investments and thirty investments at any one time. The Master Fund may hold one or more positions that are relatively large in relation to the Master Fund's capital and are concentrated in a single issuer or a group of related issuers in a single industry. The result of such concentration of investments is that a loss in any one such position could materially reduce the Master Fund's capital.

### Purchases of Securities as Value Investments

Bandera will purchase securities that it believes are significantly undervalued. There can be no assurance that securities that Bandera believes are undervalued will in fact prove to be undervalued, or that undervalued securities will increase in value.

### Equity Securities Generally

Bandera is permitted to invest in common and preferred stock and other equity securities, including both public and private equity securities. Equity securities generally will be subordinate to the debt securities and other indebtedness of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by developments in the issuer's business, poor economic or market conditions, general stock market fluctuations, inclusions in and deletion from market indexes, and changes in market confidence and perceptions of their issuers. Investor perceptions are based on various and unpredictable factors, including expectations regarding governmental, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic or financial crises. In some cases, the issuers of such equity securities may be highly leveraged or subject to other risks such as limited product lines, markets or financial resources. Some of the small and mid-cap issuers of equity securities in which the Master Fund may invest may be more vulnerable than larger companies to adverse business or market developments, may have limited markets or financial resources and may lack experienced management. In addition, some equity securities may be illiquid. Due to perceived or actual illiquidity or investor concerns regarding leveraged capitalization, certain equity securities often trade at significant discounts to otherwise comparable investments or are not readily tradable. Such securities generally do not produce current income for the Master Fund and may also be speculative. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or that are rumored to be subject to accounting irregularities.

## Investment in Distressed or Bankrupt Companies

Bandera may invest in securities of companies that have become financially distressed as a result of unexpectedly or chronically poor operating results, an excessive debt burden, facing special competitive or product obsolescence problems or a substantive liability. For example, if a company in financial distress announces a restructuring plan, either in the form of a court-supervised bankruptcy or insolvency proceeding, or an out-of-court restructuring of its indebtedness and other liabilities, and Bandera believes that a successful restructuring or reorganization is likely to be completed and that the value of the new securities to be received, plus cash or any other consideration, if any, exceeds the current market price of such securities, Bandera may purchase such distressed company's securities. Securities or other assets or investments acquired by Bandera may have to be held for extended periods of time. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and there may be wide spreads between the bid and asked prices of such securities.

Proposed reorganizations of distressed companies may not be consummated, or may be significantly delayed, for several reasons, including: opposition by the management or shareholders of the company or companies involved in the reorganization or opposition by regulatory agencies whose approval may be required; discovery of undisclosed facts during the process of legal or commercial due diligence or by other means; a dispute over price or other terms among the parties to a negotiated reorganization; litigation; a material adverse change in the business of the company or companies involved in the reorganization or the securities markets generally; passage of legislation by governmental entities restricting certain types of reorganizations; and the failure to meet certain conditions customarily specified in acquisition agreements.

The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is particularly high. Such types of securities require active monitoring and may, at times, require participation in bankruptcy or reorganization proceedings by Bandera on behalf of the Master Fund. To the extent that Bandera becomes involved in such proceedings, the Master Fund may have a more active participation in the affairs of the issuer than that assumed generally by an investor, and restrictions may be imposed that limit the Master Fund's ability to liquidate its position in the securities of the company. The Master Fund, however, does not generally make investments for the purpose of exercising day-to-day management of any issuer's affairs.

## Special Situations

The Master Fund may also make purchases of "special situation" securities. Such purchases may include securities that Bandera believes to be undervalued due to an arbitrage, liquidity or other event, or legal or litigation issues, or may involve situations where a significant position in the securities of a particular company has been acquired by other persons or where companies in the same or a related industry have recently been the target of acquisition attempts. If the Master Fund purchases securities in anticipation of an acquisition attempt or reorganization, and no acquisition attempt or reorganization occurs

during the timeframe anticipated by Bandera, the Master Fund may sell the securities at a loss. A substantial period of time may elapse between the Master Fund's purchase of the securities and the acquisition attempt or reorganization. During such period, a portion of the Master Fund's assets would be committed to the securities purchased, and the Master Fund will continue to pay interest on any funds borrowed by the Master Fund to finance such purchases. In liquidations and other forms of corporate reorganizations, there is a risk that the reorganization will be unsuccessful, will be delayed or will result in a distribution of cash or a new security with a value less than the purchase price of the security originally purchased by the Master Fund.

Bandera attempts to assess all of the foregoing risk factors, and others, in determining the nature and extent of the investment the Master Fund will make in specific "special situation" securities. However, many risks, such as the outcome of governmental approvals or the outcome of pending or threatened litigation, cannot be quantified.

#### Event-Driven Investments

Some of the Master Fund's investments may be made in anticipation of future events impacting an issuer's financial position or capital structure or otherwise materially impacting an issuer. The consummation of mergers, exchange offers, tender offers, spin-offs and other similar transactions can be prevented or delayed by a variety of factors. Offerors in exchange offers and tender offers customarily reserve the right to cancel such offers for many reasons, including an insufficient response from security holders of the target company. An exchange offer or a tender offer by one company for the securities of another may be opposed by the management or security holders of the target company on the grounds that the consideration offered is inadequate or for other reasons, and this opposition may result in regulatory action and/or litigation which delays or prevents consummation of the transaction, or the management of the target company may pursue defensive strategies, such as seeking a "friendly" merger with, or tender offer by, a company other than the offeror. Even if the transaction has been agreed upon by the management of the companies involved, its consummation may be prevented by the intervention of a governmental authority, litigation brought by a security holder or, in the case of a merger, the failure to receive the necessary security holder approvals, market conditions resulting in material changes in securities prices, and other circumstances, including, without limitation, the failure to meet certain conditions customarily specified in acquisition agreements. Even if the defensive activities of a target company or the actions of governmental authorities or security holders fail to defeat a transaction, they may result in significant delays, during which time the Master Fund's capital will be committed to the transaction and the Fund will continue to bear its share of any interest on any funds borrowed by the Master Fund in connection with the transaction. In a risk arbitrage trade, any failure or delay in the consummation of the transaction, or any change in the consideration received upon consummation, may materially adversely affect the return on the trade.

An exchange offer or a tender offer will often be made for less than all of the outstanding securities of an issuer, with the provision that, if a greater number is tendered, securities will be accepted pro rata. Thus, after the completion of a tender offer, and at a time when

the market price of the securities has declined below the Master Fund's cost, the Master Fund may have returned to it, and be forced to sell at a loss, a portion of the securities it tendered.

### Activism and Board Representation Risk

In order to implement certain actions deemed necessary to maximize the value of securities of one or more companies in which the Master Fund invests, Bandera may work with the management team of any such company. This may include the design of alternate strategic plans and assistance in execution of such plans. Bandera may seek to secure the appointment of persons, as selected by Bandera, to the company's management team or board of directors. If necessary, Bandera may also initiate shareholder actions (including those that may be opposed by company management) seeking to maximize value. Such shareholder actions may include, among other things, re-orienting management's operational focus, initiating the sale of the company (or one or more of its divisions) to a third party, or an acquisition by the Master Fund. Such an acquisition may be accomplished either by the Master Fund acting alone, in conjunction with other investors (strategic or financial) or with existing management. In order to accomplish the foregoing, Bandera may cause the Master Fund, either alone or together with other members of a group, to acquire a "control" position in the company's securities. There is no guarantee that corporate governance strategies will prove effective.

In addition, opponents of a proposed corporate governance change may seek to involve regulatory agencies in investigating the transaction or Bandera or the Master Fund, and regulatory agencies may independently investigate the participants in a transaction, including the Master Fund, as to compliance with securities or other law. Further, by gaining representation on the board of directors of a company, and particularly in circumstances where Bandera gains control of a company and in certain other circumstances, Bandera and its partners and employees may be subject to litigation, personal liability and reputational harm, which could adversely affect the Master Fund. The Master Fund would indemnify Bandera's partners, employees and agents against costs incurred during litigation or administrative proceedings, and from any resulting judgments.

### Illiquid and Delisted Securities

The Master Fund may invest in relatively thinly traded, low-priced and low market capitalization securities, including securities of issuers that may not be current in their SEC filings or may not publicly file financial statements or other reports with the SEC or otherwise make key financial and other information available to the public, and may invest in recapitalized companies and companies undergoing debt restructurings, or may invest in a security where trading is later halted by an exchange or by a regulator, which all carry the risks that the Master Fund will not be able to exit a position without extremely adverse fills of its orders, which may cause a material loss to the Fund, or will not be able to completely exit a position (including the inability to close out a short sale or to exercise an option position). Many issuers of such securities are not well-known to the investing public, do not have significant institutional ownership and are followed by relatively few or no securities analysts, and thus there may tend to be less publicly available information

concerning such companies compared to what is available for companies that have larger market capitalizations. Further, such securities may not originally be listed on national exchanges or markets, or may become delisted from or halted on such exchanges and markets, which is likely to adversely impact the price, availability of quotations, and liquidity of such securities. Rule 15c2-11 under the 1934 Act prohibits a broker-dealer from publishing quotations for OTC securities of an issuer unless certain financial and other information regarding the issuer is current and publicly available.

#### Circuit Breakers and Trading Limits

Even in the case of more liquid securities, futures contracts and options thereon, it also may not always be possible for the Master Fund to execute a buy or sell order at the desired price or to liquidate a position, either due to market conditions on exchanges or due to the operation of “circuit breakers” (in the case of equity securities) or daily price fluctuation limits (in the case of futures contracts and options thereon). During a single trading day, no trades may be executed at prices beyond the daily limit. In addition, the Master Fund may not be able to execute trades at favorable prices if little trading in the contracts it wishes to trade is taking place. It is also possible that an exchange or governmental authority may suspend or restrict trading in any security, order the immediate settlement of a particular futures contract or order that trading in a particular futures contract be conducted for liquidation purposes only. Options trading may be restricted in the event that trading in the underlying instrument becomes restricted, and options trading may itself be illiquid at times, irrespective of the condition of the market of the underlying instrument, making it difficult or impossible to exercise or offset option positions in order to realize gain thereon, limit losses or change positions in the market.

#### Private Equity Investments and Control Positions

While private equity investments and control positions are not part of the Master Fund’s principal investment strategy, the Master Fund may make private equity investments and also may take control positions from time to time, including investments in companies undergoing debt restructurings and recapitalized companies, which involve a high degree of business and financial risk. Such companies may have highly leveraged capital structures, require substantial additional capital to support expansion or to achieve or maintain a competitive position, produce substantial variations in operating results from period to period or operate at a loss. In the event that any such company cannot generate adequate cash flow to meet debt service, the Master Fund may suffer a partial or total loss of capital invested in the company. Although Bandera may seek protective provisions, including, possibly, board representation, in connection with certain of its private equity investments, to the extent the Master Fund takes minority positions in companies in which it invests, Bandera may not be in a position to exercise control over the management of such companies and, accordingly, may have a limited ability to protect its position in such companies, and may have limited information rights regarding such investments. Private equity and control investments may have extended holding periods of several years during which no distributions are made to the Master Fund on its investment, and there can be no assurance that a viable exit mechanism will be available at the end of the anticipated holding period.

## Warrants

Warrants, stock purchase rights and similar rights are securities permitting, but not obligating, their holders to subscribe for other equity securities, and they do not represent any rights in the assets of the issuer. As a result, warrants and stock purchase rights may be considered more speculative than other types of equity investments.

## Short Selling

In connection with an investment position, hedging position or special situation, Bandera may engage in selling securities short. Short selling involves selling securities that are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security (and thus the cost to the Master Fund of buying those securities to cover the short position) could theoretically increase without limit. There can be no assurance that the Master Fund will be able to maintain the ability to borrow securities sold short. The securities may be “bought in” (i.e., the Master Fund may be forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market, or at all, for example if such a security is halted or delisted. Purchasing securities to close out a short position can itself cause the price of the securities to rise further. In a “short squeeze,” a lack of supply and an excess of demand for a traded security caused by short sellers seeking to cover their short positions forces the price upward. If the price of the security starts to rise rapidly, the trend may escalate as an increasing number of short sellers seek to close out their positions quickly. In addition, short selling is continually the subject of regulatory scrutiny and regulatory restrictions in one or more markets in which the Fund may trade. Such restrictions and regulations may be imposed with little or no warning, which could result in substantial losses.

## Options Trading

In connection with an investment position, hedging or special situations, Bandera may purchase and sell call and put options on securities and other underlying investments. Both the purchasing and the selling (“writing”) of call and put options entail risks. Although an option buyer’s risk is limited to the amount of the purchase price of the option, an investment in an option may be subject to greater fluctuation than an investment in the underlying security or securities. In theory, an uncovered call writer’s loss is potentially unlimited. The risk for a writer of a put option is that the price of the underlying instrument may fall below the exercise price.

## Currency Risk

Bandera may purchase and sell investments priced in a currency other than the U.S. Dollar. The Master Fund calculates net asset values in U.S. Dollars, and if the Master Fund invests



in securities denominated in non-U.S. currencies, the value of those securities will be subject to the risk of fluctuations in the currency exchange rate between the local currency and the U.S. Dollar and to the possibility of exchange controls. Bandera may seek to hedge the foreign currency exposure, but such hedging strategies may not necessarily be available or effective and may not always be employed. In addition, any company in which the Master Fund invests may have unhedged operational exposure to currency fluctuations and exchange controls. Accordingly, the Interests may at times be subject to foreign exchange risks.

#### Below Investment-Grade Securities

Bandera may cause the Master Fund to invest in below investment-grade securities. The Funds will be exposed to the credit risk of the issuers of below investment-grade securities that Bandera purchases. High-yield bonds (a/k/a “junk bonds”) are bonds with a credit rating of BB or lower (*i.e.*, below investment grade) issued by companies that do not have substantial sales and earnings track records or that have questionable creditworthiness. Companies that issue such securities are often highly leveraged and may not have access to more traditional methods of financing. The Funds may be subject to risk of loss in the event of such an issuer’s bankruptcy or other inability to meet its payment obligations under its high-yield securities. While all security investments have some degree of risk, these types of securities may be subject to greater market fluctuations and risk of loss of income and principal than are investments in lower yielding fixed income securities with higher ratings. It may take a number of years for the market price of such securities to reflect their intrinsic value. It is anticipated that some of the high-yield portfolio securities of the Master Fund may not be widely traded, and that the Master Fund’s position in such securities may be substantial in relation to the market for the securities. In addition, such securities generally are traded in the over-the-counter marketplace, which is less transparent than the markets for securities traded on organized exchanges. The Master Fund also may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments.

#### Leverage; Margin Calls

Bandera may use margin financing to buy securities or use other leverage in investing the Master Fund’s assets. Borrowing money to purchase an instrument may provide the opportunity for greater capital appreciation but at the same time will increase the risk of loss with respect to the instrument. Although the use of leverage by an investor increases returns to the investor if it earns a return on the incremental positions purchased with the borrowed funds that exceeds its borrowing costs, the use of leverage decreases returns to the investor if its borrowing costs exceed the return on such incremental positions.

In addition, certain of the Master Fund’s investments from time to time may be in securities of issuers which are themselves highly leveraged, which will increase the Master Fund’s exposure to leverage-related risk. The amount of leverage that may be used by such issuers will increase their exposure to adverse economic factors such as downturns in the economy or deterioration in the conditions of such issuers or their respective industries. The interest

rates at which the Master Fund and the issuers of its portfolio securities can borrow will affect the operating results of the Fund.

In general, the use of short-term margin borrowings results in certain additional risks to the Master Fund. For example, should the securities pledged to brokers to secure the Master Fund's margin accounts decline in value, the Master Fund could be subject to a "margin call," pursuant to which the Master Fund must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Master Fund's assets, the Master Fund might not be able to liquidate assets quickly enough to satisfy its margin requirements.

#### Availability of Margin Loans and Other Financing Arrangements

There can be no assurance that the Master Fund will be able to maintain desired financing arrangements under all market circumstances. As a general matter, the brokers and dealers that provide financing to the Master Fund can apply essentially discretionary margin, "haircuts," financing, security and collateral valuation policies. Changes by brokers and dealers in one or more of these policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in substantial margin calls, loss of financing, forced liquidations of positions at disadvantageous prices (or on unfavorable terms), and termination of prime brokerage, swap and repurchase agreements. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly or by multiple brokers and dealers and counterparties simultaneously.

#### Illiquid and Alternative Investments

The Master Fund may make investments of a type in which Bandera has limited experience and that may result in the Master Fund holding illiquid positions for which there is no trading market for exit or valuation purposes, including taking control of a public or private company, and investing in alternative assets such as litigation claims, patents, real estate, viatical settlements, private equity or other opportunities. Such investments would present risks to investors in the Funds as to proper valuation, inability to exit at a favorable price or any price and risks that Bandera will be unable to make these investments profitable for the Funds.

#### Investment-Related Litigation

Litigation can and does occur in the ordinary course of the management of an investment fund or vehicle with an investment strategy similar to that of the Master Fund. The Master Fund may be engaged in litigation both as a plaintiff and as a defendant. This risk is somewhat greater if the Master Fund exercises control or significant influence over a portfolio company's direction, *e.g.*, as a result of board participation or being active on a creditor's committee. Such litigation can arise as a result of issuer defaults, issuer bankruptcies or other reasons. In certain cases, issuers may bring claims or counterclaims against the Funds, Bandera, the General Partner or their respective principals and affiliates

alleging violations of securities laws and other typical issuer claims and counterclaims seeking significant damages. Bandera, the General Partner, and others are indemnified by the Master Fund in connection with such litigation, subject to certain conditions. The expense of defending against third-party claims made against the Master Fund or persons indemnified by the Fund and paying the amounts of any settlements or judgments generally would be borne by the Master Fund and reduce net assets, to the extent that the Master Fund has not been able to protect itself through indemnification or other rights against the portfolio companies, is not entitled to such protections, or is entitled to such protections but the portfolio company is not solvent.

#### Futures and Forward Contract Risks

Although the Master Fund is primarily engaged in investing and trading in securities, the Master Fund may hold positions in futures contracts from time to time. A principal risk in holding positions in futures contracts is the traditional volatility and rapid fluctuation in market prices. The profitability of such positions will depend primarily on fluctuations in market prices. Price movements for futures are influenced by, among other things, governmental trade, fiscal, monetary and exchange control programs and policies, weather and climate conditions, changing supply and demand relationships, national and international political and economic events, changes in interest rates, and the changing philosophies and emotions of market participants. In addition, governments from time to time intervene, directly and by regulation, in certain futures markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets, and such intervention (as well as other factors) may cause these markets to move rapidly.

The low margin deposits normally required in futures trading permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a futures contract may result in immediate and substantial loss or gain to the investor. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract were then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. Thus, like other leveraged financial instruments, any futures trade may result in losses in excess of the amount invested. Any increase in the amount of leverage applied by Bandera will increase the risk of loss by the amount of additional leverage applied.

The Master Fund also may hold positions in forward contracts from time to time. Such forward contracts are not traded on exchanges but rather are over-the-counter (“OTC”) transactions executed directly through forward contract dealers. There is no limitation on the daily price moves of forward contracts, and a dealer is not required to continue to make markets in such contracts. There have been periods during which forward contract dealers have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the bid and asked price. The Master Fund will be subject to the risk of credit failure or the inability of or refusal of a forward contract dealer to perform with respect to its forward contracts.

## Contracts for Differences

The Master Fund may enter into contracts for differences. The low initial margin deposits normally required to establish a position in contracts for differences permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. If the market moves against the Master Fund, it may be called upon to pay substantial additional margin at short notice to maintain the position. If the Master Fund fails to do so within the time required, its position may be liquidated at a loss and the Master Fund will be responsible for the resulting deficit. Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when the Master Fund entered into the contract.

Historically, contracts for differences have not been executed on exchanges and rather have been executed in OTC markets, which are not subject to the same type or degree of regulation and supervision as are regulated exchanges and are “principals’ markets” in which performance of a contract is the responsibility only of the counterparty to the contract, and not of any exchange or clearinghouse. The Master Fund would be subject to the risk of the inability or refusal of the counterparties with which the Master Fund trades to perform with respect to any such contracts for differences executed on behalf of the Master Fund in the OTC markets.

The European Market Infrastructure Regulation (“EMIR”) imposes certain requirements in respect of derivative contracts, which apply to varying degrees to entities established in the EU, regardless of whether they are transacting with counterparties established in the EU or outside of the EU. As such, where the Master Fund transacts with EU counterparties, they will likely require the transaction to be EMIR-compliant, with the result that the Master Fund becomes subject to additional obligations and/or costs that may not otherwise have applied.

Specifically, EMIR mandates the clearing of OTC derivatives contracts if they pertain to a class of OTC derivative that has been declared subject to the mandated clearing obligation. The European Securities and Markets Authority maintains and keeps up to date a public register which sets out, among other things, the classes of OTC derivatives that are subject to the clearing obligation. OTC derivatives required to be submitted for clearing are subject to minimum initial and variation margin requirements set by the relevant central counterparty (“CCP”).

The revised EU Markets in Financial Instruments Directive and related regulations and subsidiary legislation (“MiFID II”) governs the organized trading of and provision of investment services and activities in relation to financial instruments such as shares, bonds, units in collective investment schemes and derivatives.

Although the Master Fund is not organized in the EU and is not authorized or regulated by any EU member state financial services regulator, certain aspects of MiFID II may have an

impact on the Master Fund. In particular, MiFID II imposes a mandatory trading obligation on classes of derivatives that are both cleared through a CCP and deemed to be sufficiently liquid to trade on a trading venue.

EU regulated firms that have trading relationships with the Master Fund may be required by MiFID II to impose certain requirements on the Master Fund, or they may seek to do so contractually, with a view to satisfying their own compliance requirements. It is difficult to assess the full impact of MiFID II on the Master Fund. Prospective investors should be aware that the costs (whether direct or indirect) of compliance with EMIR and MiFID II may be significant in the context of the Master Fund's operations, and that each of them may adversely affect the Master Fund's ability to engage in certain transactions.

Following the implementation of mandatory clearing and mandatory trading obligations under EMIR and MiFID II, some OTC derivatives transactions continue to be executed in the OTC markets without the protections that trading on a trading venue and clearing through a CCP generally provide. Counterparties entering into OTC derivative contracts that are not cleared by a CCP are required under EMIR to ensure that appropriate procedures and arrangements are in place to measure, monitor and mitigate operational risk and counterparty credit risk. Such measures include timely confirmation, by electronic means, of the terms of the relevant derivative contract and formalized processes to reconcile portfolios, identify and resolve disputes between counterparties and monitor the value of outstanding contracts. The mandatory clearing obligation, risk mitigation procedures and the mandatory trading obligation have generally increased the costs of OTC contracts for differences, and these costs are generally passed through to market participants (including the Master Fund).

#### Bank Loans and Participations

The Master Fund may invest in bank loans and derivatives of bank loans and participations. Such transactions are subject to various risks, including, without limitation, the possible invalidation of a transaction as a fraudulent conveyance and preference under relevant creditors' rights laws, so-called lender liability claims by the issuer of the obligations, environmental liabilities that may arise with respect to collateral securing the obligations, equitable subordination of the Master Fund's claim to the claims of one or more other creditors and limitations on the ability of the Master Fund to directly enforce its rights with respect to participations.

#### Custodian and Counterparty Risks

The Fund and the Master Fund will be subject to the risk of the inability of banks, brokers and dealers and other custodians of assets of the Fund and the Master Fund to safeguard assets and carry out their respective other duties and the inability of counterparties to perform with respect to transactions, whether due to bankruptcy, insolvency, failure to comply with rules designed to ensure the safekeeping of customer assets or other causes. There is a risk that any of such financial institutions could become bankrupt or insolvent. The bankruptcy or insolvency of any such financial institutions may result in the Fund or the Master Fund losing all or a portion of its assets held with such financial institutions or

the termination of any outstanding transactions. In addition, financial institutions may use sub-custodians and disclaim responsibility for any losses which may result therefrom. While certain financial institutions are subject to regulatory requirements mandating the segregation of customer assets, if any of such financial institutions fails to do so, or is unable to satisfy a substantial deficit in such customer accounts, its other customers may be subject to risk of loss of their funds in the event of such financial institution's bankruptcy. In addition, the Fund and the Master Fund may use counterparties and other financial institutions located in various jurisdictions outside the United States. Such non-U.S. counterparties and other financial institutions are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency.

However, the practical effect of these laws and their application to the Fund's and the Master Fund's assets are subject to substantial limitations and uncertainties. Investors should assume that the insolvency of any non-U.S. counterparty or other financial institution would result in a loss to the Fund or the Master Fund, which could be material.

In an effort to mitigate such risks, Bandera will attempt to limit transactions and entrust assets to multiple financial institutions that it believes are established, well-capitalized and creditworthy. However, even the capitalization of a long-established financial institution may deteriorate rapidly when it has substantial risk exposure to one or more asset classes that become distressed, its counterparties and customers lose confidence in its ability to perform its transactions and safeguard assets, or it encounters other severe difficulties. Furthermore, the commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between these financial institutions. Accordingly, concerns about, or a default or threatened default by, one financial institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other financial institutions. This is sometimes referred to as "systemic risk" and may adversely affect financial institutions with which the Fund and/or the Master Fund interacts and could therefore adversely affect the Fund and/or the Master Fund. There can be no guarantee that the Fund and the Master Fund could unwind transactions and withdraw assets from a once-creditworthy financial institution if such financial institution's capital begins to deteriorate rapidly or in the event of significant market-wide liquidity and credit problems.

#### International Investments

Non-U.S. securities historically have been highly volatile in nature. To the extent that the Master Fund invests in securities of non-U.S. issuers, including securities traded outside of the United States, the Funds will be subject to greater risks than may be present in comparable U.S. investments. In general, non-U.S. markets are not as liquid, do not have pertinent information disseminated as efficiently as U.S. markets, are less regulated and may involve certain other risks generally not applicable to trading on U.S. exchanges and markets. For example, certain of such exchanges and markets may not provide the same assurances of the integrity (financial and otherwise) of the marketplace and its participants as do U.S. exchanges and markets. There also may be less regulatory oversight and supervision by the exchanges themselves over transactions and participants in such

transactions on such exchanges. Some non-U.S. exchanges, in contrast to U.S. exchanges, are “principals’ markets” in which performance is the responsibility only of the individual member with whom the trader has dealt and is not the responsibility of an exchange or clearing association. In addition, with respect to some countries, there is the possibility of expropriation, sanctions, confiscatory taxation, exchange controls, hyperinflation and political, social and financial instability. In addition, the Funds calculate net asset values in U.S. Dollars, and if the Master Fund invests in non-U.S. securities denominated in non-U.S. currencies, the value of those securities will be subject to the risk of fluctuations in the currency exchange rate between the local currency and the U.S. Dollar and to the possibility of exchange controls. The above risks and other risks particularly may apply to emerging markets investments.

#### Hedging Strategies; Unhedged Risks

Hedging strategies may be used from time to time in an attempt to reduce certain risks associated with the Master Fund’s investment portfolio. There remains a substantial risk, however, that hedging strategies may not always be available or effective in limiting losses.

Hedging against a decline in the value of the Master Fund’s positions does not eliminate fluctuations in the values of its positions or prevent losses if the values of such positions decline, but Bandera may establish other positions designed to gain from those same developments, thus moderating the decline in such position’s value. Such hedging transactions also limit the opportunity for gain if the value of such position should increase.

The success of any hedging transactions entered into by Bandera will be dependent upon Bandera’s ability to correctly predict market fluctuations and movements. While Bandera may enter into such transactions to seek to reduce risks, unanticipated market movements and fluctuations may result in a poorer overall performance for the Funds than if Bandera had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the position being hedged may vary.

Prospective investors should also be aware that many or all of the Master Fund’s positions from time to time may be unhedged. For a variety of reasons, Bandera may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. Even when Bandera does determine to hedge against a particular risk, Bandera may not seek to establish a perfect correlation between the hedging instruments used and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Master Fund from achieving the intended hedge or expose the Master Fund to risk of loss. Moreover, it may not be possible for Bandera to hedge against certain risks, *e.g.*, the risk of a fluctuation that is so generally anticipated by market participants that Bandera cannot enter into a hedging transaction at a price sufficient to protect the Master Fund from the decline in value of the portfolio position anticipated as a result of such a fluctuation.

### Access to Nonpublic Information

From time to time, the Master Fund, through the Principals, employees or agents of Bandera, may be represented on the boards of directors or creditors' committees, or serve as observers to the boards of directors, of certain of the companies in which the Master Fund makes investments. In addition, Bandera may have access (through such representation or otherwise) to nonpublic information regarding issuers of securities that are investments or potential investments of the Master Fund. While such representation or access to nonpublic information is important to Bandera's investment strategy and may enhance its ability to manage the Master Fund's investments, it may also have the effect of restricting the ability of the Master Fund to purchase or sell the related investments when, and upon the terms, it might otherwise desire, including as a result of applicable securities laws or standstill provisions in nondisclosure agreements entered into by Bandera or the Master Fund in connection with obtaining such representation or access.

### Competition for Investments

The Master Fund may be unable to find a sufficient number of attractive opportunities to meet its investment objectives or invest its capital fully. There can be no assurance that Bandera will be able to identify or successfully pursue attractive investment opportunities in all market environments. Among other factors, competition for suitable investments from other pooled investment funds and vehicles may reduce the availability of investment opportunities.

### Expedited Transactions

Bandera's investment analysis and decisions may often be undertaken on an expedited basis in order for the Master Fund to take advantage of investment opportunities. In such cases, the information available to Bandera at the time of an investment decision may be limited and Bandera may not have access to the detailed information necessary for a full evaluation of the investment opportunity. In addition, Bandera may not have the time or resources to complete its preferred level of due diligence on the potential investment. Moreover, Bandera may rely upon outside advisors in connection with its evaluation of proposed investments. There can be no assurance that such advisors will accurately evaluate such investments.

### Geopolitical Risks

An unstable geopolitical climate, including war, international sanctions, macroeconomic financial distress, economic uncertainty in certain regions and continued threats of terrorism could have a material effect on general economic conditions, market conditions and market liquidity. In addition, a natural disaster could severely disrupt global, national and/or regional economies. A negative impact on economic fundamentals and consumer confidence may increase the risk of default of particular investments made by the Master Fund, negatively impact market values, increase market volatility and cause credit spreads to widen and reduce liquidity, all of which could have an adverse effect on the investment



performance of the Funds. No assurance can be given as to the effect of such events on the value of or markets for the investments made by the Master Fund.

### The EU and Brexit

The United Kingdom (the “UK”) exited the European Union (the “EU”) on January 31, 2020 (commonly referred to as “Brexit”). On December 30, 2020 the UK and the EU signed the EU-UK Trade and Cooperation Agreement (the “Trade Agreement”), which sets out preferential arrangements in a number of areas including trade in goods and services and which is provisionally applicable since January 1, 2021. The conclusion of the Trade Agreement averted a “no deal” Brexit which might have led to economic disruption and potentially to political instability. Nevertheless, even with the Trade Agreement in place, in the short to medium term some economic disruption can be expected to the UK economy, and to a lesser degree to the EU economy, as each continues to adjust to the post-Brexit environment.

From a UK political perspective, the Scottish Nationalists, who opposed Brexit, seek a second referendum on Scottish independence. Holding such a referendum requires the consent of the UK Government, which it has said it will not give. Nevertheless the possibility of Scotland leaving the UK in the medium to long term cannot be ruled out, bringing with it potentially negative economic consequences for the countries currently comprising the UK and possibly affecting other countries with trading links to the UK.

Although the full impact of Brexit still cannot be fully assessed, it could yet have an adverse impact on UK, European and global macroeconomic conditions and could be a factor adversely affecting political, legal, regulatory, tax and economic certainty. The Brexit vote led to an unsettling of European and global markets, as well as a depreciation of the Pound Sterling against other major currencies, including the U.S. Dollar and the Euro. In the longer-term, the effects of Brexit will depend not only on the success of the Trade Agreement, but also on any new trading arrangements the UK is able to make with non-EU countries post-Brexit, such as the United States. The Funds cannot anticipate any of the above and other effects of Brexit, which could adversely affect the Funds’ business, opportunities, operations, financial condition and cash flows.

### Location and Infrastructure Risk

Bandera and its key personnel are physically located in one building in downtown New York City. Loss of the building and/or the key personnel, whether as a result of fire, terrorist action, earthquake or some other catastrophic event, could adversely affect the investment returns of the Funds. Furthermore, a serious impairment to the infrastructure of the building, such as an extended loss of power, or a prolonged restriction of physical access to the building by governmental authorities, could adversely affect the investment returns of the Funds. While Bandera and its key personnel have contingency plans for offsite operation, there is no guarantee that these contingency plans will work or that they will allow for seamless performance of Bandera’s functions. Similar risks may apply to the brokers and dealers and other custodians of the Funds’ assets.

### Cybersecurity Risks

Investment advisers, including Bandera, increasingly rely on information and technology systems to conduct their business. Such systems might in some circumstances be subject to cybersecurity incidents or similar events that could potentially result in damage or interruption to these systems, unauthorized access to sensitive transactional and personal information, intentional misappropriation, corruption or destruction of data, or operational disruption.

Bandera maintains an information technology cybersecurity policy and has implemented certain technical and physical safeguards intended to protect the integrity of its information and technology systems. Nonetheless, despite reasonable precautions, cybersecurity incidents could potentially occur, and might in some circumstances result in the failure to maintain the security, confidentiality or privacy of sensitive data. Cybersecurity incidents experienced by third party vendors or service providers may indirectly affect Members.

Cybersecurity risks can disrupt the ability to engage in transactional business, cause direct financial loss and affect the value of Fund assets, harm Bandera's reputation, lead to violations of privacy and other applicable laws, result in ongoing prevention, risk management and compliance costs, and otherwise affect business and financial performance. Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which the Funds invests; counterparties with which the Funds engages in transactions; governmental and other regulatory authorities; exchange and other financial market operators; and other persons with which the Funds, Bandera or one of their respective service providers does business. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

#### Changes in Investment Strategies

Over time the investment strategies of Bandera may be modified and Bandera may begin utilizing additional investment strategies without prior approval by, or notice to, the Funds or investors in the Funds if Bandera believes that any such modification or addition is in the best interests of investors in the Funds and consistent with the Master Fund's investment objective. Any such modification or addition could result in the exposure of the Funds' capital to additional risks, which could be substantial.

#### Administrator Risk

Bandera relies on the services of a Fund Administrator ("Administrator") for the servicing of all its end investors. This servicing can include performing net asset value calculations, fund accounting, trade reconciliation, and processing and recording shareholder activity. Organizational changes at the Administrator may result in disruptions to effective processing, management, changes to internal controls, liability, risk management, compliance oversight and data security, all of which may be outside of Bandera's control, and effect the reliability of their reporting. Additionally Bandera relies on the Administrator's AML program. The Administrator typically requests investors to provide documentation verifying, among other things, investors' identity and source of funds used to purchase the investment. The amount and types of such information requested may vary depending on an investor's domicile (due to local regulatory requirements), and complying with such requests may be burdensome, inconvenient, and intrusive. The Administrator is also subject to the same business risks and information security threats as Bandera. It is not

always possible to deter misconduct or negligence by service providers, and the precautions we take to detect and prevent this activity may not be effective in all cases. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of any investors and personally identifiable information of the investors (and beneficial owners thereof) may be lost or improperly accessed, used or disclosed. Furthermore, Administrators and other third-party service providers may improperly disclose confidential information, which could result in litigation or serious financial harm, including limiting Bandera or Bandera investors' business prospects or future activities.

### Regulatory Developments

Legal, tax and regulatory developments that would adversely affect the Funds could occur during the term of the Funds. The regulatory environment for hedge funds and other private investment funds is evolving, and changes in the regulation of private investment funds and their investment and trading activities may adversely affect the ability of the Fund to pursue its investment strategy, its ability to obtain leverage and financing and determine the value of its investments. In recent years, there has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general. For example, in the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which makes significant changes to the regulation of banks, hedge funds and other financial services firms, is still in the process of being clarified and implemented by Federal agency rulemaking and interpretation. In addition, in the European Union, the Alternative Investment Fund Managers Directive 2011/61/EU, which imposes many new requirements on the managers of alternative investment funds that are marketed within the European Union, is still in the process of being transposed in the different European Union member states. The exact nature and scope of the impact of such laws and regulation on the Funds and Bandera is not yet clear.

### Regulatory Risks – ERISA/Plan Assets Status of the Offshore Fund and the Master Fund

Benefit Plan Investors ("Plan investors") currently own, or are anticipated to own, twenty-five percent (25%) or more of a class of the interests in the Offshore Fund and the Master Fund, and Bandera anticipates that, in the future, Plan investors will continue to own twenty-five percent (25%) or more of a class of the Offshore Fund and the Master Fund Interests. "Plan investors" include employee benefit plans subject to Title I of ERISA, such as 401(k) and pension plans, and also include plans as defined in Code Section 4975(e)(1), which include IRAs. The prohibited transaction provisions of Section 4975 of the Code will apply to all Plan investors. The fiduciary standards of Sections 401 through 405 of ERISA and the prohibited transaction rules of Section 406 of ERISA will apply only to the extent Plan investors comprise employee benefit plans subject to Title I of ERISA. If a fund's assets are "plan assets" (as is currently or is anticipated to be the case and as is anticipated to continue), Bandera will be deemed a fiduciary under ERISA and the Code with respect to each Plan investor to the extent Bandera has responsibility for functions described in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, as applicable.

Bandera plans to rely on Prohibited Transaction Class Exemption 84-14, as amended (commonly referred to as the QPAM exemption), and on the statutory exemption under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code in connection with avoiding engaging in prohibited transactions. However, no assurances can be given that prohibited transactions will not inadvertently occur. Fiduciaries of IRAs and employee benefit plans should consult with their own legal and financial advisors as to the consequences of an investment in the Funds.

The foregoing list of risk factors does not purport to be a complete statement of the risks involved in an investment in the Fund(s). Prospective investors should read the respective entire Offering Memorandum(s), the LLC Operating Agreement, the Limited Partnership Agreement, and the Subscription Documents of the Fund(s) and consult with their own advisors before deciding to invest in the Fund(s).

### **Item 9 – Disciplinary Information**

None of Bandera, the General Partner or the Principals has been subject to any material legal or disciplinary events as of the date of this Part 2A.

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

Neither Bandera nor its Principals are currently registered or have registrations pending as a broker-dealer or as a registered representative of a broker-dealer, or as a futures commission merchant, commodity pool operator or commodity trading advisor or as an associated person of any of such entities.

As disclosed in Part 1 of Form ADV, the General Partner, an affiliate of Bandera, serves as general partner of the Master Fund. The performance-based fee arrangement described above in Item 6 may create an incentive for Bandera to make investments that are more speculative or subject to a greater risk of loss than would be the case if no such performance-based fee arrangement existed and could result in allocations to the General Partner that are greater than the amounts allocable to managers and general partners of similar funds. In addition, the General Partner may have conflicts of interest in connection with decisions taken for the Master Fund, such as the valuation of illiquid securities, that affect Bandera.

Natalie Banas, a minority owner of Bandera, is the controlling principal of Gallatin Capital LLC (“Gallatin”) and portfolio manager of Gallatin Trading LLC and Gallatin Auxiliary Trading LLC (collectively the “Gallatin Funds”). Ms. Banas is an investor in the Onshore Fund. Jefferson Gramm and Gregory Bylinsky, majority principal owners of Bandera, are investors in Gallatin Trading LLC and minority owners of Gallatin. Mr. Bylinsky is also a Director of Gallatin. Gallatin shares office space with Bandera. The investment strategies of the Bandera funds are different from the quantitative investment strategies of the Gallatin Funds. However, Gallatin’s securities trading and the timing of its trades could potentially present a conflict of interest with the Bandera funds. Bandera has compliance procedures in place to address these potential conflicts of interest.

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

Bandera has adopted a Code of Conduct and Ethics (“Code”) which is available to any investor or prospective investor upon request. Among other things, the Code sets forth policies and procedures designed to manage the potential conflicts of interest associated with personal securities transactions. Principals and employees of Bandera also devote personal resources and time to private investments which are not held by the Master Fund, including Gallatin. All trading and investment by principals and employees of Bandera are subject to Bandera’s code of ethics. The policy generally prohibits the purchase or sale of securities within one calendar day of fund trades and requires preclearance of trades in equity-based securities, such as shares, warrants, or options on shares, of a single issuer, securities, and contains a compliance process for overseeing its affiliated entities’ securities transactions. The Code further requires periodic reporting of personal securities transactions, except that Covered Persons are not required to report certain exempted securities.

## **Item 12 – Brokerage Practices**

### **Broker Selection**

Bandera has discretion in the selection of broker-dealers for the execution of securities transactions on behalf of the Master Fund. The Master Fund will execute, clear and settle any securities and foreign currency transactions that it may enter into with firms that are registered under the U.S. Securities Exchange Act of 1934, as amended (the “1934 Act”), as broker-dealers or that are registered or licensed in a comparable capacity with the regulatory authorities of other applicable jurisdictions and that Bandera believes are reputable, reliable, financially responsible and well established, and offer the best combination of timely execution and low costs. Bandera selects broker-dealers on the basis of its belief that such broker-dealers will further its goal of seeking “best execution” of client securities transactions. When considering best execution, Bandera seeks not necessarily only the lowest commission price, but rather the best overall qualitative execution in the particular circumstances. Bandera places particular emphasis on using brokers that offer the lowest commission price and those that offer liquidity in the companies Bandera trades. Factors that Bandera believes contribute to efficient execution include, among other things, size of the order, difficulty of execution, operational capabilities, facilities and the financial condition of the broker or dealer involved, whether that broker or dealer has risked its own capital in positioning a block of securities or other assets, and the prior experience of the broker or dealer in effecting transactions of the type in which the Fund or the Master Fund will engage. Bandera does not have an obligation to seek the lowest available commission cost or solicit competitive bids.

### **Soft Dollars**

In selecting brokers or dealers to execute particular transactions, Bandera may also consider “brokerage and research services” (as those terms are defined in Section 28(e) of the 1934 Act) that fall within the Section 28(e) safe harbor. Brokerage and research

services typically are obtained by investment managers through so-called “soft dollar” arrangements with a broker or dealer in exchange for the direction by the investment manager of brokerage transactions for the account of the funds it managers to the broker or dealer for execution, and thus are effectively purchased with the resulting commissions. Bandera does not currently receive research or other products or services other than execution from a broker-dealer or third party (*e.g.*, “soft dollar benefits”) in connection with securities transactions on behalf of the Master Fund.

### **Brokerage for Client Referrals**

Bandera does not receive investor referrals from broker-dealers or their affiliates and has not referred trades on behalf of the Master Fund to broker-dealers as compensation for referrals.

### **Directed Brokerage**

Bandera does not employ directed brokerage in connection with the investment advisory services provided to the Master Fund.

### **Trade Aggregation**

Currently, the Master Fund is the sole investment portfolio for which Bandera provides investment advisory services. Accordingly, it is not necessary for Bandera to aggregate trades for its client accounts.

### **Item 13 – Review of Accounts**

Bandera’s portfolio managers review the Master Fund’s holdings on a continuous basis. In the normal course of its internal daily reporting and at the end of each month, the Chief Financial Officer reviews the income and expense allotments to the accounts of investors in the Funds to ascertain that those allocations are correct. The Chief Compliance Officer reviews this reporting and maintains records of the review.

See Item 15, below, for additional information about reports provided to investors in the Funds.

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

No person who is not a client of Bandera provides an economic benefit to Bandera for providing investment advice or other advisory services to the Master Fund. Neither Bandera nor any of its related persons directly or indirectly compensates any person for client referrals.

### **Item 15 – Custody**

Bandera does not maintain physical custody of client assets, however the SEC deems us to have constructive custody of certain client assets as a result of, among other things, the control that Bandera or the General Partner may exercise over such assets. Accordingly,

Bandera reports having custody of investor assets under Item 9 of Part 1 and Part 2 of Form ADV, and is required under Rule 206(4)-2 of the Advisers Act to obtain an audit to verify assets over which we have authority as General Partner. Where an adviser serves as the General Partner for a limited partnership pooled investment vehicle and that pooled investment vehicle is subject to an audit as defined in Regulation S-X, this custody requirement is satisfied when an audit is completed by a Public Company Accounting Oversight Board (“PCAOB”) registered accountant within 120 days of the end of the partnership’s fiscal year end. Bandera uses “qualified custodians,” as the term is described in Rule 206(4)-2 of the Adviser Act, to maintain actual custody of securities and other assets of the Master Fund. Those custodians send reports to the Master Fund on a monthly basis and make reports available electronically to the Funds on a daily basis. Bandera utilizes these reports to create daily and monthly internal reports which are then compared on a monthly basis to reports prepared by the Administrator. The Master Fund’s qualified custodians do not send reports directly to investors. The Administrator of the Funds sends monthly net asset value statements to investors in the Funds, including authorized third-party custodians and representatives of the investors. Investors should note the Administrator does not verify the accuracy of Bandera’s fee calculation. Investors in the Funds should carefully review the monthly statements and audited financial statements that they receive from the Administrator.

#### **Item 16 – Investment Discretion**

Bandera has full discretionary authority to manage securities and other assets on behalf of the Master Fund. This discretionary investment authority is set forth in the organizational and governing documents of the Onshore Fund and the Master Fund, including the limited liability company agreement of the Onshore Fund, the limited partnership agreement of the Master Fund and the investment management agreement entered into between the Master Fund and Bandera.

#### **Item 17 – Voting Client Securities**

Bandera will vote proxies for portfolio securities held by the Master Fund consistent with the best interest of the Master Fund. For this purpose, the Master Fund’s “best interest” means the economic interest in maximizing the value of the Master Fund’s portfolio holdings over the anticipated time horizon for each holding.

Bandera will use its best judgment to vote proxies in the manner it deems to be in the best interest of the Master Fund. Bandera generally votes in favor of routine corporate housekeeping proposals, such as the election of directors and selection of auditors, absent conflicts of interest raised by an auditor’s non-audit services, and against proposals that cause board members to become entrenched or cause unequal voting rights. In reviewing proposals, Bandera considers management’s opinion and the effect on management, shareholder value, and the issuer’s business practices. In addition, Bandera will review publicly available information to determine if an issuer has made available additional information regarding any issues subject to a proxy vote. We strive to ensure that proxy votes are not submitted before all relevant available information is made available by the issuer or otherwise. Should Bandera vote differently than with management

recommendations, Bandera will memorialize the reasons supporting that judgment and retain a copy of those records in its files. Additionally, Bandera's Chief Compliance Officer will periodically review the voting of proxies for consistency with Bandera's fiduciary duties.

Bandera reserves the right to abstain from proxy voting at times when Bandera is unable to vote proxies and in circumstances where the cost of voting the proxy exceed the expected benefits.

Bandera will furnish its proxy voting record and its proxy voting policies and procedures to investors in the Funds upon request.

#### **Item 18 – Financial Information**

Bandera does not solicit or require prepayment of any fees by the Funds of more than \$1,200 per Fund, six months or more in advance.

As of the date of this Part 2A, there are no financial conditions to report that are reasonably likely to impair Bandera's ability to meet contractual commitments to the Onshore Fund or the Master Fund.

Bandera has never been the subject of a bankruptcy petition.