

**Form ADV Part 2A: Firm Brochure**

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**This brochure provides information about the qualifications and business practices of Eden Capital Management Partners, L.P. If you have any questions about the contents of this brochure, please contact us at (713) 807-1760. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Eden Capital Management Partners, L.P. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Eden Capital Management Partners, L.P. is an investment adviser that is registered with the United States Securities and Exchange Commission. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.**

## Material Changes

Because much of the information in this ADV Part 2 is additional information we are providing due to legislative changes and was not previously provided in our ADV Part II, we recommend that you read this ADV Part 2 in its entirety.

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## 1. **Advisory Business**

Eden Capital Management Partners, L.P., founded in 2001 as a successor to its predecessor, which was formed in 1996, is an investment services firm specializing in investment management for private pooled investment vehicles. The principal owner of Eden Capital Management Partners, L.P. are Eden Management, LLC, as the general partner, and Adam J. Newar, as the limited partner. Adam J. Newar is the manager and sole member of Eden Management, LLC.

We specialize in offering investment advisory services to private pooled investment vehicles. In providing our advisory services, we seek to generate superior financial returns by generally investing in securities of companies that we believe will be desirable to own over a longer-term horizon and are undervalued. To achieve this goal, we primarily invest in a portfolio of publicly traded corporate equity and debt securities. When opportunities arise, we sell short securities of companies we believe are overvalued. In selecting investments for our clients, we use a value-oriented approach.

We tailor our advisory services to the needs of our clients and we adhere to the investment strategy set forth in each client's Private Placement Memorandum. Our clients' Private Placement Memoranda allow for investing in a broad array of securities and financial instruments to the end of achieving their investment objectives.

The amount of client assets that we manage on a discretionary basis, as of February 28, 2011, is \$46,393,000. We do not manage any client assets on a non-discretionary basis.

## 2. **Fees and Compensation**

Our firm typically receives compensation from each of our clients based on both the percentage of assets we manage and on performance achieved for each client's account. Generally, each year, we charge clients between 1% to 1.5% of their assets that we manage and 20% of their profits. We typically structure our performance-based compensation as profit-sharing allocations through general partner interests that we hold in our clients.

Our fees are generally not negotiable. However, we have the general discretion to waive all or a portion of the asset-based management fee and/or the performance-based compensation, but only typically exercise this discretion for investors that are our affiliates or employees. In addition, we may enter into side letter arrangements with certain investors in our clients, in which we grant them preferential terms with respect to asset-based management fees or performance-based compensation.

### **Asset-based management fees charged to our clients are:**

Eden Capital Partners, L.P.: 1.5% annually on the first \$10,000,00 of the aggregate capital account balances of all investors and 1.0% annually of the aggregate capital account balances of all investors in excess of \$10,000,000.

Eden Capital Institutional Partners, L.P.: 1.0% annually of the aggregate capital account balances of all investors.

Eden Strategic Income Fund, L.P.: 1.0% annually of the aggregate capital account balances of all investors.

**Performance-based compensation charged to our clients:**

Eden Capital Partners, L.P.: 20% annually of each investor's net profits for the year; provided that if losses have been allocated to the capital account of an investor with respect to a prior period, then an amount of profits equal to those losses (that have not been previously reimbursed) shall first be allocated to the capital account of that investor to the extent of any unreimbursed losses (adjusted pro rata for any withdrawals) before giving effect to any performance allocation. Investors who invested capital in Eden Capital Partners, L.P. prior to December 31, 2003 are allocated profits and losses in a manner different from the foregoing with respect to capital invested before December 31, 2003.

Eden Capital Institutional Partners, L.P.: 20% annually of each investor's net profits for the year; provided that if losses have been allocated to the capital account of an investor with respect to a prior period, then an amount of profits equal to those losses (that have not been previously reimbursed) shall first be allocated to the capital account of that investor to the extent of any unreimbursed losses (adjusted pro rata for any withdrawals) before giving effect to any performance allocation. Investors who invested capital in Eden Capital Institutional Partners, L.P. prior to December 31, 2003 are allocated profits and losses in a manner different from the foregoing with respect to capital invested before December 31, 2003.

Eden Strategic Income Fund, L.P.: 20% annually of each investor's net profits for the year. The performance allocation is subject to a "high water mark" limitation. Thus, after the first year in which a performance allocation is earned, the performance allocation for subsequent years only applies to the extent that a limited partner's pro rata share of net profits measured on a cumulative basis, net of any losses, for all years since admission exceeds the highest level of such cumulative net profits achieved through the close of any prior year since admission. If a limited partner makes a withdrawal at a time when such limited partner's capital account balance is below its historic "high water mark" level, the level is ratably reduced to reflect such withdrawal.

We deduct the asset-based management fee described above from two of our clients' accounts quarterly at the end of each quarter and monthly at the end of each month for our third client. We also deduct the 20% performance-based compensation described above from our clients' accounts at the end of each year or when investors in a client make a withdrawal (but only on the amount withdrawn).

Since the asset-based management fee that we charge our clients is payable in arrears, our clients will likely never pay an asset-based fee in excess of what they owe.

In connection with our advisory services, our clients bear all of their own expenses. The enumerated lists below are detailed but do not contemplate every possible expense a client may incur.

The expenses related to researching and executing investment transactions and positions that our clients may pay include:

- fees related to the custody of their assets,
- brokerage and related transaction fees,
- interest on debit balances or borrowings,
- any withholding or transfer taxes and certain other taxes,
- accounting, audit and legal expenses,
- insurance
- administrator fees,
- underwriting and private placements,
- costs of any litigation or investigation that may arise, and
- costs in connection with providing reports and information to clients, investors in our clients and prospective clients or prospective investors.

For more information on brokerage transactions and costs, please see Section 9: Brokerage Practices.

Neither our firm nor our principal or employees receives any transaction-based compensation for the sale of securities or other investment products.

### **3. Performance-Based Fees and Side-By-Side Management**

We receive performance-based compensation from each of our clients. Please see Section 2: Fees and Compensation for an explanation of our performance-based compensation. We do not manage any clients that do not pay performance-based compensation.

### **4. Types of Clients**

All of our clients are all private pooled investment vehicles (hedge funds).

#### Investment Requirements

Our clients rely on certain exclusions from the definition of “investment company” in the Investment Company Act of 1940, as amended. Accordingly, none of our clients are registered as investment companies with the SEC.

Investors in Eden Capital Partners, L.P. and Eden Capital Institutional Partners, L.P. are generally required to make a minimum investment of \$1,000,000, while investors in Eden Strategic Income Fund, L.P. are generally required to make a minimum investment of \$250,000. We have the discretion to, and on occasion may, accept investments for a lesser amount.

To comply with Securities and Exchange Commission regulation, we require that U.S. investors in Eden Capital Partners, L.P. and Eden Strategic Income Fund, L.P. qualify as accredited investors and qualified clients. Accredited investors are generally (i) individuals with \$1,000,000 of net worth (excluding their primary residence) or who have made \$200,000 in each of the two previous years (or \$300,000 joint income with one’s spouse) or (ii) entities with assets totaling over \$5,000,000. Qualified clients are individuals or entities with over \$1,500,000 of net worth. We require that U.S. investors in Eden Capital Institutional Partners, L.P. qualify as qualified purchasers. Qualified purchasers are generally individual investors or certain family-owned entities with over \$5,000,000 in investments or entities with over \$25,000,000 in investments. Our non-U.S. investors are not subject to any particular wealth requirements.

This firm brochure is not an offer to invest in our clients.

## **5. Method of Analysis, Investment Strategies and Risk of Loss**

In managing our clients’ accounts, we seek to generate superior financial returns by investing in focused portfolios of corporate equity and debt securities. In selecting investments for our clients, we engage in fundamental and technical analysis, seeking to identify undervalued opportunities that we believe are desirable to hold over a long-term horizon. In particular, we focus on the following factors when attempting to determine whether a public company is undervalued:

- long-term prospects,
- management,
- business assets,
- markets,
- technology and
- competitive positioning.

In conducting our research, we may consult financial periodicals, public filings, company press releases and third-party research sources, among others.

Though all of our clients typically follow our core objectives, Eden Strategic Income Fund, L.P. concentrates specifically on investing in dividend-paying equity securities that trade on public U.S. exchanges. In addition, we may employ a significantly larger amount of leverage in connection with Eden Strategic Income Fund, L.P.'s investments than in connection with managing our other clients.

Despite our methodologies, investing in any securities involves a risk of loss that our clients and investors in our clients must be prepared to bear. Please see below for a detailed explanation of the investment strategies we employ and some of the significant risks associated with them.

Certain risks associated with an investment in any client we advise include:

- *Investment Judgment and Market Risk:* The success of our investment programs depends, in large part, on correctly evaluating future price movements of potential investments. We cannot guarantee that we will be able to accurately predict these price movements and that our investment programs will be successful.
- *Investment and Trading Risk:* Investments in securities and other financial instruments involve a degree of risk that the entire investment may be lost. The use of short sales and option trading can, in certain circumstances, substantially exacerbate the impact of unfavorable price movements on our clients' investments. Also, changes in the general level of interest rates may negatively affect our clients' results.
- *Financial Markets and Regulatory Change:* The instability pervading global financial markets has heightened the risks associated with the investment activities and operations of private investment funds, including those resulting from a reduction in the availability of credit and the increased cost of short-term credit, a decrease in market liquidity and an increased risk of bankruptcy of third parties with which we work. Market disruptions over the recent years and the increase in capital being allocated to hedge funds and other alternative investment vehicles have led to increased scrutiny and regulation over the private investment fund and asset management industry. In addition, the laws and regulations affecting business continue to evolve unpredictably. Laws and regulations applicable to our clients, especially those involving taxation, investment and trade, can change quickly and unpredictably in a manner adverse to our clients' interests.

The following is a description of the various strategies that we utilize in advising our clients and some important risks associated with each strategy. The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in our investment strategies. For a complete explanation of all relevant investment strategies and their associated risks, investors in our clients should also review each applicable client's private placement memorandum, which may contain additional explanations of strategies, risks and other related details not discussed below.

- *Equity Securities:* We buy equity securities on behalf of our clients, seeking to profit from both security selection and thematic sector or market timing decisions. The value of these investments will generally vary with their issuer's performance and movements in the equity markets. Consequently, our clients may suffer losses if we invest in equity instruments of issuers whose performance diverges from our expectations or if equity markets generally move in a single direction and we have not hedged against a move in that direction (see below for an explanation of hedging).
- *Corporate Bonds:* A primary focus of our investment strategy for some of our clients consists of investing in corporate bonds. Corporate bonds provide periodic returns and the eventual return of the principal at the end of the term. The values of corporate bonds, like other credit-based securities, change in response to interest rate fluctuations and market perception of an issuer's ability to pay off its obligations. Corporate bonds are also subject to the risk that their issuer may be unable to make interest or principal payments on its obligations.

We may invest in "distressed" corporate bonds, discussed below.

- *Distressed Securities:* We may invest in distressed securities on behalf of our clients. Distressed securities refer to securities and other obligations issued by a company that is undergoing significant distress, such as bankruptcy or reorganization, or is likely to do so in the near future. The securities of distressed corporations are often overly discounted by the market, creating attractive opportunities for our clients. The most significant risk of investing in distressed debt and securities is that the subject company's projected performance never takes place. We may not always correctly identify and evaluate the nature and magnitude of the many factors that affect the probability of a successful reorganization.
- *Undervalued Assets:* We typically invest in assets on behalf of our clients that we believe are undervalued. However, identifying investment opportunities in undervalued assets is difficult and we cannot assure any clients that we will be able to recognize or acquire undervalued assets. While investments in undervalued assets offer our clients the opportunity for above-average capital appreciation, they also involve a high degree of financial risk and can result in substantial losses.

In addition, we may need to sell assets that do not end up being undervalued at a substantial loss. We may also need to sell assets before they reach their anticipated values in order to fulfill withdrawal requests or pay certain fees or taxes. Often times, we must hold undervalued assets on behalf of our clients for a substantial period of time before realizing their anticipated value. During this period, a portion of a client's capital is committed to the undervalued assets we have purchased, possibly preventing us from investing in other opportunities. Further, at times, we finance the purchase of undervalued assets with borrowed



funds and thus our clients pay interest on the borrowed funds while we wait for the assets to reach their anticipated value.

- *Convertible Securities:* We may invest in convertible securities on behalf of our clients. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that can be converted into or exchanged for a specified amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. The holder of a convertible security typically receives interest or a dividend until the security matures or is converted or exchanged. Convertible securities are unique in that they generally (1) have higher yields than common stocks, but lower yields than comparable non-convertible securities; (2) are less subject to fluctuation in value than the underlying security due to their fixed-income characteristics; and (3) provide potential for capital appreciation if the market price of the underlying security increases.

Changes in interest rates and/or an issuer's credit standing may affect the value of the convertible securities our clients hold. Our ability to achieve our clients' investment objectives may be adversely affected if we hold convertible securities that are convertible only upon the occurrence of certain contingencies and those contingencies fail to occur or if we hold convertible securities on behalf of our clients that an issuer opts to redeem.

- *Investing in Small-Capitalization Companies:* Market capitalization is a measurement of a company's size equal to the share price times the number of shares outstanding (shares that have been authorized, issued and purchased by investors). From time to time, we may invest some of our clients' assets in the securities of small-capitalization companies and recently organized companies. Historically, these securities have been more volatile in price than those of larger capitalized, more established companies. Small-capitalization and recently organized companies' securities pose greater investment risks because the companies may have limited product lines, distribution channels and financial and managerial resources. Further, there is typically less publicly available information concerning such companies than there is for larger, more established businesses. In addition, the small-capitalization companies' securities may not be traded in the volumes typical for larger companies, and therefore it may take longer to sell such securities or we may have to accept potentially less favorable purchase prices. Ultimately, investing in companies with limited operating histories is more speculative and entails greater risk than does investing in companies with an established operating record.
- *Exchange-Traded Funds:* On our clients' behalf, we may invest in exchange-traded funds. An exchange-traded fund is a security that tracks an index or group of stocks, bonds or other assets and trades on an exchange. The values of exchange-traded funds are affected by changes in the values of the particular underlying securities. In turn, exchange-traded funds are subject to the same risks

as those of the underlying securities, though the risks may be mitigated by the diversification of an exchange-traded fund.

- *Short Selling:* We may sell short securities on behalf of our clients. Short selling of securities occurs when we borrow securities, promising to buy them at a later date. If the price drops, we can buy the securities at the lower price and make a profit on the difference. If the price of the securities rises, we have to buy them back at the higher price, and the investment loses money. Furthermore, whereas when we buy securities long our clients' risk of loss is limited to the cost of the securities, there is no limit to losses in a short sale because there is no cap on the price we may have to pay to buy the borrowed securities. Buying the securities can itself cause the price of the securities to rise further which would exacerbate the potential for loss.
- *Borrowing/Leverage:* We may borrow against the assets of our clients when we believe that the proceeds from doing so will exceed the interest paid on the borrowing. Borrowing involves risk to our clients because the interest on the borrowed amount may be greater than the income from or increase in the value of the securities purchased with the borrowed amount. Also, there is always a possibility that the value of the securities purchased with the borrowed amount can decline below the amount borrowed. Generally, borrowing-type techniques used to increase potential returns are all forms of leverage.

Any investment profits made with the proceeds from borrowings in excess of interest paid on the borrowings will cause the income and value of an investment to be greater than would otherwise be the case. On the other hand, if the value of the additional securities purchased with the borrowed money does not increase enough to cover the interest paid on the borrowings, then the income and value of an investment will be less than would otherwise be the case.

The amount of securities purchased on margin by our clients may be quite large in relation to their capital.

- *Margin Transactions:* To increase our buying power, sometimes we may engage in margin transactions on behalf of our clients. Trading on margin is a form of leverage. Specifically, when we trade on margin, we are borrowing from a broker to purchase more securities than we otherwise would be able to with our clients' initial cash investment. The securities purchased on margin serve as collateral for the broker's loan. Trading on margin is risky because it not only can increase gains, but also can amplify losses to the point where a client may lose more than its initial investment.

We may employ short-term margin borrowing on behalf of our clients, which can be especially risky. For example, should the collateralized securities decline in value, we could be subject to a "margin call," under which we must either deposit additional funds or securities with the broker or sell the pledged securities to compensate for the decline in value. If the value of an investment suddenly drops,

we might not be able to liquidate assets quickly enough to satisfy our margin requirements.

- *Hedging Transactions:* We may, at times, engage in hedging transactions on behalf of our clients. Employing hedging techniques reduces a portfolio's vulnerability to various risks. Hedging entails determining certain risks in one's portfolio and making trades to offset those risks. For instance, if an investor buys stock in a company, it may also short the stock of a competitor company. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of these positions decline, but rather it establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. On the other hand, hedging transactions also limit the opportunity for gain if the value of the portfolio position should increase.

The success of our hedging strategy is subject to our ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. There is a risk that we may not always choose the right variable to hedge against. Also, it is important to note that we may not always choose to hedge against, or might not anticipate, certain risks, and, our clients' portfolios will always be exposed to certain risks that cannot be hedged.

Loss of the ability to hedge, from either a change in the law or an inability to borrow a security when necessary, may result in losses to our clients from the resulting unhedged exposure or depreciation in the retained instrument's value.

Many other investment strategies we employ can be used as hedging techniques, such as short selling and derivative contracts.

- *Swaps and Other Derivatives:* At times, we may invest in swaps and other forms of derivative contracts on behalf of our clients. A derivative is a financial instrument that is a contract between two parties, the value of which is linked to another security or an "underlying asset."
- *A swap is a type of derivative* in which counterparties agree to exchange one stream of cash flow for another, each stream being based on an underlying asset. For example, an investor realizing returns from an equity investment can swap those returns into less risky fixed income cash flows without having to sell its equities. Swaps are particularly sensitive because various market variables affect the values of the cash flows, causing them to fluctuate.

Any derivative contract typically involves leverage, as it exposes our clients to potential gain or loss from a change in the price of an underlying asset in an amount that exceeds the amount of cash or assets required to establish or maintain the derivative contract. Consequently, an adverse change in the price of the underlying asset can result in a loss to our clients that is more exaggerated than

would have resulted from an investment that did not involve the use of leverage inherent in a derivative contract. Finally, derivative contracts are risky because, ultimately, their success depends in part on the counterparty's financial condition; that is, the counterparty's ability to turn over the cash flow it promised.

A discussion of some of the particular types of derivative contracts in which we invest follows below.

- *Options:* We may invest in options on behalf of our clients. There are risks associated with the sale and purchase of options. Call options are the right to buy a security at a certain price within a defined time period. Put options are the right to sell a security at a certain price within a defined time period. A buyer of either type of option assumes the risk of losing its entire investment in the option. A buyer of a call option risks losing its investment if the particular security never reaches the designated price within the set time period. A buyer of a put option risks losing its investment if the particular security does not decline enough to reach the designated price within the set time period.

An option's value may decline because of passage of time, the value of its underlying asset may change, changes in the market's perception as to the underlying asset's future price behavior or any combination of these factors.

- *Option Writing:* We may write (essentially, sell) call and put options on securities on behalf of our clients. The applicable client receives a premium from writing a call or put option, which increases the client's return if the option expires unexercised or is exercised at a net profit. In return for the premium, the writer assumes the obligation to, in the case of a put option, purchase the underlying security or, in the case of a call option, sell the underlying security, in either case for a price equal to a previously agreed-upon price for the option's underlying instrument if the other party to the option chooses to exercise it. When a client writes a call option, it gives up the opportunity to profit from any increase in the price of a security above the exercise price of the option and must be prepared to deliver the security regardless of its market price; when it writes a put option, the client takes the risk that it will be required to purchase a security from the option holder at a price above the current market price of the security.
- *Warrants:* We may invest in warrants on behalf of our clients. Warrants are derivative instruments that entitle the holder to buy the underlying stock of the issuing company at a fixed exercise price until an expiration date. The values of warrants do not necessarily change with the values of the underlying stock and warrants cease to have value if they are not exercised prior to their expiration dates.

- *Forwards:* We may enter into forward contracts on behalf of our clients. A forward, or a forward contract, is a contract between two parties to buy or sell an asset at a specified future date at a price agreed upon at the time the contract is made. Forward contracts are negotiated privately and are not traded on an exchange. This means that there is not a big secondary market for forwards, which means they may be difficult to sell should they become unfavorable for our clients.
- *Reverse Repurchase Agreements:* We may, at times, enter into reverse repurchase agreements on behalf of our clients. Under a reverse repurchase agreement, a client sells securities yet also agrees to repurchase them at an agreed upon date and price. Reverse repurchase agreements involve the risk that the value of the securities sold may decline, yet the client must still repurchase them. On the other hand, these transactions also involve the risk that the other party to a reverse repurchase agreement will be unable or unwilling to complete the transaction as scheduled, which may result in losses to our client.
- *Short-Term Trading:* We may occasionally engage in short-term trading on our clients' behalf. Frequent trading results in high turnover and brokerage commission expenses which can adversely affect a client's performance if its trading is not sufficiently profitable.
- *Lack of Investment Diversification:* There are times when we may determine that any of our clients should hold a few, relatively large investments in relation to a client's capital. Consequently, the success of each of those clients could be substantially adversely affected by the unfavorable performance of a single investment.
- *Foreign Securities:* While investing in foreign securities is not a principal focus of our investment strategies, we occasionally buy and sell foreign securities for our clients' accounts. Investing in foreign securities involves certain risk factors not typically associated with investing in U.S. securities, such as fluctuation between exchange rates, the costs of converting from one currency to another, greater risk of political, social or economic instability and the possibility that foreign taxes may be imposed on our clients' income. In addition, there may not be much information available regarding foreign securities because foreign companies and governments may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those of the U.S. Finally, some non-U.S. markets have difficulty keeping pace with large volumes of transactions which can lead to substantial delays and settlement failures that could adversely affect our clients' performance.
- *Short-Term Assets:* Client assets not being deployed to effect the above strategies will be held in custody or placed in U.S. Treasury Bills or money-market instruments, such as short-term certificates of deposit. Even though the Federal Deposit Insurance Corporation (FDIC) does not insure money-market instruments

and we cannot guarantee that they will retain their value, money-market instruments typically do not carry much risk of loss. However, their potential for gain is negligible when compared to other strategies mentioned above.

While we concentrate on corporate equity and debt securities, we do not recommend primarily any single type of security. We encourage investors in our clients to consider all of the risk factors we have explained, as any investment can be risky and investors must be prepared to assume any potential loss.

## **6. Disciplinary Information**

Neither our firm, nor any of our directors, officers or our principal has been involved in any investment-related criminal or civil actions in a domestic, foreign or military court.

Neither our firm, nor any of our directors, officers or our principal has been involved in any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither our firm, nor any of our directors, officers or our principal has been involved in any self-regulatory organization proceedings.

## **7. Other Financial Industry Activities and Affiliates**

Neither our firm, nor any of our directors, officers or our principal is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither our firm nor any of our directors, officers or our principal is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

### Relationships with Pooled Investment Vehicles

In addition to serving as their investment adviser, our firm also serves as the general partner to our pooled investment vehicles. Because we control our pooled investment vehicles as their general partner, there was no independent negotiation of our fees or other terms of their respective partnership agreements. Although this arrangement may give us heightened control and discretion over our pooled investment vehicle clients, we manage any potential conflicts of interest by adhering to the investment strategy discussed in their offering documents and our trade allocation policy that we discuss in Section 9 of this brochure.

We do not recommend or select other investment advisers for our clients.

## **8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

We have adopted a Code of Ethics in accordance with Securities and Exchange Commission requirements. Our Code of Ethics works to ensure that our employees' actions, including their personal securities transactions, are consistent with our firm's fiduciary duty to our clients and to ensure compliance with legal and regulatory requirements. It focuses on specific areas where employee conduct has the potential to affect our clients' or their investors' interests adversely, such as personal securities trading, outside activities, gifts, borrowing and lending, and the influence of personal relationships and charitable contributions. Our Code of Ethics requires employees to submit quarterly statements to our Chief Compliance Officer for any account holding securities in which an employee or certain family members have an interest. Most employee trades in which an employee or certain family members have an interest must be reviewed and pre-approved by our Chief Compliance Officer or his designee. We provide a copy of our Code of Ethics to any client or any investor in our clients, or any prospective client or prospective investor, that requests one.

Our principal and employees do not recommend to clients, nor do they buy or sell for client accounts, securities in which they have a material financial interest.

Our principal and employees of our firm may buy and sell for themselves securities that they also buy and sell for our clients or recommend to our clients. This could create a conflict of interest if our principal and employees receive more favorable execution prices than do our clients because our principal's and employees' trades might have driven up the market prices of target securities. However, we eliminate this conflict by mandating that our principal and employees cannot buy or sell these securities for the three days before and the three days after any client trades in that security.

As mentioned above, not only must our Chief Compliance Officer or his designee review and pre-approve most types of employee personal securities trades, but our Chief Compliance Officer may also order that any personal transaction be reversed or modified. If the Chief Compliance Officer determines that a personal transaction would breach our policies, the Chief Compliance Officer will deny approval of the trade.

## **9. Brokerage Practices**

In selecting broker-dealers and determining the reasonableness of their commissions for our clients' transactions, our firm generally tries to obtain the best execution for our clients' portfolios and we take into account the following factors:

- The broker-dealer's ability to effect prompt and reliable executions at favorable prices (including the applicable profit or commission, if any);
- The operational efficiency with which transactions are effected, considering the size of the order and difficulty of execution;

- The financial strength, integrity and stability of the broker-dealer;
- The firm's risk in positioning a block of securities;
- The quality, comprehensiveness and frequency of available research services considered to be of value; and
- The competitiveness of commission rates in comparison with other broker-dealers that satisfy our selection criteria.

We Utilize Research and Other Soft Dollar Benefits. At times, we may pay higher prices to buy securities from, or accept lower prices for the sale of securities to, brokerage firms that provide us with proprietary and/or third-party investment and research information. This investment and research information is often referred to as "soft dollar" benefits. The research services that broker-dealers might provide us with include:

- written information and analyses concerning specific securities, companies or sectors,
- market, financial and economic studies and forecasts,
- statistics and pricing or appraisal services,
- discussions with research personnel and
- invitations to attend conferences or meetings with management or industry consultants.

We can use these research services and products in connection with our advisory services for any of our accounts, not necessarily for only the account that "paid" for them. For example, we might utilize research services that a broker-dealer provides for one of our clients in connection with our advisory services for another client and vice versa. While we do not aim to allocate soft dollar benefits to each client account in proportion to the soft dollar credits each client generates, we do seek to allocate soft dollar benefits equally among all of our clients.

We Intend for our Use of Soft Dollar Benefits to Fall Within the Safe Harbor. The Securities and Exchange Commission has created a safe harbor that protects financial advisers from liability for a possible breach of fiduciary duty to their clients for engaging in soft dollar arrangements for certain services at other than the lowest transaction costs if they make a good faith determination that the amount of the commission was reasonable in relation to the value of the services received. We intend that our soft dollar arrangements will fall within this safe harbor.

The Use of Soft Dollars Can Create a Conflict of Interest. Using client transactions to obtain research and other benefits creates incentives that result in conflicts of interest between advisers and their clients. When we use client markups or markdowns to obtain



research products and services, we receive a benefit because we do not have to produce or pay for the research products and services. The availability of these benefits may influence us to select one broker-dealer rather than another to perform services for clients, based on our interest in receiving the products and services instead of on our clients' interest in receiving the best execution prices. Obtaining these benefits may cause our clients to pay higher fees than those charged by other broker-dealers.

The use of soft dollars to obtain research services and to pay for other costs and expenses that we might otherwise incur creates a conflict of interest between us and our clients because our clients pay for products and services that are not exclusively for their benefit and that may be primarily or exclusively for our benefit. To the extent that we are able to acquire these products and services without expending our own resources, our use of soft dollar benefits tends to increase our profitability.

We Use Particular Procedures to Direct Transactions in Return for Soft Dollars. We direct our clients' transactions to broker-dealers based on overall best execution, as explained above. Our Chief Compliance Officer periodically reviews our brokerage practices and procedures to ensure that we are achieving best execution on all trades for our clients.

We Do Not Consider Referrals in Selecting or Recommending Broker-Dealers.

Our Clients Do Not Direct Brokerage. We do not recommend, request or require that a client, nor do we permit a client to, direct us to execute transactions through a specified broker-dealer.

#### Trade Aggregation and Allocation

Sometimes we decide that some or all of our clients should participate in the same investment opportunity. In this case, we aggregate the purchase or sale of the securities for the various client accounts. We then allocate the securities purchased (or sold) among our participating clients so that each client receives the same terms. We also seek to execute orders for all participating clients on an equitable basis. If we decide to invest at the same time for more than one of our clients, we place combined orders for all these accounts simultaneously, and, if all these orders are not filled at the same price, we average the prices paid. Similarly, if an order on behalf of more than one account cannot be fully executed under current market conditions, we allocate the trade among the different accounts on a basis that we consider equitable. Ultimately, clients can benefit when we aggregate trades because we get volume discounts on execution costs. On the other hand, situations may occur where one client could be disadvantaged because of the investment activities we conduct for other clients.

## **10. Review of Accounts**

On a monthly basis, our principal, Adam J. Newar, or his designee, reviews all trading activity for our clients' accounts. Adam J. Newar, or his designee, examines our trading activity specifically for trades that may violate our internal policies or any applicable laws or regulations and reports any violations to our Compliance Officer.

We will also review accounts in certain extraordinary events, such as natural disasters, extreme political and economic events (i.e. a market crash) and any other event we believe creates abnormal market conditions.

We provide investors in our clients with written quarterly reports that contain performance information about the fund in which they have invested for the quarter. We also provide investors in our clients with written annual reports that contain audited financial statements and tax information.

## **11. Client Referrals and Other Compensation**

Our firm does not, nor does our principal or employees, receive any economic benefit from non-clients for providing advisory services to our clients.

Our firm does not, nor does our principal or employees, compensate anyone for client referrals.

## **12. Custody**

While it is our practice not to accept or maintain physical possession of any of our clients' assets, we are deemed to have custody of our clients' assets under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, because we have the authority to access our clients' funds and deduct fees and expenses from clients' accounts.

In order to comply with Rule 206(4)-2, we utilize the services of a bank or qualified custodian (as defined under Rule 206(4)-2) to hold all of our clients' assets. We also ensure that the qualified custodian maintains these funds in accounts that contain only clients' funds and securities, under our name as agent for the clients. In accordance with Rule 206(4)-2, we also (1) engage an outside auditor to audit our clients at the end of each fiscal year and (2) distribute the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all investors in our clients within 120 days after the end of the fiscal year.

## **13. Investment Discretion**

### Scope of Authority

We accept discretionary authority to manage our clients' securities accounts. Essentially, this means that we have the authority to determine, without obtaining specific client consent, which securities to buy or sell and the amount of securities to buy or sell. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in each of our clients' Private Placement Memorandum.

### Procedures for Assuming Authority

Before accepting their subscriptions for interests, we provide all investors in our clients with a Private Placement Memorandum that sets forth the relevant client's investment strategy and program. By completing our subscription documents to acquire an interest

in one of our clients, investors give us complete authority to manage their investments in accordance with the Private Placement Memorandum they each received.

## **14. Voting Client Securities**

### Proxy Voting Policies and Procedures

In order to comply with proxy voting requirements under the Investment Advisers Act of 1940, as amended, we have implemented proxy voting policies and procedures in accordance with securities laws and our fiduciary obligations to our clients and have also retained the services of Institutional Shareholder Services.

Our firm, or Institutional Shareholder Services, votes all proxies in a manner that we believe reasonably furthers the best interests of our clients and is consistent with the clients' investment philosophy as set forth in the relevant investment management documents. Our proxy voting policy is to vote in accordance with Institutional Shareholder Services' recommendations, although we have the right to direct Institutional Shareholder Services how to vote on particular issues. We have given Institutional Shareholder Services implied consent to vote on our behalf.

Upon request, our clients and investors in our clients can obtain a copy of our proxy voting policies and procedures.

### Potential Conflicts of Interest

If a proxy vote creates a material conflict between our interests and the interests of a client, we will resolve the conflict before voting the proxies. We will either disclose the conflict to the client and obtain consent or take other steps designed to ensure that a decision to vote the proxy was based on our determination of the client's best interest and was not the product of the conflict.

### Recordkeeping

We maintain, through our relationship with Institutional Shareholder Services, records of (i) all proxy statements and materials we receive on behalf of clients; (ii) all proxy votes that are made on behalf of the clients; (iii) all documents that were material to a proxy vote; (iv) all written requests from clients regarding voting history; and (v) all responses (written and oral) to clients' requests. These records are available to our clients and investors in our clients upon request.

We have the authority to vote all of our clients' proxies and receive all of their proxies and similar solicitations.

## **15. Financial Information**

We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We are not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our clients.

We have never been the subject of a bankruptcy petition.