

**CAS INVESTMENT PARTNERS, LLC**  
**PART 2A OF FORM ADV: FIRM BROCHURE**

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**This brochure provides information about the qualifications and business practices of CAS Investment Partners, LLC (“CAS” or the “Firm”). If you have any questions about the contents of this brochure, please contact CAS’s Chief Compliance Officer, Clifford Sosin, at [REDACTED] or [REDACTED]. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Any reference to CAS as a registered investment adviser does not imply a certain level of skill or training.**

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

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***Item 2: Material Changes***

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This is CAS' 2018 annual amendment to its Form ADV. There have been no material changes since CAS filed its last brochure on September 20, 2017.

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*Item 3: Table of Contents*

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#### **Item 4: Advisory Business**

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##### **Item 4.A.**

CAS Investment Partners, LLC (“CAS”, “Firm” or the “Adviser”), a Delaware limited liability company, was founded in October 2012 by Clifford Sosin, the principal owner of CAS Investment Partners, LLC. The Adviser filed to become a registered investment adviser with the SEC in September 2017.

##### **Item 4.B.**

CAS is an investment manager that offers discretionary investment management services to domestic privately offered pooled investment vehicles and managed accounts. Sosin Partners, LP (“Partnership” or “Fund”) is currently CAS’s only client. It is intended for investment by certain investors that meet the definition of “Accredited Investor” as defined under Regulation D of the Securities Act of 1933, as amended, and qualified purchasers under Section 2(a) (51) of the Investment Company Act of 1940, as amended (the “Company Act”) so as to comply with the exemptions under Section 3(c) (7) of the Company Act.

CAS may also provide investment advisory services to clients in separately managed accounts (“SMAs”) with similar investment objectives and strategies as the Fund. The Fund and the SMAs, if applicable, are herein referred to as the “Advisory Clients.”

CAS is delegated full responsibility for the investment decisions of the Partnership. The Partnership’s General Partner is Sosin, LLC (“General Partner”). The Fund is formed to pool investment assets of its investors (each a “Limited Partner” and, collectively, “Limited Partners”, and the Limited Partners, collectively with the General Partner, shall be referred to herein as the “Partners”). The General Partner is responsible for all management decisions on behalf of the Partnership and has discretionary trading authority over the Partnership’s assets. As such, the General Partner delegates its responsibility for the Partnership’s investment decisions to CAS Investment Partners, LLC (also referred to herein as the “Manager”). The Manager is also controlled by Mr. Sosin. Under the terms of an investment management agreement by and between the General Partner and the Manager, the Manager is responsible for the day-to-day management of the Partnership’s investments.

The Partnership is organized to serve as a fund through which the assets of its Partners may be utilized to purchase a concentrated portfolio of tradable credit and equity instruments (on a long and short basis) with the goal of outperforming the S&P 500 (as measured by a specific S&P 500 ETF) over time. The Manager does not seek to maintain any specific directional market bias or asset class bias. Instead, the Partnership’s overall market and asset class exposure (i.e. long or short equities or long or short credit) is endogenous to the Manager’s opinion of risks and expected returns of individual securities.

For more information regarding the principal owner of CAS, please review Schedule A and Schedule B of Part 1A of Form ADV.

**Item 4.C.**

The Firm tailors its advisory services to each Fund it manages in accordance with the terms of the relevant offering memorandum or mandate for such Fund, as applicable. Investors in the Fund generally cannot obtain services tailored to their individual specific needs.

**Item 4.D.**

Not applicable. CAS does not participate in, nor does it sponsor, a wrap fee program.

**Item 4.E.**

CAS has \$211,344,320 in regulatory assets under management on a discretionary basis as of the date of this Brochure. CAS does not manage client assets on a non-discretionary basis.

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**Item 5: Fees and Compensation**

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**Item 5.A.**

CAS is compensated for its advisory services based upon the amount of each Limited Partner's capital commitment in the Fund. The Partnership will pay the Manager (or, any other person or entity designated by the Manager) a management fee that accrues monthly and is payable quarterly. Payment of the Management Fee is due as of the last Business Day of each calendar quarter and is payable by the Partnership within ten (10) days thereafter.

Details regarding CAS's management fees are set forth in the Fund's offering memorandum or LPA. Further details of other potential fees are detailed in 5.C. The Firm may, in its sole discretion, elect to reduce or waive the Management Fee with respect to any investor.

Management fees and expenses arrangements with respect to any SMA will be set forth and calculated in accordance with such SMA's investment advisory agreement. Please reference this paragraph relating to fees and expenses of SMAs in response to Items 5.B, 5.C, and 5.D. below.

**Item 5.B.**

Pursuant to the terms of the Fund's Offering Memorandum, the Firm is authorized to deduct management fees from each investor's capital account on a quarterly basis.

**Item 5.C.**

Each Fund's offering memorandum and/or LPA contains information regarding the fees and expenses of the Fund managed by the Adviser.

Each Fund shall also pay or reimburse the General Partner of the Fund, the Adviser and their respective affiliates for the following:

**Organizational and Offering Expenses.** Organizational expenses of the Partnership include, but are not limited to, legal, accounting and government filing fees. Offering expenses include marketing expenses, printing of this Offering Memorandum and exhibits thereto and the admission of Limited Partners. The costs and expenses of the Partnership's organization and the initial offering and sale of Interests, which

were approximately \$7,300 were paid by the General Partner. These organizational and offering expenses are being reimbursed by the Partnership over time and are being amortized over a period of up to 60 months. For any period in which the Partnership is amortizing organizational expenses, the General Partner may decide to (a) recognize the unamortized expenses or (b) make U.S. Generally Accepted Accounting Principles ("GAAP") conforming changes for financial reporting purposes but amortize expenses for purposes of calculating the Partnership's net asset value. If a Partner withdraws a portion of its Capital Account prior to the end of the period during which the Partnership is amortizing its organizational expenses, the General Partner may elect to accelerate a proportionate share of the unamortized expenses based on the portion of the Capital Account withdrawn and allocate such expense to that Capital Account (which shall reduce that Partner's withdrawal proceeds by the amount of such accelerated expenses).

**Ongoing Expenses.** Certain of the Partnership's operating expenses will be paid by the Partnership. Operating expenses include, without limitation, (A) the Partnership's ongoing accounting, auditing, bookkeeping, due diligence, tax preparation, administration, trading and execution, legal, consulting and other professional fees and expenses; (B) all costs of communications with Limited Partners; (C) a portion of original and third-party research expenses not reimbursed or otherwise paid by broker dealers (including some or all of the costs associated with various data feeds (e.g. Bloomberg terminal, etc.) and subscriptions to professional journals and the like not to exceed 60bps annually (as measured by the Partnership's capital at the beginning of the year); (D) all investment-related expenses, (including all commissions, bid ask spreads, mark-ups, interest on margin borrowing, costs relating to short sales, transfer taxes, custodian fees, etc.); (E) all costs of protecting or preserving any investment held by the Partnership; (F) all losses, damages, charges, costs or expenses arising from the Partnership's indemnification obligations under the Partnership Agreement and other contracts to which the Partnership may become a party; (G) expenses incurred with regard to Special Situation Sub-Accounts; (H) regulatory and tax filing fees; (I) expenses incurred with respect to the preparation, duplication and distribution to Limited Partners and prospective Limited Partners of the offering documents, annual reports and other financial information; (J) expenses of any third-party valuation agent(s); and (K) all costs associated with dissolution, winding up, liquidation or termination of the Partnership. The Manager may elect to pay for some or all of the Partnership's costs and expenses.

Fees and expenses that are identifiable with a particular class of Interests may, in the General Partner's sole discretion, be charged against that class in computing its Net Asset Value. The General Partner and/or the Manager will pay, and shall not be reimbursed by the Partnership for, each of their own overhead expenses. These may include, without limitation, rent, employee salaries and benefits and insurance and research related travel (including travel and lodging incurred for the benefit of the Partnership).

**Administration Fee.** The Administrator will be paid an administration fee, which such administration fee may be paid by the General Partner, the Manager and/or the Partnership, based upon the size of the Partnership, in accordance with the Administrator's standard schedule for providing similar services.

**Subscription Fees.** Any fees or duties incurred by the Partnership in processing an investor's application for Interests may either be deducted from the investor's subscription proceeds, in which case the subscription proceeds net of the subscription charges shall be allocated to the investor's Capital Account, or the subscription charges may be charged in addition to the amount being subscribed.

**Brokerage Fees.** The Partnership pays all fees and commissions associated with its brokerage. Brokerage fees include financing charges and transaction and administrative fees as more fully described in the brokerage agreements. Transaction costs vary depending on the country and the type of investment. The compensation provisions of such agreements may be amended from time to time as circumstances dictate. The Manager has complete discretion in deciding which brokers and dealers it uses and in negotiating the rates of compensation with respect to the management of the Partnership's assets and liabilities.

Brokerage is specifically discussed in Item 12 below.

**Item 5.D.**

Not Applicable. Fees are not paid in advance. The Manager, in its sole discretion, may waive, by rebate or otherwise, all or part of the Management Fee otherwise due with respect to any Partner's investment, including, without limitation, its affiliates, members and/or employees.

**Item 5.E.**

Not Applicable. Neither CAS, nor any of its supervised persons, are compensated for the sale of securities or other investment products.

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***Item 6: Performance-Based Fees and Side-by-Side Management***

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CAS will not charge a performance-based allocation to any Advisory Client or Investor that is not a qualified client, except as permitted by the SEC rule. Registered Investment Advisers may only charge performance-based fees to U.S. clients if, under SEC Rule 205-3, the client meets the definition of a "qualified client" contained in the rule. This definition includes requirements that the client be either an "accredited investor" or a "qualified purchaser" as defined in Section 2(a)(51)(A) of the Investment Company Act or have either (i) \$1 million under management with the advisory firm, or (ii) a \$2 million net worth. Generally, qualified purchasers include natural persons and family owned companies owning at least \$5 million of investments, trusts whose trustees and asset contributors are all qualified purchasers described in the preceding clause, and institutional investors that own and invest at least \$25 million of investments on a discretionary basis. If the client is a private investment company (e.g., a fund of funds) other than a Section 3(c) (7) fund (i.e., a fund all of whose participants are qualified purchasers), all participants in the fund must meet the \$1 million/\$2 million qualified client requirements.

CAS may accept performance-based compensation from SMA clients, which constitute a fee on a share of net profits (including unrealized gains and losses) allocated to such SMA clients. Performance-based compensation may vary with respect to the Funds and SMA clients, which may create an incentive to favor clients that pay higher performance-based compensation in the allocation of investment opportunities. Performance-based compensation to be received by CAS and the Manager, as applicable, will be calculated on the basis of net profits, including unrealized gains and losses that may never materialize.

CAS has established policies and procedures designed to address potential conflicts of interest relating to the side-by-side management of the Funds with any SMA client(s), including the allocation of investment and trading opportunities, and in circumstances where any client pays a different management fee and/or performance fee than another. The Firm reviews the portfolio holdings of each client to determine whether any patterns exist which indicate improper allocation, or whether there is any other indication of impropriety. In addition, the Firm's procedures relating to the allocation of investment opportunities require that clients participate in investment opportunities pro rata based on each Client's current assets under management (subject to the client's investment guidelines of restrictions, stage of capital deployment, available cash or other liquidity restraints, or other tax or legal reasons). Finally, the Firm's procedures also require fair and equitable treatment in light of the relevant circumstances for the allocation of limited opportunities among clients.

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**Item 7: Types of Clients**

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CAS provides investment advice to clients that are qualified as an accredited investor (under Rule 501(a) of the Securities Act) or clients that are qualified as a qualified client (as defined under the Advisers Act). Generally, the minimum investment amount is \$1,000,000.

CAS may also provide investment advisory services to clients in separately managed accounts in accordance with the terms set forth in an investment advisory agreement between the Manager and the SMA client. While CAS will generally not require a minimum investment amount to open an SMA, CAS may, in its sole discretion, require a larger amount or accept a smaller amount of initial assets from a potential client depending on the complexity and nature of the advisory services provided.

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

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**Item 8.A.**

The investment objectives, method of analysis and investment strategies utilized by CAS are discussed in response to Item 4.B. above.

Hedge funds typically focus excessively on generating uncorrelated performance and avoiding short-term market value losses. As a consequence of this focus, traditional hedge funds often generate low absolute level of returns. Low absolute returns combined with a typically high fee structure require that traditional hedge funds use excessive leverage in order to meet investors' return expectations. As a result, the Manager has concluded that traditional hedge funds present their investors a bad mix of low risk-adjusted returns and an unacceptably high risk of permanent loss.

The Manager has also concluded that mutual funds are not much better. The typical mutual fund's large size and high degree of diversification often make it difficult to outperform over time. In addition, mutual fund managers generally are paid solely based on assets under management. This creates an incentive for them to build a portfolio that closely tracks their benchmark and thus prevents underperformance to a degree which could jeopardize their established asset base versus an incentive to maximize returns.

The Manager established the Partnership in order to present a superior alternative to investors. The Partnership operates on three core beliefs:

- Buying assets for substantially less than they are worth and/or selling assets for substantially more than they are worth can be expected to provide investors both higher returns over time and less risk of permanent capital loss.
- It is necessary to act independently on the basis of sound facts and sound reasoning with little concern for short/ medium term market volatility.
- Investment managers should be judged only for outperforming low-fee index-based products. With these core beliefs in mind, the Manager invests the Partnership's assets with the goal of outperforming the S&P 500 (as measured by a specific S&P 500 ETF) over time.

The Manager invests in a tradable portfolio of credit and equity securities (on a long and short basis) which meet the following three criteria:

- 1) *Understanding*: The Manager seeks to understand what processes/dynamics are at work that allow an issuer to earn profits over time despite competitive forces and how changes to the competitive ecosystem might impact the asset's future performance.
- 2) *Margin of Safety*: Based on the Manager's expectations for the likely range of future outcomes, the expected return derived from the asset's cumulative future cash flows substantially exceeds the expected return derived from the cumulative future cash flows of a similar investment in the broader market.
- 3) *Creative Risk Imagination*: The Manager believes that it is often risks which have not materialized in the recent past which are the most menacing. The Manager takes great care to think creatively about things that might go wrong which could threaten the profitability of an investment and to avoid investments where reasonably likely scenarios could result in permanent capital loss even if those scenarios are not the most likely scenarios. The Manager believes that it is better to miss a potential for a profit when seemingly unlikely things don't occur than to take an excessive risk.

No investment manager, including the Manager, can confidently and consistently predict the near term direction of the economy or the markets. Consequently, the Manager focuses on asset-specific considerations which he subjects to rigorous due diligence. He believes thoughtful security selection resides at the core of successful investing, thus, due diligence and research will represent the Manager's primary use of time.

In the short/ medium term market prices can diverge materially from fair prices. Cheap securities can trade for cheaper prices while expensive securities can trade for even more expensive prices. Even if perfectly applied, the Manager recognizes that this strategy may result in periods of months and sometimes a year or more during which the Partnership's investing performance may underperform the market. Investors should consider an investment in the Partnership a long term investment and should invest with the expectation of having down periods both on an absolute and relative to the broader market basis. The Manager expects to be judged based on its results on a multi-year basis.

The Manager does not seek to maintain any specific directional market bias or asset class bias (e.g. market neutral, long only, or long credit). Instead, he evaluates each investment individually on its own merits. Thus the Partnership's overall market and asset class exposure (i.e. long or short equities or long or short credit) is endogenous to the Managers opinion of risks and expected returns of individual securities. As such, it is likely that the Partnership's mix of investments between equity and credit securities and between long and short positions will vary with market conditions and individual opportunities.

There is no limit on the degree of concentration of the Partnership's investment portfolio. However, the Manager expects that the portfolio will typically include between five (5) and fifteen (15) investments. In normal market conditions, no single investment is expected to exceed twenty-five percent (25%) of the Partnership's invested capital (at cost).

While it is not the focus of the Partnership, the Manager may use ETFs and other derivatives and make limited use of futures interests in order to make specific macro-economic bets when the Manager believes that such bets serve as hedges to reduce the macro-economic (currency, commodity, market) risk faced by other investments.

On occasion the Manager may conclude that the expected outcomes of a specific investment opportunity is better expressed through options or other derivatives than through stocks or bonds. Usually in these situations the Manager is endeavoring to use options to take less risk by protecting against a low probability negative event or attempting to capture the profits from an event which the market has perceived as unlikely, but which the Manager believes is likely.

In keeping with the Manager's views that avoiding permanent capital loss is paramount, the Partnership will not use excessive margin to increase its purchasing power. However, the Partnership may use non-recourse leverage on specific investments and it may use margin as required to collateralize short sales.

A portion of the Partnership's investment portfolio may consist of (i) privately offered securities and other similarly illiquid securities that, in the sole opinion of the Manager, are subject to regulatory, contractual or other restrictions on disposition; (ii) structured products and over-the-counter derivative transactions that, in the sole opinion of the Manager, cannot be replicated by other securities available in the market, thereby making it (in each case) difficult or impossible to value accurately such securities, products or transactions; and/or (iii) investments that become illiquid due to regulatory action, bankruptcy or insolvency of an issuer or counterparty, or otherwise (as defined herein) of their Capital Accounts (each such security, product, transaction or investment is referred to herein as a "Special Situation Investment"). The Partnership, in the discretion of the General Partner, may invest in or hold Special Situation Investments through separate or wholly-owned limited liability companies, limited partnerships, liquidating trusts or special purpose vehicles. Any investment in a Special Situation Investment by the Partnership will be subject to the deduction of Management Fees (as defined herein) and the allocation of the Performance Allocation (as defined herein) in the manner as provided herein.

At all times, the Partnership will limit its trading of commodity interest positions to those imposed by the CFTC. Given the limitations imposed on the Partnership's trading of commodity interest positions, the Partnership should not be viewed as a vehicle for trading in the commodity futures or commodity options markets.

There can be no assurance that the Manager will be successful in achieving the Partnership's investment objective or that the strategies set forth herein will be successful. Past results of the Partnership, the Manager and/or the principals or affiliates of the General Partner and/or the Manager in this or in other activities are not necessarily indicative of the future performance of the Partnership.

Investments are speculative in nature and suitable only for sophisticated clients who are aware of the risks involved in an investment. Investors must have the ability and willingness to accept (i) the risk of the potential total loss of their investment, and (ii) the illiquid nature of an investment. There can be no assurance that CAS will achieve their investment objectives for their clients. Each prospective investor in the Funds should carefully review the Fund's offering documents and the agreements referred to therein prior to deciding to invest in the Fund.

#### **Items 8.B. and 8.C.**

The following summary identifies and provides a brief explanation of the material risks related to the Adviser's significant investment strategies and should be carefully evaluated before making an investment with the Adviser; however, the following does not intend to identify all possible risks of an investment with the Adviser or provide a full description of the identified risks of an investment in any of the Funds. Additional information regarding the material risks related to the Adviser's significant investment strategies is set forth in each Fund offering memoranda and/or LPA.

Prospective investors should give careful consideration to the following risk factors in evaluating the merits and suitability of an investment in the Partnership as they relate specifically to Interests or to the Partnership in general, as the context requires. The following does not purport to be a comprehensive summary of all of the risks associated with an investment in the Partnership. Rather, the following are only certain risks to which the Partnership is subject and that the General Partner wishes to encourage prospective investors to discuss in detail with their professional advisors.

**General Market Risk.** As with any investment, there is a risk that the price of a security will rise or fall. There could be many reasons for a decline or increase in the price of a security. These include changing economic, political or market conditions and changes in interest rates.

**Investments in Securities Generally.** Investments in securities and other financial instruments entail general investment risks that all investors face. Securities prices can be volatile. The markets for the securities the Partnership holds can experience periods of substantial illiquidity. Regulatory bodies can suspend the trading of securities. Securities prices are influenced by many unpredictable factors and the Partnership is competing for investment opportunities with other investors, many of which have greater investment research and other resources than the Manager. The Manager believes that its investment strategies and research techniques will moderate risk through careful securities selection. However, risk cannot be eliminated. No guarantee or representation is made that the Manager's investment programs will be successful or that the Partnership's investment objectives will be achieved. The Manager can never learn all relevant information regarding a company or a security. The Manager may misinterpret or incorrectly analyze the information that it has about a particular security. These and other factors may cause the Manager to (a) invest in securities at times that will lead to losses in the Partnership's portfolio and may cause a Limited Partner to lose a significant portion of its investment in the Partnership or (b) refrain from investing in particular securities at times that would have resulted in gains in the Partnership's portfolio if the Manager would have caused the Partnership to invest.

**Competition.** The securities industry, and the varied strategies and techniques to be engaged in by the Manager, are extremely competitive. The Partnership will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

**Partnership's Investment Activities.** The Partnership's investment activities involve a high degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of, nor predictable by, the Manager. These factors include a wide range of economic, political, competitive and other conditions which may affect investments in general or specific industries or companies. In recent years, the securities markets have become increasingly volatile, which may adversely affect the ability of the Partnership to realize profits. As a result of the nature of the Partnership's investing activities, it is possible that the Partnership's financial performance may fluctuate substantially from period to period.

**Liquidity Risks.** The Partnership may invest in securities that, while they are publicly traded, are relatively illiquid. That may be because a security is thinly traded or because the Partnership's position in a security is large in relation to the overall market for the security. The Partnership may own securities that are relatively liquid when acquired but that become illiquid after the Partnership invests. The Partnership may not be able to liquidate illiquid securities positions if the need were to arise; rapid sales of such securities could depress the market value of those securities, reducing the Partnership's profits, or increasing its losses, in the positions. The value assigned to illiquid securities (including thinly traded securities) and large blocks of securities for purposes of determining ownership percentages and determining profit and loss may differ from the value the Partnership is ultimately able to realize on those securities.

**Institutional Risk.** The Manager may enter into contractual arrangements with various brokerage firms, banks and other institutions. There is a possibility that the institutions, including brokerage firms and banks, with which the Partnership does business will encounter financial difficulties that may substantially impair the operational capabilities or the capital position of the Partnership.

Transactions entered into by the Partnership may be executed on various exchanges (domestic and foreign) and may be cleared and settled through various clearinghouses, custodians, depositories and brokers throughout the world. Although the Partnership will attempt to execute, clear and settle such

transactions through entities they believe to be sound, there can be no assurance that a failure by any such entity will not lead to a loss.

To the extent possible, the Partnership's securities will be entrusted to a qualified custodian. The Partnership's obligations to that firm and any other custodian are secured by a first priority perfected security interest over all of the Partnership's assets held in custody by that custodian. A custodian may transfer to itself all rights, title and interest in and to those assets as collateral and may deal with, lend, dispose of, pledge or otherwise use all such collateral for its own purposes. If any such transfer occurs, the Partnership will rank as such custodian's (or affiliate's) unsecured creditor. If such custodian or affiliate becomes insolvent, the Partnership may not be able to recover such equivalent securities in full or any such recovery may be delayed. In addition, the Partnership's cash held by a custodian may not be segregated from such custodian's own cash and, if not so segregated, may be used by such custodian or affiliate in the course of its business and the Partnership will therefore rank as an unsecured creditor in relation thereto.

***Broad Discretionary Power to Choose Investments and Strategies.*** The Partnership Agreement gives the Manager broad discretionary power to decide what investments the Partnership will make and what strategies it will use. While the Manager currently intends to use the strategies described under Section 8A, it is not obligated to do so, and it may choose other investments and strategies that it believes are advisable.

***Concentration of Investments.*** The Partnership Agreement does not limit the amount of the Partnership's capital that may be committed to any single investment, industry or sector. The Manager will attempt to spread the Partnership's capital among a number of investments. From time to time, however, particularly when if Manager experiences swift changes in the Partnership's capital, the Partnership may hold a relatively small number of securities positions, each representing a relatively large portion of the Partnership's capital. Losses incurred in such positions could have a materially adverse effect on the Partnership's overall financial condition.

***Short Sales.*** The Partnership may sell securities short. A short sale results in a gain if the price of the securities sold short declines between the date of the short sale and the date on which securities are purchased to replace those borrowed. A short sale results in a loss if the price of the securities sold short increases. Any gain is decreased, and any loss is increased, by the amount of any payment, dividend or interest that the Partnership may be required to pay with respect to the borrowed securities, offset (wholly or partly) by short interest credits. In a generally rising market, the Partnership's short positions may be more likely to result in losses because securities sold short may be more likely to increase in value. A short sale involves a finite opportunity for appreciation, but a theoretically unlimited risk of loss.

To make a short sale, the Partnership must borrow the securities being sold short. It may be impossible for the Partnership to borrow securities at the most desirable time to make a short sale, particularly in illiquid securities markets. If the prices of securities sold short increase, the Partnership may be required to provide additional funds or collateral to maintain the short positions. This could require the Partnership to liquidate other investments to provide additional collateral. Such liquidations might not be at favorable prices. Further, the lender can request the return of the borrowed securities and the Partnership may not be able to borrow those securities from other lenders. This would cause a "buy in" of the short position, which may be disadvantageous to the Partnership.

Some market participants seek to exploit short-sellers such as the Partnership by identifying and buying large quantities of securities that are significantly shorted in an attempt to increase the value of the securities. If these so-called "short squeezes" are executed successfully, as described above, the Partnership may have to cover its short position at a disadvantageous time regardless of the Manager's view of the true value of the securities, thereby causing significant losses.

There are other inherent difficulties and challenges in short selling. The general negative perceptions of short-sellers may limit the Manager's access to management of various issuers and hamper its research efforts. Management and other stakeholders of issuers may take legal action against shortsellers to prevent or discourage short sales of the issuer's securities to avoid depressing the value of its securities. The Manager and the Partnership could be subject to such private legal actions. The cost of and management time committed to defending any such action could be substantial. Gains from short sales of securities will generally be considered short-term capital gains, subject to less favorable tax rates.

Short selling can occur only in a margin account. The Broker may not be able to accept the Partnership's order if the security it is attempting to sell short is not available to borrow. In certain situations, the Broker may borrow hard-to-borrow securities from sources external to the Broker, such as another brokerage firm; there is a fee for this which the Partnership must pay. If the lending firm requests the borrowed shares be returned, the Broker may buy-in the shares which the Partnership is short, close out the Partnership's short position, and deliver those borrowed shares back to the lending brokerage firm, regardless of the profit or loss to the Partnership. When the Partnership sells short, the Broker retains the proceeds of the sale, and industry regulations require the Partnership to make an initial deposit or have additional equity in the account based on the net proceeds of that sale. In addition, the Broker has minimum equity and maintenance requirements determined by share price.

**Leverage.** The Partnership may use some leverage in its investment program when deemed appropriate by the Manager and subject to applicable regulations. At times, the amount of such leverage may be substantial. Leverage creates an opportunity for greater yield and total return, but at the same time increases exposure to capital risk and higher current expenses. If the Partnership purchases securities on margin and the value of those securities declines, the Partnership may be obligated to pay down the margin loans to avoid liquidation of the securities. If loans to the Partnership are collateralized with portfolio securities that decrease in value, the Partnership may be obligated to provide additional collateral to the lender in the form of cash or securities to avoid liquidation of the pledged securities. Any such liquidation could result in substantial losses. Moreover, counterparties of the Partnership, in their sole discretion, may change the leverage limits that they extend to the Partnership.

**Exchange Traded Funds (ETFs).** The Partnership may invest an unspecified portion of the assets of the Partnership in exchange traded funds ("ETFs"). ETFs are a type of an investment company bought and sold on a securities exchange. An ETF represents a portfolio of securities designed to track groups of other securities, particular strategies, countries, industries, sectors, trends, commodities or market indices. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile. ETFs have management fees.

**Fixed Income Securities: In General.** Fixed income securities are subject to credit and interest rate risks. Credit risk refers to the likelihood that an issuer will default on the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an investment and securities which are rated by rating agencies are often reviewed and may be subject to downgrade. Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

**Fixed Income Securities: Interest Rate Risks.** The value of all bonds and other fixed income investments change as interest rates in general fluctuate. When interest rates decline, the value of bonds and other fixed income investments generally can be expected to rise. Conversely, when interest rates increase, the value of the bonds and other fixed income investments generally can be expected to decline. The results of the Partnership's investments in fixed income securities will depend to a large degree on the ability of the General Partner's skill and expertise in managing interest rate risk.

**Fixed Income Securities: Credit Risks.** The Partnership is subject to the risk that issuers or insurers of instruments in which the Partnership invests and trades may default on their obligations under such instruments and that certain events may occur which have an immediate and significant adverse effect on the value of such instruments. There can be no assurance that an issuer of a security in which the Partnership invests will not default or that an event which has an immediate and significant adverse effect on the value of such instruments will not occur, and that the Partnership will not sustain a loss on a transaction as a result.

**Fixed Income Securities: Non-Investment Grade Debt Securities.** The Partnership may invest in debt securities that are generally rated below investment grade (such as BB or lower by Standard & Poor's Corporation and/or Ba or lower by Moody's Investors Service, Inc. or not rated at all) or which are already in default. These securities are considered speculative and, while generally offering greater income than investments in higher quality securities, involve greater risk of loss of principal and income especially during periods of economic uncertainty or change. These lower quality bonds tend to be affected by economic changes, as well as public perception of those changes, to a greater extent than higher quality securities, which react primarily to fluctuations in the general level of interest rates.

In addition, the market for lower-rated debt securities may be thinner and less active than that for higher-rated debt securities, which can adversely affect the prices at which the lower-rated debt securities are sold. If market quotations are not available, lower-rated debt securities will be valued by the general partner in its sole discretion. Judgment plays a greater role in valuing high yield corporate debt securities than is the case for securities for which more external sources for quotations and last sale information is available. Adverse publicity and changing investor perception may also affect the availability of outside pricing services to value lower-rated debt securities and the Partnership's ability to dispose of these securities. In addition, such securities generally present a higher degree of credit risk.

**Options Generally.** The trading of options is highly speculative and may entail risks that are greater than those present when investing in other securities. Prices of options are generally more volatile than prices of other securities. The Partnership will be speculating on market fluctuations of securities and securities exchange indices while investing only a small percentage of the value of the securities underlying the option. A change in the market price of the underlying securities or underlying market index may cause a much greater change in the price of the option contract. In addition, to the extent that the Partnership purchases options that it does not sell or exercise, it will suffer the loss of the premium paid in such purchase. To the extent that the Partnership sells options and must deliver the underlying securities at the option price, the Partnership has a theoretically unlimited risk of loss if the price of such underlying securities increases. To the extent that the Partnership must buy the underlying securities, the Partnership risks the loss of the difference between the market price of the underlying securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option.

Stock or index options that may be purchased or sold by the Partnership include options not traded on a securities exchange. Options not traded on an exchange are not issued by the Options Clearing Corporation; therefore, the risk of nonperformance by the obligor on such an option may be greater and the ease with which the Partnership can dispose of such an option may be less than in the case of an exchange traded option issued by the Options Clearing Corporation.

Special risks are associated with the use of options. A decision as to whether, when and how to use options involves the exercise of skill and judgment which are different from those needed to select other portfolio securities, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior, currency fluctuations or interest rate trends. If the General Partner is incorrect in its forecasts regarding market values or other relevant factors, the Partnership may be in a worse position than if the Partnership had not engaged in options transactions. The potential loss incurred by the Partnership in writing uncovered options is unlimited. When options are used as a hedging technique, there can be no guaranty of a correlation between price movements in the option and in the portfolio securities being hedged. A lack of correlation could result in a loss on both the hedged securities and the hedging vehicle, so that the Partnership's return might have been better had hedging not been attempted.

**Call Options.** The Partnership will engage in sales or purchases of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option.

The buyer of a call option assumes the risk of losing his or her entire investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security.

**Put Options.** The Partnership will engage in sales or purchases of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option.

The buyer of a put option assumes the risk of losing his or her entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

**Bank Loans.** The Partnership's investment program may include investments in bank loans and participations. These obligations are subject to unique risks, including, without limitation: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the Partnership to directly enforce its rights with respect to participations. In analyzing each bank loan or participation, the Manager will likely compare the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the Partnership. Investments in loan participations may also subject the Partnership to the risk of counterparty default.

As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security.

**Prepayment Risk.** The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans underlying certain of the Partnership's investments will be affected by a variety of factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. In general, "premium" financial instruments (financial instruments whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" financial instruments (financial instruments whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since the Partnership's investments may include discount financial instruments when interest rates are high, and may include premium financial instruments when interest rates are low, such investments may be adversely affected by prepayments in any interest rate environment.

**Competition and Supply for Loan Investments.** The Partnership's success in the area of loan investing will depend, in part, on its ability to obtain loans on advantageous terms. In purchasing loans, the Partnership will compete with a broad spectrum of investors and institutions. Increased competition for, or a diminution in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to investors.

**Non-Performing Nature of Debt.** Certain of the debt purchased by the Partnership may be, or in the future may become, non-performing and possibly in default. Furthermore, the obligor(s) and/or relevant guarantor(s) may also be, or come to be, in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to the debt.

**Futures Interests and Securities Futures Products.** The Partnership may enter into a limited volume of transactions involving futures interests, including securities futures products, for investment, hedging and risk management. Although securities futures contracts share some characteristics with options on securities (options contracts), these products are also different in a number of material ways. If the Partnership purchases an options contract, it has the right, but not the obligation, to buy or sell a security prior to the expiration date. By contrast, if it takes a position in a security futures contract (either long or short), it has both the right and the obligation to buy or sell a security at a future date. The only way the Partnership can avoid the obligation incurred by the securities futures contract is to liquidate the position with an offsetting contract.

The purchaser and seller of a security futures contract each enter into an agreement to buy or sell a specific quantity of shares in the underlying security. Based on the movement in prices of the underlying security, a person who holds a position in a security futures contract can gain or lose many times his or her initial margin deposit. In this respect, the benefits of a security futures contract are similar to the benefits of *purchasing* an option, while the risks of entering into a security futures contract are similar to the risks of *selling* an option.

Both the purchaser and seller of a security futures contract have daily margin obligations. At least once each day, security futures contracts are marked-to-market and the increase or decrease in the value of the contract is credited or debited to the buyer and seller. As a result, any time the Partnership has an open position in a futures contract including security futures products, it may be called upon to meet additional margin requirements. As a consequence of the mark-to-market feature, investors generally feel the effects of gains and losses from such investments immediately.

In addition, the Partnership may not be able to execute futures contract trades at favorable prices if trading volume is low. It is also possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order trading in a particular contract be conducted for liquidation only.

There are other risks of trading futures interests and security futures products that differ from the risks of investing in securities. Some, but not all, are:

- Under certain market conditions it may be difficult or impossible to liquidate a position. If the Partnership cannot liquidate a position, it may be impossible to realize a gain from its position or prevent losses from mounting. This could occur, for example, in the event of a trading halt in the underlying security.
- Under certain market conditions, the prices of futures interests and security futures products may not maintain their customary or anticipated relationship to the price of the underlying security. This could occur, for example, when the market for the primary security is closed, reporting is delayed or the primary market is illiquid.
- The brokerage firm that holds the Partnership's futures interests may be required to deliver Partnership funds into the accounts of a foreign broker, exchange or clearing organization to satisfy the margin and mark-to-market requirements (if any) of futures contracts traded on foreign exchanges. In the event of the bankruptcy of a counter party, the Partnership's funds may not receive the same protections as they would have in the hands of a domestic broker, exchange or clearing organization.

**Stock Index Futures.** Using stock index futures for hedging involves several risks. Price movement in the stock index and price movements in the securities that are the subject of the hedge do not always correlate. Positions in futures contracts may be closed out only on the exchange on which they were entered into or through a linked exchange, and there is no secondary market for those contracts. In addition, there may be no active market for the contracts at any particular time. Some exchanges do not permit trading in particular contracts at prices that fluctuate more than a set limit in any day. If prices fluctuate during a single day beyond those limits, the Partnership may not be able to liquidate unfavorable positions promptly and may lose money.

**Derivatives: In General.** In addition to futures interests, indices, options and ETFs (all of which are themselves a form of derivative contract), the Partnership trades in exchange-traded and over-the-counter derivatives, including, but not limited to, swaps, forwards, and other derivative interests. Special risks are associated with using derivatives. Deciding whether, when and how to use derivatives involves different skills and judgment than those needed to select portfolio securities. Even a well-conceived transaction may be unsuccessful to some degree because of market behavior, currency fluctuations or interest rate trends. If the Manager incorrectly forecasts market values or other relevant factors, the Partnership may be in a worse position than if it had not engaged in derivatives transactions. When derivatives are used for hedging, there may be no correlation between price movements in the derivative and in the portfolio securities being hedged. A lack of correlation could result in a loss on both the hedged securities and the hedging vehicle, so that the Partnership's return might have been better had it not attempted to hedge. Derivative instruments can be difficult to value accurately. Any miscalculation could adversely affect the Partnership.

Transactions in over-the-counter contracts may involve additional risk. For example, contractual asymmetries and inefficiencies can increase risk. For example, contractual provisions such as break clauses may permit a counterparty to terminate a transaction on the basis of a certain reduction in the Partnership's net asset value, incorrect collateral calls or delays in collateral recovery.

**Derivatives: Swaps.** The Partnership anticipates investing in swap transactions (long and short). In its simplest form, a swap consists of an agreement between two entities (called counterparties) to exchange in the future two streams of cash flows. In a currency swap, these streams of cash flows consist of a stream of interest and principal payments in one currency exchanged for a stream of interest and principal payments of the same maturity in another currency. In an interest rate swap they consist of streams of

interest payments of one type (fixed or floating), exchanged for streams of interest payments of the other type in the same currency.

There are two types of risk in swap transactions: rate risk, and default risk. Rate risk arises because, during the life of the swap, exchange rates and interest rates vary so that the default-free present value of the cash flows remaining to be paid and received through the swap also varies. This rate risk can be hedged by taking offsetting positions in some combination of currency futures, bond and interest rate futures, currency forward contracts, and spot currency and bond markets.

The second type of swap risk, default risk, is much more difficult to hedge. This risk, sometimes called replacement risk, is complex to evaluate because the cost of default by the counterparty to a swap depends upon four things: the value of the swap at the default date, the event that will trigger the swap default, the relationship between the value of the swap and the event triggering default, and the rule for sharing claims in default. In swap defaults there is the added complication that the counterparty that is in default on its original debt could be due either to make or to receive a swap payment. If it is due to make a payment it will, presumably, default on the swap contract as well as on the debt if the swap payment is subordinated to the debt. Alternatively, it could be due to receive a swap payment, in which case the swap payment could be received (increasing the value of the bankrupt firm) or withheld.

**Derivatives: Forwards.** The Partnership's investment program may include forward contracts. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which the Manager would otherwise recommend, to the possible detriment of the Partnership. In respect of such trading, the Partnership would be subject to the risk of counterparty failure or the inability or refusal by a counterparty to perform with respect to such contracts. Market illiquidity or disruption could result in substantial losses to the Partnership.

**Short Sales.** The Partnership may sell securities short. A short sale results in a gain if the price of the securities sold short declines between the date of the short sale and the date on which securities are purchased to replace those borrowed. A short sale results in a loss if the price of the securities sold short increases. Any gain is decreased, and any loss is increased, by the amount of any payment, dividend or interest that the Partnership may be required to pay with respect to the borrowed securities, offset (wholly or partly) by short interest credits. In a generally rising market, the Partnership's short positions may be more likely to result in losses because securities sold short may be more likely to increase in value. A short sale involves a finite opportunity for appreciation, but a theoretically unlimited risk of loss.

To make a short sale, the Partnership must borrow the securities being sold short. It may be impossible for the Partnership to borrow securities at the most desirable time to make a short sale, particularly in illiquid securities markets. If the prices of securities sold short increase, the Partnership may be required to provide additional funds or collateral to maintain the short positions. This could require the Partnership to liquidate other investments to provide additional collateral. Such liquidations might not be at favorable prices. Further, the lender can request the return of the borrowed securities and the Partnership may not be able to borrow those securities from other lenders. This would cause a "buy in" of the short position, which may be disadvantageous to the Partnership.

Some market participants seek to exploit short-sellers such as the Partnership by identifying and buying large quantities of securities that are significantly shorted in an attempt to increase the value of the securities. If these so-called “short squeezes” are executed successfully, as described above, the Partnership may have to cover its short position at a disadvantageous time regardless of the Manager’s view of the true value of the securities, thereby causing significant losses.

There are other inherent difficulties and challenges in short selling. The general negative perceptions of short-sellers may limit the Manager’s access to management of various issuers and hamper its research efforts. Management and other stakeholders of issuers may take legal action against shortsellers to prevent or discourage short sales of the issuer’s securities to avoid depressing the value of its securities. The Manager and the Partnership could be subject to such private legal actions. The cost of and management time committed to defending any such action could be substantial.

Gains from short sales of securities will generally be considered short-term capital gains, subject to less favorable tax rates.

**Accuracy of Public Information.** The Manager selects investments for the Partnership, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Manager by the issuers or through sources other than the issuers. Although the Manager evaluates all such information and data and, when the Manager considers it is appropriate and when it is reasonably available, seeks independent corroboration, the Manager is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. Investments may not perform as expected if information is inaccurate.

**Dependence on the General Partner.** The Partnership’s success depends on the skill and expertise of the General Partner and the Manager. Neither the General Partner nor Manager can assure investors that: (a) the Partnership will realize its investment objectives; (b) the Partnership’s investment strategy will prove successful; or (c) investors will not lose all or a portion of their investment in the Partnership. The Partnership Agreement provides that the General Partner has absolute discretion and authority in managing and controlling the investments and affairs of the Partnership, subject to specific and express limitations in the Partnership Agreement or provided by applicable law notwithstanding the Partnership Agreement. Subject to its fiduciary duties to the Limited Partners, the General Partner or its delegate (the Manager) may exercise this discretion and authority conditionally or unconditionally, arbitrarily, or inconsistently in varying or similar circumstances, without accountability to the Partnership or any Limited Partner. For example, the Manager may provide certain Limited Partners with reports, special fee and allocation arrangements and special withdrawal rights that it does not provide to other Limited Partners.

**Reliance on Mr. Sosin.** The Partnership could be materially adversely affected if the Company loses the services of Mr. Sosin or he otherwise ceases to be involved in the active management of the Company’s investments. Limited Partners, other than the Manager, generally will have no right or power to take part in the management of the Company except under the limited and specified circumstances set forth in the Partnership Agreement.

**Operating Expenses.** The expenses of operating the Partnership (including the Management Fee) may exceed its income, thereby requiring that the difference be paid out of the Partnership’s capital, reducing the Partnership’s investment capital and potential for profitability. These expenses may constitute a high percentage relative to other investment entities. In addition, as a result of withdrawals or other circumstances, the Partnership’s necessary operating expenses may be a high percentage of the Partnership’s net asset value. For example, it is possible that the Partnership may have trading gains while the Partnership’s net asset value may not increase or may even decrease.

**Brokerage Commissions/Transaction Costs.** During some periods, the Partnership's activities may involve a high level of trading, and the turnover of its portfolio may generate substantial transaction costs. These costs will be borne by the Partnership regardless of its profitability.

**Current Income.** The Partnership's investment policies should be considered speculative, as there can be no assurance that the General Partner's assessments of the short-term or long-term prospects of investments will generate a profit. In view of the fact that the Partnership will likely not pay dividends, an investment in the Partnership is not suitable for investors seeking current income for financial or tax planning purposes.

**Trade Errors by the Manager.** The Manager places orders for the purchase and sale of securities with brokers on behalf of the Partnership. The trading process is complex and can vary for different types of securities. Moreover, the Manager may be required to break up orders, or may buy or sell the same security for more than one client, including the Partnership and other accounts, further complicating the trading process. The Manager might make or cause trading errors. The Partnership is responsible for any such trade errors. Neither the Manager nor the General Partner (or its affiliates) will be required to bear the cost of any trade error or reimburse the Partnership for resulting costs or losses.

**Economic and Business Conditions.** General economic and business conditions may affect the Partnership's activities. Interest rates, the prices of securities and participation by other investors in the financial markets may affect the value of securities purchased by the Partnership. Unexpected volatility or liquidity in the markets in which the Partnership directly or indirectly holds positions could impair the Partnership's ability to carry out its business and could cause it to incur losses.

**Purchasing Initial Public Offerings.** The Partnership may purchase securities of companies in initial public offerings or shortly after those offerings are complete. Special risks associated with these securities may include a limited number of shares available for trading, lack of a trading history, lack of investor knowledge of the issuer, and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for the Partnership to buy or sell significant amounts of shares without an unfavorable effect on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or near-term prospects of achieving revenues or operating income.

Moreover, the Partnership and/or certain investors in the Partnership may be limited as to the amount of new issue allocations it/they can receive while other investors may not be restricted at all and may be entitled to receive or may actually receive a larger portion of any new issue allocation. Conversely, the General Partner and/or the Manager may determine to restrict the Partnership as a whole from purchasing new issues.

**Certain ERISA Restrictions.** The General Partner intends to use commercially reasonable efforts to cause employee benefit plans subject to ERISA and/or Section 4975 of the Code and other "benefit plan investors," as defined in the Plan Asset Regulation, in the aggregate hold less than 25% of the Interests in the Partnership and of any other class of equity interests in the Partnership. The General Partner shall use commercially reasonable efforts to restrict transfers of any equity interest in the Partnership so that ownership of each class of equity interests in the Partnership by benefit plan investors will remain below the 25% threshold contained in the Plan Asset Regulation. In this event, although there can be no assurance that such will be the case, the assets of the Partnership should not constitute "plan assets" for purposes of ERISA and Section 4975 of the Code.

If the assets of the Partnership were to become “plan assets” subject to ERISA and Section 4975 of the Code, certain investments made or to be made by the Partnership in the normal course of its operations might result in non-exempt prohibited transactions and might have to be rescinded. If at any time the General Partner determines that assets of the Partnership may be deemed to be “plan assets” subject to ERISA and Section 4975 of the Code, the General Partner may take certain actions it may determine to be necessary or appropriate, including requiring one or more investors to withdraw or otherwise dispose of all or part of their Interests in the Partnership or terminating and liquidating the Partnership.

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***Item 9: Disciplinary Information***

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There are no material legal or disciplinary events related to the Firm.

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

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**Item 10.A. and 10.B.**

CAS and its management persons are not registered and do not have any application pending to register as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an associate of the foregoing entities.

**Item 10.C.**

CAS Investment Partners, LLC, Manager of Sosin Partners, LP (the “Fund”), is an affiliate of Sosin, LLC, the General Partner of the Fund, all of which are managed by Clifford Sosin, founder of all named entities.

The General Partner, the Manager and their respective affiliates, which shall be deemed to include, in each case, their respective limited partners, officers, directors, employees and entities owned by any of the aforementioned parties (the “Related Parties”) may face certain conflicts of interests in relation to the Partnership. These conflicts include, but are not limited to, those set forth below.

The General Partner, the Manager and their respective principal decision makers presently and may in the future, directly or indirectly, direct, sponsor or manage other managed pools or accounts in addition to the Partnership. The General Partner, the Manager and their principal decision-makers may have financial or other incentives to favor such pools or accounts over the Partnership. The General Partner and the Manager shall, under normal conditions, allocate investment opportunities between the Partnership and such other pools and accounts on a fair and equitable basis as measured over time, subject to applicable law and client guidelines. The General Partner and the Manager will make their own decisions for the Partnership, which decisions may differ from time to time from those recommended by analysts of the General Partner and the Manager for their other advisory clients. As of the date hereof, the Manager manages the assets of one or more of its principals.

The Partnership depends on the General Partner for the operation of the Partnership and on the Manager for the investment of the Partnership’s assets. The General Partner and the Manager believe that they will continue to have sufficient staff personnel and resources to perform all of their duties with respect to the Partnership. However, because some of the officers of the General Partner and the Manager may have duties in connection with other investment funds and other matters, such officers may have conflicts of interest in the allocation of responsibilities, services and functions among the Partnership and other entities.

Some or all of the Related Parties may be involved with other entities utilizing investment strategies similar to those of the Partnership and with other business in general. The General Partner and the Manager may cause the Partnership to invest in securities in which some or all of the Related Parties have a financial interest, or to engage in transactions with brokers or others with whom some or all of the Related Parties have financial or other relationships. In the event the Partnership intends to engage in any such transaction, the Partnership may appoint an Independent Client Representative to give or withhold the consent of the Partnership to such transactions.

The Related Parties may engage for their own accounts, or for the accounts of others, in other business ventures of any nature, and the Partnership has no right to participate in or benefit from the other management activities of the Manager described above and the Related Parties shall not be obliged to account to the Partnership for any profits or benefits made or derived therefrom, nor shall they have any obligation to disclose or refer to the Partnership any of the investment or service opportunities obtained through such activities. Related Parties may own Interests in the Partnership, deal as principals with the Partnership in the sale or purchase of investments of the Partnership or act as brokers, whether to the Partnership or to third parties, in the purchase or sale of the Partnership's investments and shall be entitled to retain any profits or customary commissions resulting from such dealings.

The General Partner and the Manager and/or their affiliates and/or employees may from time to time have an interest, direct or indirect, in a security, the purchase or sale of which by the Partnership is recommended, or which in fact is purchased or sold by or otherwise traded for the Partnership. Moreover, such recommendation, purchase, sale or trading may occur in connection with a transaction involving another fund or account managed by the General Partner and/or the Manager. Accordingly, the General Partner may sell or recommend the sale of a particular security for certain accounts, including accounts in which it has an interest, and it or others may buy or recommend the purchase of such security for other accounts, including accounts in which it has an interest, and, thus, transactions in particular accounts may not be consistent with transactions in other accounts or with the General Partner's investment recommendations. For example, the General Partner may recommend that the Partnership sell a security, while not recommending such sale for other accounts in order to enable the Partnership to have sufficient liquidity to honor Limited Partners' withdrawal requests. When there is a limited supply of investments, the General Partner will use its reasonable efforts to allocate or rotate investment opportunities, but the General Partner cannot assure absolute equality among all of its accounts and clients. The General Partner and the Manager will, however, seek to ensure that all such potential conflicts of interests are resolved fairly and in the best interests of the Partnership. When allocating investment opportunities, the Manager will seek to ensure that all such investment will be allocated in a fair and equitable manner as measured over time.

The Manager may engage in transactions in which it causes the Partnership to purchase securities or other instruments from, or sell securities or other instruments to, other funds or managed accounts managed by the Manager and/or its affiliates ("cross-trades") for purposes of portfolio rebalancing or for other reasons as may arise from time to time. The Manager and/or its affiliates will not take brokerage commissions or otherwise be compensated for effecting these cross-trades. The Manager intends that cross-trades will, to the best of the Manager's ability, reflect the market value of the security or other instrument being purchased or sold and the Manager and/or its affiliates, as applicable, will always seek best execution. Prior to effecting any cross-trade, the Manager will make a good faith determination that the transaction is in the best interests of the Partnership.

**Item 10.D.**

Not Applicable. CAS does not recommend or select other investment advisers for its Advisory Clients.

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

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**Item 11.A.**

CAS has adopted a Code of Ethics (the “Code”) under Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”) designed to provide that CAS employees comply with applicable federal securities laws. The Code addresses, among other things, CAS standard of business conduct, requirements and restrictions relating to personal securities trading, policy regarding political contributions, policy regarding gifts and entertainment and confidentiality. CAS employees must acknowledge, both initially upon employment and annually thereafter, in writing having received and read a copy of the Code.

The Code requires all employees to report personal securities holdings (initially and annually) and certify quarterly personal trading activity. The Code restricts employees from transacting in any reportable security in their personal accounts. The Code contains provisions that permits personal securities transactions for employees. The Code is monitored by CAS Chief Compliance Officer and any exceptions to the Code need prior approval by CAS’ Chief Compliance Officer.

A copy of the Firm’s Code of Ethics is available to clients or investors and prospective clients or investors upon their individual request.

**Items 11.B., 11.C., and 11.D.**

CAS, as a fiduciary, endeavors to always make decisions in the best interest of its clients if a conflict of interest arises between the Firm’s securities transactions on behalf of its clients and those of the Firm’s personnel and related persons. In order to monitor any conflict of interest, CAS employees are required to pre-clear any contemplated transaction for a personal account and must disclose on an initial and annual basis the holdings of all personal accounts, as well as all transactions on a quarterly basis.

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**Item 12: Brokerage Practices**

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**Item 12.A.**

Portfolio transactions are executed by brokers selected by the Manager on behalf of the Partnership. CAS retains full discretion to determine the broker or dealer to be used for each securities transaction for client accounts. The Firm seeks to obtain best execution for its clients by placing orders for the purchase and sale of securities with brokers and dealers taking into account, but not limited to, the broker’s reliability, reputation, financial responsibility, stability, ability to execute trades, nature and frequency of sales coverage, commission rate, if any, and responsiveness. The Manager will not select brokers or dealers on the basis of *brokerage or research services* (i.e., “soft dollar items”) provided by such brokers.

**Item 12.A.1.**

CAS does not currently engage in the use of soft dollars (third-party or proprietary).

**Item 12.A.2.**

Not applicable. CAS does not participate in selecting or recommending broker-dealers in exchange for client referrals.

**Item 12.A.3.**

Not applicable. CAS does not permit its clients to provide a directed brokerage instruction and does not recommend, request or require clients to execute transactions through specified broker-dealers.

**Item 12.B.**

Currently, CAS manages one Fund and, therefore, an aggregation and allocation policy is not applicable at this time. Should CAS manage more than one Advisory Client, the Firm will implement the following policy outlined herein. When purchasing securities for more than one of its Advisory Clients (i.e. bunching orders), to purchase the quantity of such securities necessary to supply all Advisory Clients. Allocation of a trade is made based on the NAV of each Advisory Client at the beginning of each month.

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**Item 13: Review of Accounts**

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**Items 13.A. and 13.B.**

The CCO will review the portfolio assets in the Funds and the values of the securities held by the Funds on an ongoing basis.

Client holdings are reviewed on a regular basis to determine their conformity with their risk parameters, investment objectives, and guidelines. CAS continuously monitors the portfolio investments of the Fund and SMA clients in order to satisfy its fiduciary obligation to evaluate its investment program and portfolio in accordance with set guidelines. CAS's investment personnel convene regularly to evaluate each position's conformance with the relevant Fund's offering memorandum and any investment limitations, restrictions or risk parameters.

**Item 13.C.**

Investors in the Funds will each will receive written unaudited reports of the performance of the Fund in which they are an investor on a monthly basis, and written audited year-end financial statements (prepared using GAAP) on an annual basis within 120 days after the fiscal year end of such Fund. The audited year-end financial statements will also include a statement of profit or loss for such fiscal year and of an unaudited state of such investor's capital account at such time.

SMA clients will receive regular reporting regarding account managed by CAS in accordance with such SMA's investment advisory agreement with CAS.

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

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**Item 14.A and 14.B.**

The Firm (pursuant to the requirements of Advisers Act Rule 206(4)-3) may not make referral payments to a third-party marketer, or Solicitor, unless the fees are paid pursuant to a written agreement. The Firm currently does not retain any third-party solicitors, however, should a third party solicitor potentially be engaged, the firm has policies and procedures in place to mitigate any risks that are involved in such an agreement and to confirm that the Firm is in compliance with Advisers Act Rule 206 (4)-3.

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**Item 15: Custody**

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As a registered investment adviser, CAS may be deemed to have custody of client assets due to the Firm's ability to deduct fees, even though indirectly through the Administrator, from client accounts. Therefore, CAS is subject to Rule 206(4)-2 under the Adviser's Act.

CAS will maintain the assets of its Advisory Clients in a separate account for each client with a "qualified custodian" pursuant to Rule 206(4) 2 under the Advisers Act and notify Advisory Clients and Investors in writing of the qualified custodian's name, address and the manner in which the assets are maintained promptly when the account is opened and following any changes to this information.

Panoptic Fund Services (the "Administrator") will send monthly statements to clients identifying net asset value and reflecting allocated income, fees charged and opening and closing balance in the account during the month, including the deduction of fees.

To confirm compliance with Rule 206(4)-2 under the Advisers Act, all Funds must be audited annually and must distribute their audited financial statements to their investors within 120 days after the end of the fiscal year. The Fund is audited annually by an independent certified public accounting firm that is both registered with, and subject to regular inspection by, the Public Companies Accounting Oversight Board. Financial statements of the Fund are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP").

In addition, each investor in the respective Fund receives written monthly statements from the Administrator with respect to the activities of the relevant Fund.

CAS generally will not maintain custody over the assets of any SMA clients. To the extent CAS may be deemed to have custody of SMA client assets CAS will comply with the safekeeping requirements the Custody Rule.

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**Item 16: Investment Discretion**

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CAS has full discretion to manage assets on behalf of the Fund. This authority is granted in accordance with an IMA between the General Partner and the Manager of the Fund. Individual investors grant authority to the Fund to enter into an IMA with CAS by signing a subscription agreement and accepting the terms of the LPA for the Fund.

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**Item 17: Voting Client Securities**

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**Item 17.A.**

CAS, as a matter of policy and as a fiduciary to its Advisory Clients, is responsible for voting proxies for portfolio securities consistent with the best economic interests of its clients. The Firm understands and appreciates the importance of proxy voting. The Firm will vote all proxies in the best interests of Advisory Clients and Investors (as applicable) and in accordance with the procedures outlined below (as applicable), unless otherwise mandated by an investment management agreement or applicable law (e.g. ERISA):

All proxies sent to Advisory Clients that are received by CAS (to vote on behalf of the Advisory Clients) will be directed to Mr. Sosin's attention.

Prior to voting any proxies, the Chief Compliance Officer will determine if there are any conflicts of interest related to the proxy in question. If a conflict is identified, the Chief Compliance Officer will then make a determination (which may be in consultation with outside legal counsel) as to whether the conflict is material or not. In evaluating how to vote a proxy, the Chief Compliance Officer will first determine whether there is a conflict of interest related to the proxy in question between the Firm and its Advisory Clients. This examination will include (but will not be limited to) an evaluation of whether the Firm (or any affiliate of the Firm) has any relationship with the company (or an affiliate of the company) to which the proxy relates outside an investment in such company by an Advisory Client of CAS. Examples of material conflict of interests for investment advisers include: (i) an adviser (or its affiliate) managing a pension plan, administering employee benefit plans or providing brokerage, underwriting, insurance or banking services to a company whose management is soliciting proxies or (ii) an adviser maintaining business or personal relationships with participants in proxy contests, corporate directors or candidates for directorships. If a conflict is identified and deemed "material" by the Chief Compliance Officer, the Firm may determine whether voting in accordance with the proxy voting guidelines outlined below is in the best interests of affected Advisory Clients (which may include utilizing an independent third party to vote such proxies).

If no material conflict is identified pursuant to these procedures, the Portfolio Manager will make a decision on how to vote the proxy in question. The Head Trader will deliver the proxy in accordance with instructions related to such proxy in a timely and appropriate manner.

- CAS will vote proxies in the best interests of each particular investment fund. The Firm's policy is to vote all proxies for a specific issuer in the same way for each Advisory Client, absent some qualifying restrictions or a material conflict of interest.
- CAS will generally vote in favor of routine corporate housekeeping proposals such as the election of directors and the selection of auditors, absent conflicts of interest (e.g., an auditor's provision of non-audit services).
- The Firm will generally vote against proposals that cause board members to become entrenched or cause unequal voting rights.
- In reviewing proposals, the Firm may also consider the opinion of management, the effect on management, the effect on shareholder value and the issuer's business practices.

Clients are not permitted to direct the Firm's vote in a particular proxy solicitation.

Clients may obtain information regarding how CAS voted its securities by requesting records of the Chief Compliance Officer, who is responsible for retaining all records relating to proxy voting. Additionally, clients may obtain a copy of the Firm's Proxy Voting Policies and Procedures, which are included in the Firm's Compliance Manual, upon request of the Chief Compliance Officer.

**Item 17.B.**

Not Applicable; see response to Item 17.A. CAS has authority to vote client securities.

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***Item 18: Financial Information***

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**Item 18.A.**

Not Applicable. CAS does not require nor solicit pre-payment of more than \$1,200 in fees per client, six months or more in advance.

**Item 18.B.**

CAS is not aware of any financial condition that is reasonably likely to impact its ability to meet its contractual commitments to clients.

**Item 18.C.**

Not Applicable. CAS has not been the subject of a bankruptcy petition at any time during the past ten years.