

LOEB

CAPITAL MANAGEMENT

LOEB OFFSHORE MANAGEMENT LP

Form ADV Part 2A
FIRM BROCHURE

December 23, 2011

This brochure provides information about the qualifications and business practices of Loeb Offshore Management LP (“LOM” or “the Adviser”). If you have any questions about the contents of this brochure, please contact us at 212-483-7000 and/or amcmillan@loebcap.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

LOM is a registered investment adviser. Registration of an investment adviser does not imply any certain level of skill or training. The oral and written communications of an adviser are meant to provide you with information useful in determining whether to hire or retain an adviser.

Additional information about LOM is available on the SEC’s website at www.adviserinfo.sec.gov. The SEC’s web site also provides information about persons affiliated with an adviser who are registered as investment adviser representatives. (Currently, LOM and its affiliates have no registered investment adviser representatives.)

A copy of this brochure may be obtained by contacting Sean Flynn, Director of Investor Relations at 212-483-7000 or investorrelations@loebcap.com. The brochure is also available on our web site www.loebcap.com, free of charge.

Item 2 – Material Changes

On July 28, 2010, the SEC published “Amendments to Form ADV” which made certain changes to the disclosure document that advisers are required to provide to clients. This brochure dated December 23, 2011 is prepared according to the SEC’s new requirements and rules.

Item 2 is intended to provide Clients and investors with a summary of specific material changes to this disclosure document. The last annual update of our brochure was June 10, 2011. This brochure has been updated to reflect the expansion of the master feeder structure. Beginning in January 2012, Loeb Arbitrage Fund (“LAF”), a private fund managed by an affiliate of LOM, will invest virtually all of its assets as a feeder fund alongside Loeb Offshore Fund, Ltd. (“LOF”) into Loeb Arbitrage Offshore Partners, Ltd. (“LAOP”). We do not consider this to be a material change, as LAF and LOF previously traded *pari passu*. This update also reflects the closing of Loeb Marathon Fund LP and Loeb Marathon Offshore Fund, Ltd. in November 2011; the majority of these assets were rolled into LAF and LOF, respectively.

In the past, the Adviser has offered or delivered information about its qualifications and business practices to Clients on at least an annual basis. Pursuant to new SEC Rules, Clients will receive a summary of any materials changes within 120 days of the close of the Adviser’s fiscal year. Further ongoing disclosure information about material changes will be provided to Clients and potential clients, in the form of an updated brochure document, as necessary, without charge.

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Item 4 – Advisory Business

LOM, the Registrant, and its affiliates, Loeb Arbitrage Management LP (“LAM”) and Carl M. Loeb Advisory Partners L.P. (“CMLAP”), all Delaware limited partnerships, are collectively known (along with the funds and accounts they manage) as Loeb Capital Management (“LCM”).

LOM has been in business since 2002. The Adviser’s business consists of providing investment advice to private investment pools (“Funds”); Loeb Offshore Fund, Ltd. (“LOF”), Loeb Arbitrage Offshore Partners, Ltd. (“LAOP”) as well as Loeb Asia Offshore Investors, Ltd. (“LAOI”) and Loeb Asia Offshore Fund, Ltd. (“LAOF”)¹, are all Cayman Islands exempt entities. The advice the Adviser provides is made in accordance with the investment objectives and guidelines set forth in the respective offering memoranda for each Fund or in the investment management agreement for each separate account.

Interests in the offshore funds are offered on a private placement basis to persons who are not “U.S. Persons” as defined under Regulation S of the Securities Act, as well as to U.S. tax-exempt entities (or entities substantially comprised of U.S. tax-exempt entities) subject to certain other conditions that are set forth more fully in the offering documents for such funds.

LAM is the investment adviser to Loeb Arbitrage Fund, a New York limited partnership (“LAF”), the flagship Fund, which has been in operation since 1988, and Loeb Asia Fund, L.P., a Delaware limited partnership (“LA”) has been in operation since 2008. As of the date of this brochure, CMLAP² has no clients.

The funds managed by LAM are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”) and rely upon Section 3(c)(7) thereunder. Accordingly, interests in the Funds are offered exclusively to investors that are “qualified purchasers” as defined under the Investment Company Act and that satisfy other eligibility and suitability requirements applicable to private placement transactions conducted within the United States.

Prior to 2012, the funds managed by LOM traded *pari passu* with LAM’s funds. Beginning January 2012, LAF will join LOF in investing virtually all of its assets into LAOP in a master-feeder structure.

The principal owners of LAM and LOM are Loeb Holding Corporation and LB Partners, L.P. in roughly a 50/50 split. Loeb Holding Corporation and LB Partners, L.P. are also the principal owners of Loeb Management Holding LLC, the general partner of both LAM and LOM. Loeb Holding Corporation and LB Partners, L.P. are controlled, respectively, by Thomas L. Kempner and Gideon J. King.

In connection with providing investment management services to the Funds, the Adviser (or an affiliate) has been appointed as the investment adviser, investment manager or general partner with full discretionary authority with respect to investment decisions on behalf of, and trading in, the Clients’ accounts. Pursuant to their respective

¹ LAOI and LAOF have not begun operations as of the date of this brochure.

² The principal owners of CMLAP are Carl M. Loeb & Co. LLC and LB Partners, L.P. in roughly a 50/50 split. Carl M. Loeb & Co. LLC and LB Partners, L.P. are also the principal owners of Carl M. Loeb Management Holding LLC, the general partner of CMLAP. Carl M. Loeb & Co. LLC and LB Partners, L.P. are controlled, respectively, by Thomas L. Kempner and Gideon J. King.

investment management agreements, the Adviser may permit Clients to impose limitations on investing in certain securities or types of securities.

Offers to sell interests in the Funds are made only by means of a Fund's private placement memorandum, which contains information concerning investment in the Fund, including a description of the material terms and risks of an investment.

The firm does not participate in wrap fee programs.

The Adviser's discretionary assets under management are approximately \$ 235,667,000 as of December 1, 2011. In total, LCM has approximately \$687,878,000 in discretionary assets under management as of December 1, 2011.

Item 5 – Fees and Compensation

Compensation received by the Adviser for its advisory services is comprised of fees based on a percentage of assets under management ("Management Fee") and annual performance fees/allocations ("Performance Compensation"). Performance Compensation is discussed in Item 6. Funds may offer multiple classes, each with varying fee arrangements and redemption terms as stated in the Offering Memorandum of each Fund.

The Funds each pay the Adviser the Management Fee annually, generally at a 1 - 3% annual rate, as outlined in the Offering Memorandum of each Fund. The Management Fee is accrued monthly. LAM also manages separate accounts on a negotiated fee basis.

No fee is payable prior to the rendering of services. Fees are calculated based on the net assets at the close of the preceding month or as otherwise stated in the Funds' respective Offering Memoranda. Certain share classes are adjusted at the end of each calendar year if there is a performance shortfall based on a predetermined standard. Generally, fees are deducted annually. However, the Management Fee for certain share classes (those not eligible for a management fee rebate if there is a performance shortfall) have management fees deducted at the beginning of each month. The fees the Adviser charges to the Funds and Clients are for advisory services only. The Funds and Clients themselves pay for administration, audit, custodial and brokerage expenses, as applicable. [See Item 12 for more information re: Brokerage Practices.]

The Adviser reserves the right to reduce, waive or calculate differently the Management Fee with respect to investors in the Funds that are affiliates, employees, partners or former partners of the Adviser, members of the immediate families of such persons and trusts or other entities established for their benefit.

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

Performance-Based Fees

The Private Funds each pay the Adviser an annual performance-based fee ("Performance Compensation") generally equal to 20 - 25% of the increase in total net assets, exclusive of additions and withdrawals of capital during any calendar year for each Client or class, payable at the end of the calendar year and upon interim year withdrawals. Where a high water mark is in effect, capital appreciation will be measured after making up any losses carried forward from prior years. Net assets are determined in accordance with LCM's Valuation Policy

(available to clients or prospective clients upon request.) Both realized and unrealized gains and losses are included.

All Performance Compensation will be charged in accordance with Section 205 of the Investment Advisers Act of 1940, as amended, (the "Advisers Act") and Rule 205-3 thereunder. Such fees are subject to individualized negotiation with each such client or subject to the terms of the Offering Memorandum of each Fund for each class of securities.

The Adviser reserves the right to reduce, waive or calculate differently the Performance Compensation with respect to investors in the Funds that are affiliates, employees, partners or former partners of the Adviser, members of the immediate families of such persons and trusts or other entities established for their benefit.

The Adviser's accounts all are performance-fee based accounts. Performance-based fee arrangements may create an incentive for the Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Varying performance fee arrangements also could create an incentive to favor higher performance fee-paying accounts in the allocation of investment opportunities. The Adviser has policies and procedures in place, such as a Code of Ethics, and compliance procedures which include surveillance and monitoring, that are designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Side-By-Side Management

The Adviser does not manage any proprietary funds or accounts. Affiliates, employees, partners or former partners of the Adviser, members of the immediate families of such persons and trusts or other entities established for their benefit may invest in the eligible private investment pools managed by the Adviser as they choose, but are not required to invest in such pools. It is expected that the size and nature of these investments will change over time. We believe this approach best aligns the interests of our related persons with those of our clients.

In general, when the Adviser determines that it would be appropriate for the Clients to participate in an investment opportunity, the Adviser will seek to aggregate orders for all of the participating Clients on an equitable basis. The Adviser may trade securities for other Clients prior to, simultaneously with or subsequent to such recommendation on behalf of the Clients managed by LOM or its affiliates ("parallel trading"). When parallel trading occurs, securities transactions executed during the same day at various prices are allocated on an average price per share basis, where appropriate, and transaction costs are shared pro rata according to each Client's participation in the transaction. From time to time, subject to applicable restrictions under the Clients' respective investment guidelines, the Adviser may direct one of its Clients to sell securities to, or buy securities from, another Client through a cross transaction in which neither the Adviser nor a related person will receive compensation. Any such transaction will be effected based on the then-current independent market price and consistent with valuation procedures set forth in the Adviser's Valuation Policy. To the extent that any cross transaction may be viewed as a principal transaction due to the ownership interest in the Client by the Adviser and its personnel or affiliates, the Adviser will comply with the requirements of Section 206(3) of the Advisers Act, including that the Adviser will notify the relevant Fund (or an independent representative of the Private Fund) in writing of the transaction and obtain the consent of the Client.

Situations may occur where a Client could be disadvantaged because of the activities conducted by the Adviser for other Clients. Such situations may be due to legal restrictions on the combined size of positions which may be taken for all Clients managed by the Adviser, or the difficulty of liquidating an investment for more than one Client

where the market cannot absorb the sale of the combined positions, or the determination that a particular investment is warranted only if hedged with an option and there is limited availability of such options. Instances also may arise where the Adviser determines an investment opportunity to be suitable for more than one Client but the market is too illiquid to enable each to participate to the extent advisable. Specialized accounts may receive priority. For example, an Asia-focused fund managed by the Adviser may receive first right to an opportunity to purchase a limited number of shares of a Japanese company. In the above situations, or in others in which conflicts arise, the Adviser will endeavor to allocate investment opportunities fairly; nevertheless, from time to time as any given conflict situation arises, such conflict may be resolved in a manner detrimental to a particular Client. Such situations will be reviewed by the CCO to ensure that no Client is systematically disadvantaged.

In addition, the Adviser may give advice or take action with respect to the investments of one or more Clients that may not be given or taken with respect to other Clients with similar investment programs, objectives and strategies. Although decisions are generally made based on information and analysis shared by all portfolio managers in the firm, in some cases a portfolio manager may purchase or sell a security for Clients managed according to a particular strategy prior to the assessment of the suitability of a transaction in the same security for other Clients of the Adviser. Accordingly, Client accounts with similar strategies may not hold the same securities or instruments or achieve the same performance. The Adviser also may advise Clients with conflicting programs, objectives or strategies. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Clients. Finally, the Adviser and its personnel may have conflicts in allocating their time and services among the Clients. The Adviser will devote as much time to each Client as the Adviser deems appropriate to perform its duties in accordance with its management agreements.

The Adviser currently does not purchase securities offered in initial public offerings ("New Issues").

Item 7 – Types of Clients

The Adviser provides advice (portfolio management services) to Private Funds, pooled investment vehicles that are organized as domestic limited partnerships or offshore corporations (e.g., hedge funds) and to separate institutional accounts. Investors in the Private Funds may include individuals, banks or thrift institutions, investment companies, pension and profit sharing plans, trusts, estates or charitable organizations, corporations or other business entities.

The Adviser generally requires a minimum of 250,000 from investors into the Funds; however, in its sole discretion, the Adviser may reduce this minimum.

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

The Adviser engages primarily in risk arbitrage and credit instrument trading (including purchasing securities of distressed companies which are the subject of bankruptcy proceedings or in various stages of liquidation or operational and financial restructuring), special and event-driven and value investing and certain kinds of derivatives and commodities transactions. Investment ideas are shaped through detailed screening, use of public information and proprietary research. At research meetings conducted multiple times per week prior to the opening of the U.S. equity markets, analysts/portfolio managers share their ideas for current and prospective

investments. Regular communication with the analysts/portfolio managers and traders throughout the trading day allows for real-time monitoring of all positions.

Where appropriate, the Adviser uses various forms of leverage in an attempt to achieve a broader and/or more diversified portfolio or to augment returns. Use of leverage may amplify the effect of profit or loss. Generally, leverage does not exceed a 2:1 ratio. The Adviser may engage in frequent trading which will result in higher portfolio turnover and higher overall brokerage and other transaction costs.

Investing in securities involves risk of loss that investors should be prepared to bear.

Set forth below is a general description of the types of transactions in which the Adviser may from time to time engage.

Risk Arbitrage

Classic arbitrage involves the purchase of a security at one price and the simultaneous or nearly simultaneous selling of its equivalent at a higher price. The Adviser's securities positions may never be hedged and, when the Adviser attempts to hedge its positions, it may buy and sell the same or substantially related securities at different times, thereby exposing its positions to market risk. Mergers and acquisitions ("risk") arbitrage involves purchasing securities which are the subject of an acquisition attempt, exchange offer, cash tender offer or corporate reorganization (such as a merger or a liquidation). The arbitrageur derives his profit by realizing the price differential between equivalent or nearly-equivalent securities or between the market price of securities and the value ultimately realized from their disposition. The Adviser uses different arbitrage techniques with respect to the various kinds of transactions being arbitrated, and the Adviser considers various factors, such as market and industry considerations, in determining whether to buy or sell.

The Adviser sells securities short and uses listed stock options, or other hedging techniques when appropriate, to hedge long and short positions. These hedging transactions can increase the risk of loss to the Client in certain exchange offers and mergers. The Adviser engages in capital structure arbitrage including convertible securities arbitrage transactions. An example would be the purchase of a convertible security and an offsetting short sale of the underlying security to take advantage of a price differential in the two securities.

Transactions may not proceed in accordance with the Adviser's expectations, however, and the Client could sustain substantial losses. Furthermore, short-selling always involves substantial risk.

Liquidations; Distressed Credits; Bankruptcy Situations; and Recapitalizations

In the case of liquidation proposals, the Adviser will generally attempt to evaluate the market value of the assets of the company to be liquidated, and to determine the likelihood that the requisite approvals for the transaction will be obtained. If the Adviser believes that the assets of the entity to be liquidated are worth more than the market price of the entity's publicly-traded securities and that there is a substantial likelihood that the liquidation proposal will receive the requisite approvals, the Adviser may acquire the securities of the entity to be liquidated in the expectation of profiting from the differential between the cost of the securities purchased and the amount of the liquidating distributions. This strategy is subject to substantial market risk.

The Adviser may also purchase and sell, either directly or indirectly, securities and other financial instruments of companies involved in various stages of bankruptcy or operational and financial restructuring. The filing of a Plan of Reorganization, approval of the Plan, solicitation of votes, confirmation date and consummation date are important steps in the bankruptcy process. The value of positions in bankrupt companies or in work-out situations

generally depends on numerous and often unascertainable factors, such as the sale price of an asset, the length of the bankruptcy proceeding or negotiations or the resolution of a dispute between classes of creditors. Bankruptcy situations may be particularly complicated and may involve a high degree of uncertainty and market risk. Securities and other interests in such companies might have to be held for long periods of time.

The Adviser may also purchase and sell, directly or indirectly, securities and other financial instruments of companies which have announced plans to undergo or are undergoing a recapitalization. Such situations may or may not involve financially distressed companies. These recapitalizations often involve actual or proposed exchange offers allowing the Adviser to seek to arbitrage the values of outstanding instruments and those anticipated to be issued in an exchange. Such situations involve a high degree of uncertainty and such companies are often unsuccessful in completing an exchange offer or other recapitalization. Significant additional risks to the Client(s) are consequently involved.

The Adviser may also purchase and sell securities where there is no bankruptcy or other extraordinary event or condition where the Adviser believes that the security is undervalued by the marketplace relative to the security's intrinsic value. Conversely, the Adviser may also sell short securities which it perceives to be overvalued.

Investments Outside of the United States

A substantial portion of the Adviser's risk arbitrage and debt instrument positions may involve foreign issuers and may involve certain additional risks. Financial accounting and reporting standards may be less robust and there may be less publicly available information upon which to base investment decisions. Less developed markets may have more price volatility and less liquidity. Additionally, foreign markets may be affected by political, social and economic uncertainty.

Special and Event Driven and Value Investing

The Adviser engages in "pairs trading" which involves the sale or short sale of securities or instruments against the purchase of other securities or instruments with the hope of profiting on the narrowing of the spread between the purchase price and the sale price. Pairs trades are not always dollar hedged and often involve market risk.

Value investing involves the purchase or sale of securities or instruments based upon fundamental securities, capital market and macro-analysis. The results of value investing are directly impacted by capital market movements. Value investing involves market risk.

Derivatives and Commodities Trading

The Adviser engages in derivatives transactions. Derivative instruments utilized by the Adviser may include options, swaps, structured securities and other instruments and contracts that are derived from, or related to, one or more underlying securities, financial benchmarks, currencies or indices.

The Adviser engages in various types of securities options transactions including, without limitation, index option transactions and also engages in hedging and arbitrage in options on securities. This activity reduces the risks attendant in short-selling and in taking long positions in certain transactions, and involves the purchase or sale of a stock option on a registered options exchange and an offsetting transaction in the underlying stock, or offsetting transactions in one or more options for stock.

When the Adviser purchases an option it must pay the price of the option in addition to the transaction charges to the broker effecting the transaction. If the option is exercised, the total cost of the option may be more than the

amount of the brokerage costs which would be payable if the security were to be purchased directly. If the option expires unexercised, the costs of the option will be lost.

The Adviser at times engages in bona fide options arbitrage transactions, and may also take options into its portfolio the underlying stock of which may, in the judgment of the Adviser, be a potential target security in a merger, exchange offer or cash tender offer.

The Adviser may, at times, write uncovered or “naked” options. This can be a risky trading tactic, as the Client is exposed to potentially large losses.

Options on foreign currencies are traded on a national securities exchange. While an option purchaser can lose the entire purchase price (and the costs) of an option, the Adviser may use options as a means of limiting its risk and, perhaps, as a vehicle for hedging or arbitrage.

Among the other trading vehicles the Adviser may use are spot contracts, off-exchange options, currency options and swap agreements. Swap agreements are off-exchange contracts with dealers and banks. Such contracts are generally privately negotiated and thus are not subject to the same restrictions as, but also do not have the regulatory and exchange protections and clearing mechanism available for, exchange-traded contracts and options.

The prices of commodities and all derivative instruments, including futures and options prices, are highly volatile. Price movements of commodities, futures and options contracts are influenced by, among other things, changing supply and demand relationships, domestic and foreign governmental programs and policies, national and international political and economic events, interest rates and governmental monetary and exchange control programs and policies. Moreover, commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” During a single trading day, no trades may be executed at prices beyond the daily limit. Commodity futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Adviser from promptly liquidating unfavorable positions and subject it to substantial losses.

Other Trading

The Adviser may engage in various other transactions in securities and financial instruments. These may include, for example, acquisitions of preferred stock in private companies, purchases of tax liens on distressed properties, and purchases of bank debt and trade claims and various other securities and financial instruments.

The descriptions contained herein of specific activities which may be engaged in by the Adviser on behalf of its Clients should not be understood as in any way limiting the Adviser’s trading activities. The Adviser may engage in activities not described herein which it considers appropriate.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material in evaluating the adviser or the integrity of its management.

In 2007, Loeb Partners Corporation, an entity under partial common ownership with the Adviser, submitted a letter of acceptance, waiver and consent to FINRA in response to a finding of insufficient supervision of a research

analyst and late and inaccurate reports to FINRA's Trade Reporting and Compliance Engine (TRACE). LPC was censured, fined \$25,000 and suspended for 30 days from conducting any research analyst activities. LPC subsequently discontinued its research business and amended its policies and procedures regarding TRACE reporting.

Item 10 – Other Financial Industry Activities and Affiliations

The principal business of the Adviser is managing the assets of limited partnerships and institutional accounts.

LPC, which is owned by Loeb Holding Corporation (the partial owner of the Adviser), is a registered broker/dealer and investment adviser. LPC is an introducing broker and does not hold Client funds or securities. The Adviser does not execute trades through LPC and, to the extent possible, the investment activities of these businesses are kept apart through the use of information walls and other safeguards. Nevertheless, certain management persons of the Adviser are registered representatives of the broker-dealer. These persons include Thomas L. Kempner, Alexander H. McMillan and Edward J. Campbell. In addition, other registered employees of LPC may receive compensation for referring clients to the Private Funds of the Adviser.

Thomas L. Kempner is the Chairman of all of the Loeb entities and is not involved in the day-to-day investment decisions of the Adviser. In addition, Mr. Kempner serves on the board of a number of private companies and two public companies, Dyax Corp. and Intersections, Inc. Bruce L. Lev is primarily engaged in management of all of the Loeb entities at a senior level and is additionally involved in private equity financing at the Loeb Holding Corporation level. He is not involved in the day-to-day investment decisions of the Adviser. Mr. Lev serves on the board of Integral Systems Inc. as well as on the boards of several private companies. Alexander H. McMillan is the Chief Compliance Officer and has responsibility for maintaining the information wall. Edward J. Campbell is the CFO for LPC, LPM, LAM, LOM, CMLAP and LHC.

The General Partner of LOM is Loeb Management Holding LLC ("LMH"), a Delaware limited liability company. The members of LMH are Loeb Holding Corporation ("LHC") and LB Partners LP ("LBP"). Thomas L. Kempner is the Chairman of LHC as well as its majority shareholder. Gideon J. King is the General Partner of LB Partners LP. Mr. Kempner and Mr. King are the only members of the Board of Directors of LOM and hold all of the voting shares.

Mr. Kempner and Mr. King similarly control LAM and CMLAP, registered investment advisers and affiliates that share management and certain back-office operations with the LOM. Since its inception in 2002, LOM has been engaged in investment activities substantially similar to those engaged in by LAM. LAM and LOM have each entered into a cost-plus services agreement with LHC.

Certain affiliates of LOM are general or managing partners of limited partnerships which invest in a variety of assets, including publicly traded securities, debt, private equity and any other permitted investment pursuant to the governing documents of each entity. These partnerships do not create a material conflict of interest for the Funds or Clients with portfolios managed by LCM.

Item 11 – Code of Ethics

The Adviser strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, the Adviser has adopted a Code of Ethics (the

"Code") pursuant to SEC Rule 204A-1. The Code incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of Clients first; all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions at the firm; information concerning the identity of securities and financial circumstances of the Clients, including the Clients' investors, must be kept confidential; and independence in the investment decision-making process must be maintained at all times. The Code and Policies and Procedures for the Prevention of Insider Trading contain prohibitions on insider trading and rumor mongering, as well as restrictions and reporting requirements with respect to certain gifts, business entertainment and political donations. An information wall and restricted list are used to minimize and manage potential conflicts of interest. All supervised persons at the Adviser and its affiliates must acknowledge the terms of the Code of Ethics annually, or as amended.

With respect to restrictions on personal securities transactions, limited trading by certain employees is permitted, however the Adviser addresses potential conflicts in the following ways. Employees involved in the portfolio management process are generally prohibited from transacting in corporate debt, common and preferred stock, warrants, convertibles, options on securities, futures interests in investment clubs or IPOs. All employees are generally prohibited from transacting in securities if the Adviser holds a position in the issuer and must obtain pre-approval for transactions in the types of securities listed above. Employees must also provide duplicate confirms or statements to Compliance, regardless of where the account is maintained. Upon hire, employees are required to submit to Compliance a report disclosing all personal accounts over which they exercise influence, control or discretion. On a quarterly and annual basis, all employees must submit reports disclosing all personal investment transactions. The Chief Compliance Officer may, in his judgment, allow limited exceptions where requests are made in advance and the proposed transaction does not present a material conflict of interest. Further detail regarding these policies is included in the Code.

Clients and prospective clients may obtain a copy of the Code by contacting the Adviser at the address or telephone number listed on the first page of this document.

Item 12 – Brokerage Practices

The Adviser generally has full discretionary authority to manage the investments of the Clients, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction and commissions or markups and markdowns.

Brokerage transactions for the Clients shall be executed by brokers and dealers generally selected by the Adviser on the basis of obtaining the best overall terms available based on a variety of factors, including the following: the ability to achieve prompt and reliable executions at favorable prices; the operational efficiency with which transactions are effected; the financial strength, integrity and stability of the broker; the quality and comprehensiveness of related services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying the Adviser's other selection criteria. The Adviser maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

LOM and its affiliates that make up LCM do not execute trades through LPC.

The Adviser does not make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, and does not commit to informal targets. The Adviser believes it is important to its investment decision-making process to have access to independent research. The Adviser considers the amount and nature of research and research services that may be provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of the Clients on the basis of that consideration. A broker is not precluded from receiving business because it has not been identified as providing research services. The investment information received from other brokers may be used by the Adviser in servicing any and all Clients and not all such information may be used by the Adviser in connection with any particular Client. Broker-dealers may suggest a level of business they would like to receive in return for the various products and services they provide; the Adviser will not guarantee any certain level of business.

Research services sometimes received are received primarily in the form of written reports, telephone contacts and personal meetings with securities analysts and may include information on the economy, industries and/or individual companies as well as other trends and developments that may affect investment decisions. Sometimes, the Adviser may pay a broker a commission in excess of that which another broker might have charged for effecting the same transaction in recognition of the value of the brokerage and related services provided by the broker. The Adviser will effect such transactions, and will receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e).

Currently, the Adviser does not have, and does not anticipate having, any formal third-party soft dollar arrangements.

Item 13 – Review of Accounts

Gideon J. King, Loeb Capital Management’s Chief Investment Officer, and his team of portfolio managers review all accounts on a regular basis, generally each week. They are assisted by the traders as well as by David Hampson, Senior Vice President and Chief Financial Officer of the Private Funds (as defined in Item 4) and by Alexander H. McMillan, Vice President, General Counsel and Chief Compliance Officer, to ensure that the investment objectives of each account are being met in light of its financial status, characteristics and goals.

Limited partners of LAF receive a monthly performance report from the administrator. Limited partners of LA receive a monthly performance report from the Adviser. All limited partners receive quarterly letters from the Adviser and annual audited financial statements. Separately managed accounts receive statements directly from their custodian.

Item 14 – Client Referrals and Other Compensation

Other than the fully disclosed fee arrangements, the Adviser does not obtain any additional economic benefit for the advisory services it provides to its Clients.

Solicitation arrangements can arise in several situations, including where an adviser or an affiliate were to i) agree to split a portion of its fees with another adviser who refers customers/investors; ii) use a placement agent to distribute private fund interests; or iii) make fixed cash payments to employees who introduce customers/investors.

The Adviser has entered into agreements with parties to raise capital by finding investors for the Funds. Such parties receive a portion of the Management Fee and/or Performance Compensation paid to the Adviser (or to the General Partner of a Fund) for each Limited Partner or Shareholder introduced as a result of the agreement. An investor who is introduced pursuant to such an agreement would not incur any charges as a result of this arrangement in excess of the usual Management and Performance fees.

Rule 206(4)-3 of the Investment Advisers Act (generally referred to as the “cash solicitation rule”) requires that an adviser enter into a written agreement with anyone other than an officer, director or employee, who solicits prospective investment advisory clients on behalf of the adviser. This agreement would set forth, among other things, the terms and conditions of the solicitation activities and the compensation to be received. The SEC released an interpretive letter on July 15, 2008 clarifying that the cash solicitation rule does not apply to solicitation of investors in an investment pool such as a hedge fund.

Item 15 – Custody

The SEC deems an investment adviser to have custody of client assets any time an adviser has access to clients’ funds or securities, including when an adviser directly or indirectly holds client assets, has the authority to obtain possession of client assets, or has the ability to appropriate client assets.

The Adviser may be deemed to have custody of private investment pools that it manages by virtue of the fact that LOM or a related entity serves as general partner or managing member to each of the Private Funds. Client assets are held in accounts at qualified custodians. The Adviser avails itself of the exception to the SEC’s Custody Rule 206(4)-2 granted to pooled investment vehicles that are subject to an annual audit prepared in accordance with generally accepted accounting principles by an independent public accountant registered with and inspected by the Public Company Accounting Oversight Board (PCAOB) and that distribute such audited financial statements to all limited partners (or members or beneficial owners) within 120 days of the end of its fiscal year (or, if a pooled investment vehicle is being liquidated, promptly upon completion of a final audit).

Item 16 – Investment Discretion

The Adviser usually accepts discretionary authority from the Client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client account.

When selecting securities and determining amounts, the Adviser observes the investment policies, limitations and restrictions of the Clients for which it advises, such as geographical and risk preferences. If Clients are registered investment companies, the Adviser’s authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and limitations must be provided to the Adviser in writing.

Item 17 – Voting Client Securities

Rule 206(4)-6 of the Investment Advisers Act requires registered investment advisers that exercise voting authority over Client securities to implement proxy-voting policies. In compliance with this rule, the Adviser has adopted proxy voting policies and procedures (the “Policies”).

The Adviser’s general policy is to vote proxy proposals, amendments, consents or resolutions relating to securities, including interests in pooled investment vehicles, if any (collectively, “proxies”), in a manner that serves the best interests of its Clients, as determined by the Adviser in its discretion, taking into account the following factors: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices.

The Adviser will refrain from voting proxies where it believes that voting would be inappropriate.

If a material conflict of interest exists between the interests of the Adviser and those of the relevant Client with respect to any issue to be voted on, the Adviser will base its voting decision exclusively on its judgment of what will best serve the financial interests of the Client that beneficially owns the securities that are the subject of the vote.

Investors may obtain a copy of the Policies or the proxy voting record relating to their private Fund by contacting the Adviser.

Certain Clients may retain the responsibility for receiving and voting proxies for any and all securities maintained in their portfolios and these Clients will receive proxies or other solicitations directly from their custodian or transfer agent. The Adviser may provide advice to such Clients regarding the voting of proxies.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide certain financial information or disclosures about the Adviser’s financial condition. The Adviser has no financial commitment that impairs its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.