

Albright Capital Management LLC

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This Brochure provides information about the qualifications and business practices of Albright Capital Management LLC (the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at 202-370-3500 or info@albrightcapital.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

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

ITEM 2 – MATERIAL CHANGES

On July 28, 2010, the United State Securities and Exchange Commission (the “SEC”) published “Amendments to Form ADV”, which amends the disclosure document that we provide to clients as required by SEC rules. This brochure dated March 30, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item 2 will discuss only specific material changes that are made to the brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to the new SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, our brochure may be requested by contacting info@albrightcapital.com. Our brochure is also available on our web site www.albrightcapital.com, also free of charge.

Additional information about the Adviser is also available via the SEC’s web site www.adviserinfo.sec.gov.

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ITEM 4 – ADVISORY BUSINESS

Albright Capital Management LLC, a Delaware limited liability company (the “Adviser”), provides investment management services on a discretionary basis, primarily to U.S. and non-U.S. collective investment vehicles sponsored by the Adviser (the “Funds”) in a “master-feeder” structure, whereby each Fund that is a feeder fund invests in a master fund (the “Master Fund”). The Adviser does not provide investment management services on a non-discretionary basis.

The principal owners of the Adviser are Gregory B. Bowes and Albright Stonebridge Group LLC (“ASG”), each of whom holds more than 25% of the equity capital of the Adviser. Mr. Bowes and certain of the partners of ASG began assembling the business and partnership plan for the Adviser in 2003, and thereafter identified key investment and operational personnel, including John K. Yonemoto, to head its investment operations. Mr. Bowes and Mr. Yonemoto, together, hold a majority of the equity capital of the Adviser and control day-to-day investment and operational decision-making. The Adviser’s services reflect the varied, interdisciplinary skills and experience of its constituent members and investment personnel, which together permit the Adviser to seek to capitalize on the long-term growth and inefficiency of the global emerging markets, with an emphasis on frontier markets. The Adviser’s investment program is intended to benefit from capital strength, local awareness and flexibility, in pursuit of patient deployment of capital in value-oriented, primarily illiquid and activist special situation investments (defined below in Item 8).

As a significant minority stakeholder in the Adviser, ASG has the right to appoint certain members of the Adviser’s Management and Investment Committees. Consistent with the Adviser’s integration of environmental, social and governance factors in its risk assessment of investments, Dr. Madeleine K. Albright, the Chair of the Adviser, has the right to veto proposed special situation investments based on political risk, reputational or ethical factors.

The Adviser was established in Delaware on January 28, 2005. The Adviser has been registered as an investment adviser with the Securities and Exchange Commission (“SEC”) since August 31, 2006. On January 2, 2007, the Adviser closed the first investment in a Fund.

The Adviser’s management of the Funds, and the terms of any investor’s investment in a Fund, are governed exclusively by the terms of that Fund’s organizational documents, confidential private placement memorandum, limited partnership agreement or memorandum and articles of association, investment management agreement, and subscription agreement (collectively, the “Fund Documentation”). Consistent with the Fund Documentation, the Adviser provides advice to the Funds as to a broad range of securities, including, without limitation, equity, equity-related, and debt securities of U.S. and non-U.S. corporate and sovereign issuers, including substantial investments in unregistered securities and other illiquid long-term investments, with a primary focus on securities of emerging market countries or companies located in or primarily doing business in emerging market countries. These advisory services, which cover various investment strategies (as described below), are provided on a comprehensive basis to the Funds.

To the extent permitted under the Fund Documentation, the Adviser also provides advice to special purpose Funds established by the Adviser for the sole objective of co-investing in an excess special situation investment opportunity in which the Funds also invest (such Funds, the “Special Purpose Funds”), on substantially similar terms as those terms on which the Funds invest.

In addition, the Adviser may act as sub-investment manager and/or provide advice to collective investment vehicles managed by other investment managers. Moreover, to the extent permitted under the

Fund Documentation, the Adviser also may provide advice to other investors that may engage the Adviser for discretionary investment advisory services (“non-Fund Clients” and, together with the Funds and any Special Purpose Funds, “Clients”). For non-Fund Clients, if any, the Adviser will provide such advice based on its individual needs as communicated to the Adviser from time to time and in accordance with restrictions agreed in writing with such non-Fund Clients.

As of December 31, 2010, the Adviser managed approximately \$606 million (*i.e.*, the net asset value of the Funds) on a discretionary basis.

All discussions in this brochure of the Funds, their investments, the strategies the Adviser uses in managing the Funds, and the fees associated with an investment in the Funds are qualified in their entirety by reference to the Fund Documentation.

This brochure shall not constitute an offer to sell or the solicitation of any offer to buy a security, including without limitation, an interest in the Funds. Any such offer or solicitation may only be made to qualified purchasers pursuant to a confidential private placement memorandum and related subscription documents and only in those jurisdictions where permitted by law.

ITEM 5 – FEES AND COMPENSATION

Fee Schedule – Fund Clients. The Adviser charges the Funds a management fee (the “Management Fee”). The Adviser also is entitled to a performance-based allocation (the “Performance Allocation”) of the Funds’ profits as described in more detail under Item 6 below.

The Management Fee generally is equal on an annual basis to 2.00% of the value of each investor’s investment in a Fund, provided that investors meeting and maintaining certain minimum investment amounts are eligible for a progressively reduced Management Fee percentage. The Management Fee is payable quarterly in advance as of the first day of each calendar quarter. A pro rata Management Fee is assessed on any investments by an investor in a Fund made as of a date other than the first day of the calendar quarter.

The Adviser may, in its sole discretion, waive all or a portion of the Management Fee or Performance Allocation (described below in Item 6) or, as agreed to by the investor, charge a Management Fee or Performance Allocation that is lower than, or otherwise on different terms than, those described above. The criteria upon which the Adviser may base its decision to charge a lower or different fee include, without limitation, initial capital contribution amounts, anticipated future earning capacity or anticipated future additional assets and, in the case of Special Purpose Funds, due to the concentrated risk profile of the investment. Without limiting the foregoing, the Adviser may waive fees and/or allocations or charge lower fees and/or allocations to its members, employees, affiliates and their family members.

A more complete description of the fees to be paid to the Adviser in connection with an investment in a Fund is set forth in the applicable Fund Documentation, which are made available to each prospective investor before, or by the time of, any investment in a Fund. The foregoing description of a Fund’s fees is qualified in its entirety by reference to the Fund Documentation. It is possible that lower investment advisory fees may be available from other sources.

Fee Schedule – Non-Fund Clients. As described above, the Adviser may also advise accounts other than the Funds – non-Fund Clients – on a discretionary basis, as agreed between the Adviser and each such Client, to the extent permitted by the Fund Documentation. The Adviser also may serve as a sub-adviser to other investment managers with respect to the management of pooled investment vehicles other than

the Funds or accounts established for specific Clients of such other investment managers, to the extent permitted by the Fund Documentation. The Adviser's fees for advising or sub-advising accounts other than the Funds, which may include an asset-based component, will be negotiated on a case-by-case basis.

Fees and Expenses of Special Purpose Funds. The fees and expenses of each Special Purpose Fund will be determined at the time such Fund is established as set forth in the Fund Documentation applicable to such Special Purpose Fund. It is anticipated that the Adviser will charge each Special Purpose Fund an asset-based management fee and a performance-based fee or allocation. In addition, each Special Purpose Fund generally will bear all of its own organizational and operating expenses in accordance with the Fund Documentation applicable to such Special Purpose Fund.

Fees Paid to Third-Party Managers. All of the fees payable and allocations to be made to the Adviser are in addition to fees and other costs (including management fees and other expenses) payable with respect to any investments in accounts managed by investment sub-managers or collective investment vehicles (including without limitation mutual funds) managed by third parties held by a Fund or otherwise in a non-Fund Client's account. The Adviser's fees will not be reduced by the amount of such third-party fees and costs except as provided in the Fund Documentation.

Investment Management Agreements. Prior to engaging the Adviser to provide investment management services, each Fund or non-Fund Client must enter into a written agreement with the Adviser (an "Investment Management Agreement") setting forth the terms and conditions of the engagement, including the management fee and performance allocation or other fee arrangements, and describing the scope of the services to be provided. Investors in a Fund do not enter into an Investment Management Agreement with the Adviser. Rather, such investors must complete the applicable Fund's subscription documents. The Investment Management Agreement between the Adviser and each Fund or non-Fund Client may be terminated by either party upon 60 days' written notice to the other party (or such other notice period as agreed by the parties).

Brokerage & Custodial Fees and Expenses. In addition to entering into an Investment Management Agreement, each Fund or non-Fund Client must enter into one or more separate written agreements for brokerage and custodial services with a broker-dealer or such other qualified custodian (as provided in Advisers Act Rule 206(4)-2) recommended by the Adviser or with a broker-dealer or other qualified custodian as chosen by the Client. Separate from and in addition to any fees payable or allocations to be made to the Adviser, each Fund or non-Fund Client will incur brokerage commissions and/or transaction fees from broker-dealers for effecting certain securities transactions and may incur certain charges imposed by third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions, none of which are payable to the Adviser.

Item 12 further describes the factors that Adviser considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Other Expenses of the Funds. In addition to the Management Fee, the Performance Allocation, and the brokerage and custodial fees describe above, each Fund bears its own investment and operational expenses including (without limitation): expenses of the continuous offering of interests in the relevant Fund, including the cost of producing and distributing offering memoranda and other marketing and subscription materials; printing and mailing costs; filing fees and expenses; pricing, appraisal and valuation fees and expenses; accounting, administrative, legal, audit, bookkeeping and tax preparation fees and expenses (including fees and expenses of the Fund's third-party, independent administrator); expenses of risk monitoring systems; computer software, licensing, programming and operating expenses;

data processing costs; consultant fees; fees and expenses of any unaffiliated investment managers; tax, litigation, and extraordinary expenses, if any; interest expenses (including interest due to repurchase agreements, margin and other borrowings by the relevant Fund); insurance premiums and related costs; sub-advisory fees, allocations and expenses; fees and expenses associated with voting proxies; all costs and expenses incurred in connection with the acquisition, ownership or disposition of securities, including, without limitation, costs and expenses of futures commission merchants, valuation agents, appraisers, investment bankers, and security lending agents, bank charges, spreads and mark-ups on securities, swaps and forwards; short dividends; currency hedging costs. In accordance with the terms of the relevant Fund Documentation, the Funds also bear certain costs and expenses (including “broken deal” costs) that are attributable to a potential or actual special situation investment or with respect to investor originated investment ideas. Organizational expenses of the Funds have been or are being amortized by all of the existing Funds and generally are expected to be borne by any new fund established by the Adviser in the future. In addition, the Master Fund bears the expenses of establishing the Adviser’s group of initial “Strategic Investors” and effecting amendments of the Fund Documentation with respect to the Master Fund and the Funds that invest in the Master Fund and the offering of interests in such Funds, subject to a cap on such fees and expenses as described in the Fund Documentation. Each Fund that invests in the Master Fund also bears its pro rata share of the Master Fund’s investment and operational expenses, which, in addition to the types of fees and expenses described above, include without limitation fees and expenses of the Master Fund’s third-party, independent administrator. The Adviser generally is not responsible for any expenses or fees in connection with management of the Funds other than as set forth in the Fund Documentation.

Pre-paid Fees. Unless otherwise agreed and set forth in the Fund Documentation with respect to a Fund or the Investment Management Agreement with respect to non-Fund Clients, any fees paid in advance to the Adviser by such Fund or non-Fund Client are refundable on a *pro-rata* basis. The Management Fee payable by each Fund and any other fees paid in advance to the Adviser by or on behalf of an investor in a Fund are refundable on a *pro-rata* basis if an investor withdraws prior to the end of a calendar quarter.

Automatic Fee and Allocation Deduction. The Adviser’s Management Fees will be deducted directly from each Fund. In addition, unless otherwise agreed to by the Adviser and any non-Fund Client, each such Client’s Investment Management Agreement will provide that the Adviser’s fees and, if applicable, performance-based fees or allocations will be deducted directly from the non-Fund Client’s account.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Performance Fee Schedule – Fund Clients. From the Funds, the Adviser is entitled to receive a performance-based allocation (the “Performance Allocation”), generally consisting of a percentage of realized and unrealized profits of the Funds. The Performance Allocation generally is equal to 20% of the net realized and unrealized gains on liquid investments in a Fund’s portfolio and the net realized gains on investments classified as special situation investments (*e.g.*, illiquid investments) in a Fund’s portfolio, provided that a priority rate of return has been achieved and only to the extent that the value of the investments exceeds the prior high value of such investments measured annually. However, investors meeting and maintaining certain minimum investment amounts are eligible for a progressively reduced Performance Allocation percentage.

The Performance Allocation will not be made directly by Fund investors to the Adviser. Instead, the Performance Allocation will be made directly to the Adviser by the Master Fund (or a Special Purpose Fund, as applicable). Performance Allocations, if applicable, are made on an annual basis. The Adviser will comply with the applicable requirements of Rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”) in connection with the Performance Allocation.

A more complete description of the Performance Allocation to be made to the Adviser in connection with an investment in a Fund is available in the applicable Fund Documentation, which are made available to each prospective investor before, or by the time of, any investment in a Fund. The foregoing description of the Performance Allocation applicable to the Funds is qualified in its entirety by reference to the Fund Documentation.

Performance Fee Schedule – Non-Fund Clients. As described above, the Adviser may also advise accounts other than the Funds – non-Fund Clients – on a discretionary basis, as agreed between the Adviser and each such Client, to the extent permitted by the Fund Documentation. The Adviser also may serve as a sub-adviser to other investment managers with respect to the management of pooled investment vehicles other than the Funds or accounts established for specific Clients of such other investment managers, to the extent permitted by the Fund Documentation. The Adviser’s fees for advising or sub-advising accounts other than the Funds may include a performance-based component and will be negotiated on a case-by-case basis. See Item 5 above, under “Automatic Fee and Allocation Deduction”, for further information regarding the automatic deduction of performance-based fees or allocations that will be applied to the accounts of non-Fund Clients.

Additional Performance-Based Fees. The performance-based fees or allocations, if applicable, to be made or paid to the Adviser are in addition to performance fees and allocations payable with respect to any investments in accounts managed by investment sub-managers or collective investment vehicles managed by third parties held by the Funds or otherwise in a non-Fund Client’s account. The Performance Allocation to the Adviser will not be reduced by the amount of such third-party allocations or fees except to the extent provided in the Fund Documentation.

Incentive to Allocate Riskier Investments to Performance-Fee-Paying Clients. Performance-based fee or allocation arrangements may create an incentive for the Adviser to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. The Fund Documentation provides rules that govern the allocation of investment opportunities between accounts in each Fund and among Funds. In addition, the Adviser has procedures designed and implemented to ensure that all Clients (and accounts within each Fund) are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among Clients (and accounts within each Fund).

ITEM 7 – TYPES OF CLIENTS

The Adviser currently provides advice to the Funds and the Special Purpose Funds. The Adviser may, in the future, provide investment advice to non-Fund Clients (*e.g.*, separate accounts) to the extent permissible under the Fund Documentation.

The Adviser generally requires that all investors in the Funds are “accredited investors” as defined in Regulation D under the Securities Act of 1933 and “qualified purchasers” or “knowledgeable employees”, each as defined in the Investment Company Act of 1940 (the “Investment Company Act”). The minimum initial investment in any Fund is \$25,000,000. The Adviser, in its sole discretion, may accept investments from Fund investors in lesser amounts based upon certain criteria including, but not limited to, anticipated future earning capacity or anticipated future additional assets, the nature of the prospective investor, or pre-existing relationships. The Adviser may aggregate the investments in a Fund made by family members to meet the minimum investment amount.

The investment minimum for non-Fund Clients generally will be \$25,000,000; provided that, in the Adviser's sole discretion, it may accept investments from non-Fund Clients in lesser amounts based upon certain criteria including, but not limited to, anticipated future earning capacity or anticipated future additional assets, the nature of the non-Fund Clients, or pre-existing relationships.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The Master Fund was purposefully built by the Adviser with the ultimate goal of selectively executing emerging markets special situation investments. The Adviser's partnership with ASG and the interdisciplinary structure of the Master Fund, which includes an initial liquid assets portfolio, were both designed to further the pursuit of special situation investments, including sourcing, pricing, and deal execution. Accordingly, a substantial component of the Adviser's investment strategy is illiquid and is appropriate only for investors with a long-term investment horizon.

For the Funds, the Adviser initially seeks to construct a highly diversified investment portfolio comprising various liquid strategies and assets (the "liquid asset portfolio") as a foundation for a more concentrated portfolio of higher risk and reward securities in and across the emerging markets, primarily in private equity, mezzanine debt investments and illiquid or distressed public investments, with a relatively long investment horizon and the current need or anticipation of activism by the Adviser (the "special situations portfolio" and each such investment, a "special situation investment"). As such, the Adviser's investment program is highly speculative, as there can be no assurance that the Adviser's assessments of the short- or long-term prospects of investments will prove accurate or that its ability to actively assist or turn around an issuer will succeed. Investing in securities involves risk of substantial loss that Clients should be prepared to bear.

Consistent with the foregoing, the Adviser utilizes strategies and methods of analysis for multiple securities (both liquid and illiquid), each of which entails significant risk of loss. The following is a summary of these strategies, analyses and risks, which is subject in its entirety to the more detailed descriptions of these strategies and associated risks contained in the confidential private placement memoranda and other disclosure documents relating to the Funds.

A. Investment Strategies and Methods of Analysis

(1) Special Situation Investments Portfolio

Summary Informed by the comparative pricing of risk from the political risk, quantitative, fundamental and technical analyses and research conducted in the day-to-day management of the liquid asset portfolio of the Funds (discussed below), the Adviser seeks to identify longer term, generally illiquid special situation investments involving primarily private companies, which the Adviser believes are either positioned for regional or global expansion across the emerging markets or are valued at an excessive discount due to political or other local factors. For most special situation investments, the Adviser is actively involved (in governance or otherwise) or is available to assist a portfolio company in managing specific non-financial risks. Any such investment is subject to the approval of the Adviser's Investment Committee, which reviews the analyses and due diligence results for each prospective special situation investment.

Private Equity The Adviser uses fundamental, macro-economic and political analyses, relative pricing data and company-specific due diligence in deciding to advise the Funds to

acquire a controlling or joint controlling equity interest in private companies, including (without limitation) assessments of the following:

- The strength of the management team of the private company;
- Favorable geopolitical and market trends in the country or markets in which the company operates, particularly in countries in transition from less favorable times;
- Reflecting the Adviser's strong value and/or contrarian orientation, a search for markets experiencing temporary capital shortage, an attractive entry valuation relative to companies with similar profiles in other markets, particularly where the Adviser views the embedded political risk discount as excessive;
- Favorable competitive or market position and leadership potential, with favorable long-term trends in market demand for the company's services or products;
- Investment partners and management who follow, or seek to follow, sound environmental, social, and governance practices; and
- An alignment of interests among stakeholders in a structure that projects a realistic exit profile.

The Adviser does not use leverage in its private equity investments.

Mezzanine

The Adviser seeks to identify for the Funds private debt securities offering favorable risk-adjusted returns (generally with equity-like features, such as warrants or contractual "put" rights), particularly in more mature companies with a projected free cash flow profile that the Adviser believes will support the additional debt incurred and with scope for further growth. The analyses applied in assessing such investments are substantially the same as those outlined above for private equity investments (which, in turn, are based in part on the analyses used in the construction of the Funds' liquid asset portfolio), with the exception of adjustments made to account for the different natures of the investment instruments (e.g., creditor rather than governance rights and a self-amortizing exit of most or all of the investment) and the relative reliance of such instruments on local legal institutions.

The Adviser does not use leverage in its mezzanine capital investments.

Investments Related to Publicly Traded Companies

Utilizing the Adviser's liquid asset trading platform and relationships with local market broker-dealers, banks and asset managers, the Adviser seeks to identify for the Funds select opportunities to acquire negotiated investments in the equity of companies with listed securities, or listed equities in markets with a depressed volume of trading.

The Adviser may use leverage for investments related to publicly listed companies.

Distressed Debt Securities

The Adviser seeks to identify for the Funds distressed corporate or sovereign debt securities that it believes offer favorable value on a risk-adjusted basis. The Adviser uses fundamental, macro-economic and political analyses, relative pricing data and transaction-specific due diligence, with an emphasis on pricing and local legal and political factors. Generally, for corporate debt securities, the Adviser assesses, among other factors, whether the Funds would have a reasonable prospect of obtaining an influential position in the capital structure of the issuer of the security or otherwise obtain a favorable risk-adjusted return relative to opportunities in the market.

The Adviser may use leverage for distressed debt investments.

*Other
Investment
Managers*

With respect to part of its investment program of the Funds and in the limited circumstances permitted by the Fund Documentation, the Adviser analyzes other private equity or special situation investment managers rather than specific direct investments based on satisfactory due diligence of the following general criteria (among others):

- The Adviser believes the third party investment manager can provide access to a specific market (e.g., concentrated views or local partnerships for special situations in a priority region or country) in a manner consistent with the Adviser's research priorities, broad investment philosophy and ethical norms;
- The third party investment manager is demonstrably open to active collaboration with the Funds (e.g., deal flow, co-investment opportunities, etc);
- Interests are aligned with the Funds; and
- The prospective return and other benefits justify the incremental expense to the Funds.

*Investment-
Specific
Hedges*

The Adviser may identify and acquire for the Funds relatively liquid securities to hedge specific, special situation investments.

(2) Liquid Asset Portfolio

*Arbitrage
Relative Value
Equity
Long/Short*

For most of the Funds' liquid asset portfolio, the Adviser uses quantitative, fundamental and political risk analyses (described below) to identify pricing discrepancies and the appropriate investment strategy and securities and other instruments to capture such discrepancies, with a primary goal, among others, of developing an informed view of market trends, risks and valuation across the emerging markets from which to re-allocate a substantial portion of a Fund's capital to its special situation portfolio, consistent with the diversification and other risk parameters agreed under the Fund Documentation. The Adviser invests in corporate equity and debt securities and employs options, forward contracts, swaps, futures contracts and options thereon and other derivatives, either for hedging purposes or to seek higher returns. The Adviser may also engage in a wide range of transactions designed to enhance a Fund's return, such as securities lending and repurchase agreements. In addition, the Adviser employs temporary defensive strategies in cash and/or short-term securities.

Quantitative analysis: the Adviser analyzes price components of underlying domestic and external debt, foreign exchange, equity and derivative markets of individual countries (e.g., 6-month local interest rates versus one-year local interest rates) and relative values between countries (e.g., Turkish sovereign credit spreads versus Russian sovereign credit spreads) or corporate issuers in the context of the overall sector within the local economy and on a global basis.

Fundamental analysis: the Adviser reviews possible mispricing of related or comparable securities in light of macroeconomic and political risks and, in the case of corporate issuers, bottom-up credit and/or equity analyses (e.g., historical and

projected cash flow, capital structure and profitability).

Political Risk Analysis: in certain cases, the Adviser seeks to understand local or political developments and identify instances where the market is mispricing the prospect of such risks.

These analyses play a central role in each investment decision, including decisions regarding investments that are prompted initially by technical factors. Within this framework, the Adviser superimposes a risk management system that seeks to limit risk to levels that, in the Adviser's view, are consistent with a Fund's investment objectives.

When selecting investments for a liquid investment strategy or portfolio, the Adviser considers the aggregate portfolio of a Fund (including both its liquid asset portfolio and its special situations portfolio) and the expected risk and return profile. The liquid asset portfolio is generally constructed with a combination of liquid paired trading positions to be held for short to intermediate periods. These investments are structured with defined profit targets. A range of short-term technical and fundamental variables, including chart and pricing analysis, hedges and portfolio insurance (described below), monetary/fiscal policy, economic data releases, market flows and other short-term anomalies, are viewed as possible catalysts for investments with short-term horizons, while a range of medium- to long-term event-driven variables, including "mean reversion" volatility trades, yield curve analysis, long-term structural and other macro-economic anomalies or trends, and corporate actions, are viewed as catalysts for positions with longer horizons. The liquid asset portfolio includes instruments with high volatility in price as well as a full range of spot foreign exchange and short-dated fixed income securities, which expose the liquid asset portfolio to a greater sensitivity to short-term moves in currency spot prices. The liquid asset portfolio also includes a more selective range of over-the-counter instruments intended to profit from anticipated intermediate term trends and market reversals. This approach may result in a Fund holding many uncorrelated positions in its liquid asset portfolio while generally pursuing default neutrality.

*Directional
Trading*

Subject to its risk management policies, the Adviser uses fundamental and macro-economic analysis in conjunction with an analysis of asset class pricing trends to identify sovereign and corporate issuers of debt and equity instruments with fundamentals that the Adviser believes are trading out-of-line with market prices, including an evaluation of the likelihood of capital appreciation and current income generation. These positions may be magnified and/or become part of the special situation portfolio.

*Portfolio
Hedging*

The Adviser seeks to identify low probability events that could result in severe volatility and, based on these views, to acquire securities (e.g., credit default swaps) that function as hedges against these potential market-wide disruptions and seek to mitigate the effects such events might have on the performance of the remainder of a Fund's liquid asset portfolio.

Leverage

To the extent permitted under its risk management policies, the Adviser may employ leverage in its management of a portion of a Fund's liquid investment portfolio. The liquid asset component of a Fund employs leverage to the extent considered

appropriate by the Adviser, and the amount of leverage is based upon the strategies employed, the liquidity of the underlying securities, and the correlation between those securities as well as the portfolios they comprise. The Adviser employs risk management techniques and will deleverage a Fund's portfolio when it believes that market conditions require deleveraging. Any use of leverage exposes the Funds to a substantial risk of loss.

B. Material Risks of Investment Strategies

(1) Material Risks Applicable to All Investment Strategies of the Adviser

The following summary of certain of the risk factors applicable to the Adviser's investment strategies is qualified in its entirety by the Fund Documentation of each Fund. In particular but without limitation, the risk factors relating to any Special Purpose Fund, which relate to a specific, concentrated investment in the securities of one issuer, will be far more specific than the general risk factors described below.

Risks Associated with Investments in Securities Generally

Any investment in securities involves risks and Clients bear the risk of loss (including entire loss of principal). In addition to the factors discussed below, investments under any strategy may decline in value for any number of reasons over which the Adviser may have no control, including changes in the overall market for equity and/or debt securities, and factors pertaining to particular portfolio securities, such as management, the market for the issuer's products or services, sources of supply, technological changes within the issuer's industry, the availability of additional capital and labor, general economic conditions, political conditions, and other similar conditions. The value of the Funds' investments will fluctuate, and there is no assurance that the Funds will achieve their investment objectives. It is also possible that the Adviser will misjudge the effect a particular security will have on exposure to market risk or that the particular combination of securities held long and those sold short will fail to insulate the Funds from general equity market risk as anticipated. Also, to the extent that the Adviser determines not to evenly balance the portfolio between long and short positions, the Funds will be subject to increased market risks.

General Risks of the Investment Program

The Adviser's investment strategies are considered speculative, as there can be no assurance that the Adviser's assessments of the short-term or long-term prospects of its liquid asset or special situations strategies will prove accurate. A number of investment techniques contemplated to be used regularly or from time to time by the Adviser for the Funds' portfolios, such as selling short, purchasing and selling put and call options, concentrating investments in large special situations investments or a single or limited number of industries, companies or geographies and trading in futures and other derivatives, are all considered speculative and inherently risky investment practices. The use of a combination of these techniques may increase the level of risk that would result from the individual use of one such technique. Funds may lose money if, among other things, the Adviser's view of the market direction proves to be wrong.

Concentration in Emerging Markets. All of the Adviser's investment strategies are concentrated in or relate to securities issued by emerging market countries and companies. Historically, the securities markets of emerging market countries as a whole have been volatile and the equity securities of emerging market issuers tend to be subject to abrupt or erratic price movements. Investing all or substantially of the

Funds' assets in emerging market issuers will subject such assets to a greater degree of volatility, and accordingly, the value of the Funds' portfolios may be subject to a greater degree of volatility.

Non-U.S. Securities. The Adviser invests all or substantially all of the Funds' assets in equity and fixed income securities of non-U.S. issuers and in depository receipts that represent an indirect interest in securities of non-U.S. issuers. Investments in non-U.S. securities are affected by risk factors generally not thought to be present in the United States. These risks may be increased because of the concentration of investment in or related to issuers in emerging markets. Such factors include, but are not limited to, the following: varying custody, brokerage and settlement practices; difficulty in valuation and pricing; less public information about issuers of non-U.S. securities; less governmental regulation and supervision over the issuance and trading of securities; the unavailability of financial information regarding the non-U.S. issuer or the difficulty of interpreting financial information prepared under non-U.S. accounting standards; less liquidity and more volatility in non-U.S. security markets; the possibility of expropriation or nationalization; the imposition of withholding and other taxes; adverse political, social or diplomatic developments; limitations on the movement of funds or other assets of the Funds between different countries; difficulties in invoking the legal process abroad and enforcing contractual obligations; and the difficulty of assessing economic trends in foreign countries. Moreover, governmental issuers of securities may be unwilling to repay principal and interest due, and may require that the conditions for payment be renegotiated. Investment in foreign countries also involves higher brokerage and custody expenses than does investment in U.S. securities traded on a U.S. securities exchange or market.

Emerging Market Economies. The risks of non-U.S. investments described above apply to an even greater extent to investments in emerging markets. The economies of these markets may differ significantly from the economies of certain developed countries. In particular, these economies frequently experience high levels of inflation. In addition, such countries may have: restrictive national policies that limit or may adversely impact investment strategies; limited information about their issuers; a general lack of uniform accounting, auditing and financial reporting standards, auditing practices and requirements compared to the standards of developed countries; less governmental supervision and regulation of business and industry practices, securities exchanges, brokers and listed companies; favorable economic developments that may be slowed or reversed by unanticipated political or social events in such countries; or a lack of capital market structure or market-oriented economy. Systemic and market factors may affect the acquisition, payment for or ownership of investments including: (a) the prevalence of crime and corruption; (b) the inaccuracy or unreliability of business and financial information; (c) the instability or volatility of banking and financial systems, or the absence or inadequacy of an infrastructure to support such systems; (d) inadequate custody and settlement infrastructure of the market in which such investments are traded and held; (e) the acts, omissions and operation of any securities depository; (f) the risk of the bankruptcy or insolvency of banking agents, counterparties to cash and securities transactions, registrars or transfer agents; and (g) the existence of market conditions that prevent the orderly execution or settlement of transactions or that affect the value of assets. Different clearance and settlement procedures may prevent the Adviser from making intended security purchases, causing the Funds to miss attractive investment opportunities and possibly resulting in either losses to or contract claims against Fund assets. The securities markets of many of the countries in which the Adviser seeks to implement its investment strategies may also be smaller, less liquid, and subject to greater price volatility than in developed securities markets. The securities may be denominated in a variety of currencies subject to changes in currency exchange rates and in exchange control regulations.

Foreign investors in emerging markets may be limited in their ability to invest in certain industries. In addition, there is often a limit on total foreign holdings. To the extent that the ceiling has been reached in that industry, further investment by foreign investors may not be permitted. Accordingly, the ability of the Adviser to invest Fund assets in certain companies may be restricted, and there can be no assurance

that additional restrictions on investments which are permissible for foreign investors will not be imposed in the future.

Political Considerations. The political stability of many of the countries in which the Adviser seeks to implement its investment strategies some could differ significantly from that of certain developed countries. There may be, for example, risk of nationalization, sequestration of assets, expropriation or confiscatory taxation, currency blockage or repatriation, changes in government policies or regulations, political, religious or social instability, diplomatic or political developments and changes, terrorism or war. Any one or more of these factors could materially and adversely affect the value of the Funds' investments in these markets.

Enforcing Foreign Judgments against Emerging Market Companies or their Management. Generally, the directors, executive officers and a substantial portion of the assets of emerging market issuers are located outside of the United States. It may be difficult for the Adviser, on behalf of the Funds, to obtain a judgment in a court outside the United States to the extent that there is a default with respect to the security of an emerging markets issuer or with respect to any other claim against any such issuer or its directors and officers. As a result, even if the Adviser initiates a suit against the issuer in a U.S. court, it may not be possible for the Adviser, on behalf of the Funds, to effect service of process in the emerging market country. Moreover, if the Adviser, on behalf of the Funds, obtains a judgment in a U.S. court, it may be difficult to enforce such judgment in the emerging market country because the emerging market country may not be a party to any international treaty with respect to the recognition or enforcement of foreign judgments. Provisions of emerging market countries' laws regulate the enforcement of foreign judgments and such laws may contain broad exceptions and involve long delays in obtaining a judgment. For example, an emerging market country's court may not enforce any foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with practice in that country. A party seeking to enforce a foreign judgment in an emerging market country may also be required to obtain approval from the central bank of that emerging market country to execute such judgment or to repatriate any amount recovered outside of the emerging market country.

Recent Economic and Market Conditions

The global credit and equity markets have recently experienced a disruption and period of extreme volatility which negatively and substantially impacted market conditions, including without limitation the liquidity of many assets. Initially, the concerns on the part of market participants were focused on the credit markets. However, these concerns then expanded to include equity markets as well. These market conditions have affected a wide range of companies, markets, asset classes, and sectors on a global scale. The market turmoil has been exacerbated by the distress and, in some cases, failure of major financial institutions. As a result, many securities and other assets experienced greater significant price drops and increased price volatility, trading in such securities and assets became more illiquid and issuers experienced credit downgrades as a result of an increased (actual and perceived) likelihood of default. Securities that are less liquid are more difficult to value and may be difficult or impossible to sell or, if sold, may only be sold at a substantially lower price. These events and market upheavals may continue to have an adverse effect on price of the securities and/or other assets held by the Fund. Other events and market upheavals may similarly occur that could materially and adversely affect the Funds and its ability to achieve its investment objective. It remains unknown whether governmental measures taken and that may be taken in response to such turmoil (whether regulatory or financial in nature) might have a positive or negative effect on market conditions and the ability of the Funds to achieve implement its investment program.

Regulatory Compliance

The acquisition of debt and equity securities under any of the Adviser's investment strategies may result in reporting and compliance obligations under applicable law. The costs of compliance will be borne by the Funds. In addition, investments in the emerging markets are or may become subject to regulation by various agencies in such countries. New and existing regulations, changing regulatory regimes and the burdens of regulatory compliance all may have a material negative impact on the performance of portfolio companies that operate in the emerging markets. The Adviser cannot predict whether new legislation or regulation in the emerging markets will be enacted by legislative bodies or governmental agencies, nor can it predict what effect such legislation or regulation might have. There can be no assurance that new legislation or regulation, including changes to existing laws and regulation, will not have a material negative impact on the Funds' investment performance.

Possibility of Increased Government or Market Regulation.

The recent enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") has substantially changed and will continue to substantially change the financial regulatory landscape and the scope of the U.S. federal securities laws, rules and regulations and other federal laws rules and regulations governing the financial industry. The Dodd-Frank Act has granted increased regulatory and enforcement powers to certain federal agencies and other regulatory and administrative bodies. Because many of the rules and regulations required to be promulgated under the Dodd-Frank Act have yet to be adopted (or proposed in certain instances), it is not possible to predict what impact such future rules and regulations will have on the financial industry as a whole, and the Adviser and its Clients, in particular. There can be no assurance that the Dodd-Frank Act and the rules and regulations promulgated thereunder will not have a material negative impact on the Funds' investment performance.

(2) Material Risks Primarily Applicable to Special Situation Investment Strategies of the Adviser

Investments in Special Situation Investments, Generally

There are substantial risks associated with investing in special situation investments. These risks include:

- *Projections.* For the private equity and certain other special situation investment strategies, the Adviser will develop projections concerning a portfolio company's future performance and cash flow. Projections are inherently subject to uncertainty and factors beyond the control of the Adviser and the portfolio company. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values and cash flow.
- *No assurance of profit or distribution.* There is no assurance that any special situation investment will be profitable. The marketability and value of any special situation investment will depend upon multiple factors beyond the control of the Adviser, including the prevailing conditions in the capital markets and the conditions of the markets in which the portfolio companies of the Funds operate. There can be no assurance that projected or targeted returns for any special situation investment will be achieved.
- *Illiquidity of special situation investments.* There is no readily available market for the special situation investments and most of the special situation investments will be difficult to

value. If the Adviser, on behalf of the Funds, is able to achieve liquidity on a special situation investment, there is no assurance that such liquidity will be realized in a timely manner. Upon liquidity through an initial public offering, the securities of small capitalization companies may sometimes be traded only on the over-the-counter markets or on a regional securities exchange and may not be traded daily or in the volume typical of trading on a national securities exchange.

- *Ability of Adviser to Execute Special Situation Investments.* The ability of the Adviser to identify and assess unspecified special situation investments in accordance with its special situation strategies and criteria, and to structure, negotiate, add value and arrange for a timely realization of such investment, will have a significant material impact on the performance of the Funds' special situation portfolios.

Difficulty of Bringing Suit or Foreclosure in Countries in the Emerging Markets

Because the effectiveness of the judicial systems in countries in the emerging markets varies, the Adviser may have difficulty in foreclosing on collateral or in successfully pursuing claims in the courts of such countries, as compared to the United States or other developed countries. Further, to the extent the Adviser may obtain a judgment but is required to seek its enforcement in the courts of one of the countries in which Fund assets are invested, there can be no assurance that such courts will enforce such judgment. The laws of many nations in the emerging markets lack the consistency and established rules and practices found in the United States and similar countries with respect to foreclosure, bankruptcy, corporate reorganization or creditors' rights. Although certain nations have recently implemented reforms in their foreclosure and bankruptcy regimes, these bankruptcy systems are still largely unproven.

Collateral Security Foreclosures

To the extent available under applicable laws, the Adviser, on behalf of the Funds, may be required as part of a special situation investment strategy (or for other reasons) to foreclose on collateral security held in the Funds' portfolio. Such proceedings can be lengthy and expensive and borrowers often assert claims, counterclaims and defenses to delay or prevent such actions. At any time during the proceedings, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure action and further delaying the process, and materially increasing the expense thereof which expenses may or may not be recoverable for the Funds. In addition, anti-deficiency and related laws in certain countries limit recourse and remedies available against borrowers in connection with or as a result of foreclosure proceedings or other enforcement actions taken with respect to such borrowers. Such laws can result in the loss of liens on collateral or personal recourse against a borrower altogether.

Nature of Bankruptcy Proceedings

To the extent available under applicable law, there are a number of significant risks when investing in securities of companies involved in bankruptcy proceedings, including without limitation the following: First, many events in a bankruptcy are the product of contested matters and adversary proceedings which are beyond the control of the creditors. Second, a bankruptcy filing may have adverse and permanent effects on a company and its business. For instance, the company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. Further, if the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be impacted adversely by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court,

and until it ultimately becomes effective. Fourth, certain claims, such as claims for taxes, wages and certain trade claims, may have priority by law over the claims of certain creditors. Fifth, the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors. Sixth, creditors can lose their ranking and priority in a variety of circumstances, including if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions. Seventh, the Adviser, on behalf of the Funds, may seek representation on creditors' committees and as a member of a creditors' committee it may owe certain obligations generally to all creditors similarly situated that the committee represents and it may be subject to various trading or confidentiality restrictions. If the Adviser concludes that its membership on a creditors' committee entails obligations or restrictions that conflict with the duties it owes to its other Clients, or that otherwise outweigh the advantages of such membership, the Funds will not seek membership in, or will resign from, that committee. Because the Funds will indemnify the Adviser, or any other person serving on a committee on behalf of the Funds for claims arising from breaches of those obligations, indemnification payments could adversely affect the return on the Funds' investment in a company undergoing a reorganization.

Loans and Participations

Both liquid asset and special situation portfolios may include investments in loans (which may include collateral security) and participations. These obligations are subject to unique risks, including: (i) the possible invalidation of investment transactions as fraudulent conveyances or preferences under relevant creditors' rights laws, (ii) so-called lender-liability claims by the issuer of the loan obligations, (iii) environmental liabilities that may arise with respect to any real property securing the obligations and (iv) limitations on the ability of the Adviser, on behalf of the Funds, to directly enforce the Funds' rights with respect to loan participations. In analyzing each loan or participation, the Adviser compares the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks, absent certain conduct by the Adviser, its respective affiliates and certain other individuals, will be borne by the Funds.

Board Participation

For the private equity and mezzanine investment strategies, the Adviser may designate one or more directors (or observers) to serve on (or observe) the boards (or comparable governing bodies) of companies in which the Adviser invests Fund assets. While such representation may enhance the Adviser's ability to manage the Funds' special situation investments, it may also have the effect of impairing the ability of the Adviser to sell the related securities, on behalf of the Funds, when, and upon the terms, it might otherwise desire, as it may subject the Adviser and the Funds to legal claims to which they would not otherwise be subject as an investor, including claims of breach of duty of loyalty, securities claims, and other board-related claims. Under the Fund Documentation, the Funds will indemnify the Adviser, or any person designated by the Adviser, for claims arising from such board representation. The Adviser will attempt to balance the advantages and disadvantages of such representation when deciding whether and how to exercise voting or contractual rights on behalf of the Funds, but changes in circumstances could produce adverse consequences in particular situations.

Control Person Liability

In certain private equity or distressed security strategies, the Adviser, on behalf of the Funds, may have controlling interests in and the ability to significantly influence a company or investment. The exercise of control of, or significant influence over, a company or investment may impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental

regulations (including securities laws) or other types of liability in which the limited liability generally characteristic of business ownership may be ignored. If these liabilities were to arise, the Funds might suffer a significant loss.

Contingent Liabilities on Disposition of Investments

In connection with the disposition of an investment, the Adviser, on behalf of the Funds, may be required to make representations about the investment typical of those made in connection with the sale of similar investments. The Funds also may be required to indemnify the purchasers of such investment with respect to certain matters, including the accuracy of such representations. These arrangements may result in contingent liabilities for which the Adviser may establish reserves or escrows for the Funds. In that regard, the Funds (and, therefore, the investors in the Funds) may be required (to the extent permitted pursuant to the Fund Documentation) to return amounts distributed to them to fund the Funds' indemnity obligations.

Third Party Litigation

The Adviser's investment activities subject it and the Funds to the risks of becoming involved in litigation by third parties. This risk is somewhat greater where the Adviser, on behalf of Funds, exercises control of, or significant influence in, a company's direction. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would, absent certain conduct by the Manager (as set forth in the Fund Documentation), be borne by the Funds and would reduce net assets and could require investors in the Funds to return distributed capital and earnings (to the extent permitted pursuant to the Fund Documentation). The Adviser and others are entitled to be indemnified by the Funds in connection with such litigation, subject to certain conditions.

Investments with Other Advisers

Under the Fund Documentation, the Adviser is permitted to invest Fund assets with pooled invested vehicles advised by other investment advisers ("third party investment funds") relating to a special situation strategy, subject to certain limitations. When it does so, the Adviser may have no control of the investment policies or strategies of such entities and does not have the same ability as with separate accounts to react quickly to changing investment circumstances due to the limited liquidity of these types of investments.

The Adviser's investment of Fund assets in third party investment funds involves other risks, including the following:

- The third party investment funds generally will not be registered as investment companies under the Investment Company Act, and the Funds, as indirect investors in these third party investment funds, will not have the benefit of the protections afforded by the Investment Company Act to investors in registered investment companies. Although the Adviser will periodically receive information from each third party investment fund regarding its investment performance and investment strategy, the Adviser may have little or no means of independently verifying this information.
- By investing in the third party investment funds indirectly through the Funds, investors bear a proportionate part of the Management Fee and Performance Allocation paid to the Adviser and other expenses of the Funds, and also indirectly bear a portion of the asset-based fees, performance or incentive fees or allocations and other expenses borne by the Funds as an

investor in the third party investment funds, subject to limitation as set forth in the Fund Documentation.

- Each third party investment fund manager generally will charge the Funds an asset-based fee, and some or all of the management companies will receive performance or incentive fees or allocations. The asset-based fees of the third-party managers are generally expected to range from 1% to 2% annually of the net assets under their management and the performance or incentive fees or allocations to the managers are generally expected to range from 10% to 25% of net profits annually. The receipt of a performance or incentive fee or allocation by a manager may create an incentive for the manager to make investments that are riskier or more speculative than those that might have been made in the absence of such an incentive. Also, incentive fees may be paid to managers who show net profits, even though the Funds may incur a net loss.
- To the extent the Funds' holdings in a third party investment fund provide no voting rights on matters relating to the third party investment fund, the Funds will have no say in matters that could adversely affect the Funds' investment in the third party investment fund. Third party investment funds may be permitted to distribute securities or other investments in kind to investors, including the Funds. Securities that the Funds may receive upon a distribution may be illiquid or difficult to value. In such circumstances, the Adviser would seek to dispose of these securities in a manner that is in the best interests of the Funds, possibly at a steep discount to the fair market value of such securities.

(3) Material Risks Primarily Applicable to Liquid Asset Investment Strategies of the Adviser

High Portfolio Turnover

The Adviser will actively manage the Funds' liquid asset investment portfolios. Accordingly, the Funds' liquid asset portfolios will have a high turnover rate, with a correspondingly higher level of brokerage commissions, fees and other transaction costs.

Highly Volatile Markets

The prices of liquid asset securities in which the Adviser may invest in on behalf of the Funds may be highly volatile. Price movements of equity and other securities and instruments are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of government, and national and international political and economic events and policies. The investment strategies are also subject to the risk of failure of any of the exchanges on which Fund positions trade or the failure of the clearinghouses effecting such trades, as well as the creditworthiness and performance risk of counterparties to over-the-counter transactions, such as swaps and derivatives trades.

Increased Costs and Risks of Holding Liquid Assets Outside the United States

Fund assets may be held in foreign banks and securities depositories. Some foreign banks and securities depositories may be recently organized or new to the foreign custody business, and therefore expose Fund assets to additional risk. In addition, there may be limited or no regulatory oversight of their operations. Also, the laws of certain countries limit the Adviser's ability to recover Fund assets if a foreign bank, depository or issuer of a security, or any of their agents, goes bankrupt. In addition, it is often more expensive for the Adviser to buy, sell and hold securities for the Funds in certain foreign markets than in

the U.S. The increased expense of investing in foreign markets reduces the amount the Funds can earn on their investments and typically results in a higher operating expense as compared to investments made in the U.S.

Settlement Risk

Settlement and clearance procedures in certain foreign markets differ significantly from those in the U.S. Foreign settlement and clearance procedures and trade regulations also may involve certain risks (such as delays in payment for or delivery of securities) not typically associated with the settlement of U.S. investments. At times, settlements in certain foreign countries have not kept pace with the number of securities transactions. These problems may make it difficult for the Adviser to carry out transactions on behalf of Funds. If the Adviser cannot settle or is delayed in settling a purchase of securities, the Funds may miss attractive investment opportunities and certain of their assets may be uninvested with no return earned thereon for some period. If the Adviser cannot settle or is delayed in settling a sale of securities on behalf of the Funds, the value of the security may decline and, if the Adviser has contracted to sell the security to another party, damages may be incurred by the Funds.

Emerging Market Corporate Disclosure, Governance and Regulatory Requirements

In addition to their smaller size, lesser liquidity and greater volatility, emerging market securities markets are less developed than U.S. securities markets. Disclosure and regulatory standards are in many respects less stringent than U.S. standards. Issuers in emerging markets are subject to accounting, auditing and financial standards and requirements that differ, in some cases significantly, from those applicable to U.S. issuers. There is less regulation and monitoring by regulators of emerging market securities markets and the activities of investors, brokers and other participants than in the United States. Moreover, issuers of securities in emerging markets are not subject to the same degree of regulation as are U.S. issuers with respect to such matters as insider trading rules, tender offer regulation, shareholder proxy requirements and the timely disclosure of information. There is also less publicly available information about emerging market companies than U.S. companies.

Legal principles relating to corporate affairs and the validity of corporate procedures, directors' fiduciary duties and liabilities and shareholders' rights may differ from those that may apply in other jurisdictions. The Adviser may therefore have more difficulty asserting the rights of the Funds as a shareholder of an emerging markets issuer than it would as a shareholder of a comparable U.S. company.

Foreign Currency and Foreign Currency Transactions

Because the Adviser pursues investment strategies involving primarily securities denominated or quoted in non-U.S. dollars, changes in U.S. dollar exchange rates will affect the dollar value of securities in the Funds' portfolios and the unrealized appreciation or depreciation of investments. The Adviser will value the Funds' portfolios in U.S. dollars. In addition to entering into transactions for hedging purposes and to seek to protect against anticipated changes in foreign currency exchange rates, the Adviser may engage in currency transactions to seek to increase total return when the Adviser anticipates that the foreign currency will appreciate or depreciate in value. When entered into to seek to enhance return, currency transactions are considered speculative. Although the Adviser may engage in foreign currency transactions on behalf of the Funds, the Adviser does not currently intend to hedge the currency exposure inherent in all of the investment strategies. To the extent unhedged, the value of the Funds' assets will fluctuate with U.S. dollar exchange rates as well as the price changes of the Funds' portfolios. Thus, an increase in the value of the U.S. dollar compared to the other currencies will reduce the effect of increases and magnify the effect of declines in the values of the Funds' portfolio securities denominated in these

currencies.

Forward foreign currency exchange contracts are individually negotiated and privately traded so they are dependent upon the creditworthiness of the counterparty. Such contracts may be used when a security denominated in a foreign currency is purchased or sold, or when the receipt in a foreign currency of dividend or interest payments on such a security is anticipated. A forward contract can then “lock in” the U.S. dollar price of the security or the U.S. dollar equivalent of such dividend or interest payment, as the case may be. Additionally, when the Adviser believes that the currency of a particular foreign country may suffer a substantial decline against the U.S. dollar, it may enter into a forward contract to sell, for a fixed amount of dollars, the amount of foreign currency approximating the value of some or all of the securities held that are denominated in such foreign currency. The precise matching of the forward contract amounts and the value of the securities involved will not generally be possible. In addition, it may not be possible to hedge against long-term currency changes. The Adviser may utilize cross-hedging by using forward contracts in one currency (or basket of currencies) to hedge against fluctuations in the value of securities denominated in a different currency if the Adviser determines that there is an established historical pattern of correlation between the two currencies (or the basket of currencies and the underlying currency). Use of a different foreign currency magnifies exposure to foreign currency exchange rate fluctuations. Forward foreign currency exchange contracts may also be used by the Adviser, on behalf of the Funds, to shift exposure to foreign currency exchange rate changes from one currency to another. Short-term hedging may provide a means of fixing the dollar value of only a portion of the Funds’ portfolio assets.

Currency swaps involve the exchange of rights to make or receive payments in specified currencies and are individually negotiated. The entire principal value of a currency swap is subject to the risk that the other party to the swap will default on its contractual delivery obligations. The use of currency swaps is a highly specialized activity which involves special investment techniques and risks. If the Adviser utilizes currency swaps on behalf of the Funds and is incorrect in its forecasts of market value and currency exchange rates, the value of the Funds’ portfolios may be adversely affected.

Currency transactions are subject to the risk of a number of complex political and economic factors applicable to the countries issuing the underlying currencies. Furthermore, unlike trading in most other types of instruments, there is no systematic reporting of last sale information with respect to the foreign currencies underlying the derivative currency transactions. As a result, available information may not be complete. In an over-the-counter trading environment, there are no daily price fluctuation limits. There may be no liquid secondary market to close out options purchased or written, or forward contracts entered into, until their exercise, expiration or maturity. There is also the risk of default by, or the bankruptcy of, the financial institution serving as a counterparty.

Short Sales of Securities

The Adviser will, as an integral part of certain of its liquid asset investment strategies, engage in short sales of securities. This technique involves the sale of securities not owned by the Funds, generally in the expectation of being able to repurchase the same securities at a lower price at a later date. To complete a short sale, the Adviser, on behalf of the Funds, borrows the security sold short to make a delivery to the buyer and then replaces the security borrowed by purchasing it at the market price at the time of replacement. The price at such time may be more or less than the price at which the security was initially sold by the Adviser. Until the security is replaced, the lender must be paid any dividends or interest that accrue during the period of the loan. To borrow the security, the Adviser, on behalf of the Funds, also may be required to pay a premium. No assurance can be given that securities necessary to cover a short position will be available for purchase. When the Adviser, on behalf of the Funds, effects a short sale, it

may be obligated to leave the proceeds thereof with the broker and also deposit with the broker an amount of cash or other securities (subject to requirements of applicable law) that is sufficient under any applicable margin or similar regulations to collateralize its obligation to replace the borrowed securities that have been sold. In certain circumstances, short sales can increase substantially the impact of adverse price movements on the liquid asset portfolio. A short sale of a security involves a theoretically unlimited loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. The Funds' liquid asset portfolio will incur a loss on a short position if the price of the securities involved increases between the date of the short sale and the date on which the position is "covered" by purchasing the securities to replace those borrowed. The Funds' liquid asset portfolio will realize a gain if the securities decline in price between those dates. Any gain will be decreased, and any loss will be increased, by the transaction costs incurred in connection with the short sale.

The SEC and regulators in other countries have from time to time adopted rules limiting and/or prohibiting the ability to sell short and to report all short sales and/or positions above a certain *de minimis* threshold. If the Funds' short positions or a specific strategy of the Funds becomes generally known, the Adviser's ability to implement the strategy on behalf of the Funds could be adversely affected. In particular, it would make it more likely that other market participants could cause a "short squeeze" in these securities sold short by the Adviser on behalf of the Funds, forcing the Funds to cover positions in the liquid asset portfolio at a loss. In addition, if other market participants engage in copycat behavior by taking positions in the same issuers, the cost of borrowing securities to sell short could increase significantly, and the availability of such securities could decrease significantly. Such events could make it difficult for the Adviser to execute an investment strategy on behalf of the Funds.

Use of Leverage

The Adviser may utilize leverage (primarily, in its liquid asset investment strategies) by borrowing to purchase securities. In addition, other investment vehicles in which the Adviser may invest Fund assets may also be leveraged, exposing the Funds' portfolios to additional leverage. Leveraging creates an opportunity for increased net income or capital appreciation but also creates special risk considerations. Leveraging will generally exaggerate the impact of any increase or decrease in the market value of the Funds' investment portfolios. Although the principal underlying any leverage will be fixed, the Funds' assets may change in value during the time the borrowing is outstanding. Because any decline in value of the investment portfolios will be borne entirely by the Funds and not by those persons providing the leverage, the effect of leverage in a declining market would be a greater decrease in the value of the portfolio investments than if the Funds' portfolios were not so leveraged. Leveraging will create interest expenses, which can exceed the investment return from the borrowed funds. To the extent the investment return derived from securities purchased with borrowed funds exceeds the interest payable, the Funds' investment return will be greater than if leverage were not used. Conversely, if the investment return from the assets acquired with borrowed funds is not sufficient to cover the cost of leverage, the investment return for the Funds will be less than if leverage were not used. Leverage may include borrowing and also the use of margin. Other borrowings take the form of, or are embedded in, margined option premiums, repurchase agreements, bank or dealer credit lines or the notional principal amounts of swap transactions. There can be no assurance that the Adviser will be able to maintain adequate financing arrangements for the Funds under all market circumstances.

As a general matter, the banks and dealers that provide financing to the Funds can apply discretionary margin, "haircut," financing and valuation policies, or impose other credit limitations or restrictions, whether due to market circumstances or government regulation or judicial action. Such application or losses may result in large margin calls, loss of financing, forced liquidations of positions at disadvantageous prices, termination of swap and repurchase agreements, and cross defaults to agreements

with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly or by multiple market participants simultaneously. The imposition of any such limitations or restrictions could compel the Adviser to liquidate all or part of the Funds' portfolios at disadvantageous prices, perhaps leading to a complete loss.

The use of leverage may also result in the recognition of "unrelated business taxable income" for tax-exempt investors in the Funds.

Off-Balance Sheet Risk

In the normal course of its operations, the Adviser may invest Fund assets in financial instruments with off-balance sheet risk. These instruments include forward contracts, swaps and securities and options contracts sold short. An off-balance sheet risk is associated with a financial instrument if such instrument exposes an investor in such instrument to an accounting and economic loss in excess of the investor's recognized asset carrying value in such financial instrument, if any, or if the ultimate liability associated with the financial instrument has the potential to exceed the amount that the investor recognizes as a liability on its balance sheet.

Non-Investment Grade Securities

The Adviser, on behalf of the Funds, may invest without limitation in non-investment grade debt securities, also known as "junk" bonds. Although such securities have higher yields, they also have a high degree of risk. The rating agencies consider non-investment grade debt securities, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation and generally such securities involve more credit risk than investment grade debt securities. Non-investment grade debt securities in the lowest rating categories may involve a substantial risk of default or may already be in default. Changes in economic conditions or developments regarding the individual issuer are more likely to cause price volatility and weaken the capacity of the issuers of non-investment grade debt securities to make principal and interest payments than in the case for higher grade debt securities. An economic downturn affecting an issuer of non-investment grade debt securities may result in an increased incidence of default. In addition, the market for lower grade debt securities may be thinner and less active than for higher grade debt securities.

Lending of Portfolio Securities

The Adviser, on behalf of the Funds, may lend portfolio securities to third parties. By doing so, the Adviser attempts to increase income through the receipt of interest on the loan. The Funds could experience losses if the institution with which the Adviser has engaged in a securities loan transaction breaches its agreement. In the event of the bankruptcy of the other party to the securities loan, the Adviser could experience delays in recovering the loaned securities for the Funds.

Risks of Derivatives, Options and Futures

The Adviser, on behalf of the Funds, may (but is not required to) utilize various liquid investment strategies to seek to hedge market risks (such as broad or specific equity market or stock movements, interest rate movements or currency exchange rates movements) or to enhance potential gain. Techniques and instruments used by the Adviser may change over time as new instruments and strategies are developed or regulatory changes occur.

In the course of pursuing its liquid asset investment strategies, the Adviser may purchase and sell (write) derivatives on behalf of the Funds. Derivatives may be used to seek to protect against possible changes in

the market value of liquid asset or special situation investments held by or to be purchased for the Funds' portfolio, resulting from securities markets, interest rate or currency exchange rate fluctuations; to seek to protect the Funds' unrealized gains in the value of portfolio securities; to facilitate the sale of such securities for investment purposes; or to establish a position in the derivatives markets as a temporary substitute for purchasing or selling particular securities. Derivatives may also be used for non-hedging purposes to seek financial gain for the Funds.

The Adviser's ability to utilize derivatives successfully on behalf of the Funds will depend on its ability to predict pertinent market, interest rate and currency exchange rate movements, which cannot be assured.

Derivatives involve a number of risks including possible default by the counter-party to the transaction, illiquidity and, to the extent the Adviser's view of certain market, interest rate or currency exchange rate movements is incorrect, the risk that the use of such derivatives could result in losses greater than if they had not been used.

The writing of put and call options may result in losses to the liquid asset portfolios of the Funds, force the purchase or sale, respectively, of portfolio securities at inopportune times or for prices higher than (in the case of purchases due to the exercise of put options) or lower than (in the case of sales due to the exercise of call options) current market values, limit the amount of appreciation the Funds can realize on investments or cause the Adviser, on behalf of the Funds, to hold a security that the Adviser might otherwise cause the Funds to sell or sell a security the Adviser might otherwise cause the Funds to hold.

The seller (writer) of a call option that is covered (e.g., the writer holds the underlying security) gives up the opportunity during the period of the call option for gain on the underlying security above the exercise price of the call option. The writer of a call option that is uncovered assumes the risk of a theoretically unlimited increase in the price of the security that could result in an inability to discharge its obligation upon exercise of the option or a theoretically unlimited loss. The buyer of a call option assumes the risk of losing its investment in the call option.

The seller (writer) of a put option that is covered (e.g., the writer has placed cash or liquid securities in a segregated account to fulfill the obligation undertaken) assumes the risk during the term of the put option of a decline in the market price of the underlying security below the exercise price of the put option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The writer of an uncovered put option will, upon exercise, be required to buy the security at the option price, which may be significantly higher than the then current market price. The buyer of a put option assumes the risk of losing his investment in the put option.

The use of futures and options on futures entails certain other risks. Futures markets are highly volatile, and the use of futures by the Adviser on behalf of the Funds may increase the volatility of the value of the Funds' portfolio investments. In particular, the variable degree of correlation between price movements of futures contracts and price movements in the related portfolio positions of the Funds creates the possibility that losses on the derivative instrument may be greater than gains in the value of the Funds' positions.

The writing of options could significantly increase the Funds' portfolio turnover rate and associated brokerage commissions or spreads. In addition, futures and options markets may not be liquid in all circumstances, and certain over-the-counter options may have no markets. As a result, in certain markets, the Adviser might not be able to close out a transaction without incurring substantial losses for the Funds.

Losses resulting from the use of derivatives could reduce the value of the Funds' portfolio investments, and the net result may be less favorable than if the derivatives had not been utilized. Although the use of futures and options transactions for hedging should tend to minimize the risk of loss due to a decline in the value of the position, at the same time, such transactions can limit any potential gain that might result from an increase in value of such position.

Forward Trading

The Adviser, on behalf of the Funds, may invest in forward contracts and options thereon, which, unlike futures contracts, are not traded on exchanges and are not standardized. Banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements, and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded in by the Adviser for the Funds due to unusually high trading volume, political intervention or other factors. The imposition of controls by government authorities might also limit such forward (and futures) trading to less than that which the Adviser would otherwise recommend, to the possible detriment of the Funds' portfolios. Market illiquidity or disruption could result in major losses to the Funds to the extent the Funds' portfolios are invested in forward contracts.

Lack of Diversification Requirements

It is anticipated that, under normal market conditions, the Funds' liquid asset portfolios will generally be comprised of a diversified portfolio of long and short positions. However, unlike some investment funds that, as a matter of investment policy, diversify portfolio holdings so that no more than a fixed percentage of their assets are invested in any one company, country, industry or group of industries, with certain exceptions the Adviser is not subject to fixed guidelines for diversification of the Funds' investments. Although the Adviser intends to maintain a diversified portfolio for the Funds, at times the Adviser may concentrate the holdings of the Funds in those countries, industries and companies that, in the judgment of the Adviser, provide the most favorable risk/reward ratio. To the extent that the Adviser concentrates the Funds' investments in a particular country, industry or company, the value of the Funds' portfolios will be disproportionately affected by events affecting that country, industry or company. In addition, companies in an industry in which the Adviser concentrates the Funds' assets may fall out of favor with investors, causing the Funds to lose money or underperform the stock market or funds concentrated in other industries. Concentration of the Funds' investments in a country, company or industry may also increase the volatility of the value of the Funds' portfolio investments. In addition to concentrating their assets in a particular country, industry or company, the Adviser may cause the Funds from time to time own a significant portion of a company's outstanding securities. Investments in which the Funds own a significant portion of a company's outstanding securities may be illiquid due to regulatory reasons limiting the ability of the Adviser to dispose of such investments or because the average trading volume of such securities may be insufficient for the Adviser to sell such securities, on behalf of the Funds, when desired at prices that the Adviser considers appropriate.

Inability to Establish Positions

Some of the securities that may be selected pursuant to the Adviser's liquid asset investment strategies for

purchase or sale by the Funds may have insufficient market liquidity to allow the purchase of such security in such amounts or at such prices as the Adviser may deem reasonable for investment. A substitute security that may not meet all of the Adviser's criteria for investment would then have to be purchased, which substitution could materially affect overall performance of the Funds' portfolios.

(4) Risks Applicable to Non-Fund Clients and Special Purpose Funds

Non-Fund Clients

If the Adviser provides investment management services to any non-Fund Clients (e.g., separately managed accounts), it is anticipated that the Adviser will utilize its liquid asset investment strategies, special situation investment strategies, or a combination of both sets of strategies, as agreed upon by the Adviser and the relevant non-Fund Client in the Client's Investment Management Agreement. Accordingly, the risks described herein with respect to the Adviser's liquid asset investment strategies and/or special situation investment strategies as applied to the Adviser's management of the Funds' portfolios generally will apply to the Adviser's management of a non-Fund Client's account. However, due to operational, legal and other differences in the management of collective investment vehicles compared with separately managed accounts, certain risks applicable to the Funds may not apply to a non-Fund Client (and vice versa).

Special Purpose Funds

The risks relating to any Special Purpose Fund relate to a specific, concentrated investment in the securities of one issuer and thus, will be far more specific than the general risk factors described below. Such risks will be disclosed to investors in any Special Purpose Fund pursuant to the Special Purpose Fund's offering memorandum or other disclosure document.

Limitation of Risk Disclosures. The foregoing list of risks with respect to the Adviser's investment strategies does not purport to be a complete enumeration or explanation of the risks involved in the Adviser's investment programs. Prospective investors in a Fund managed by the Adviser should read the entire confidential private placement memorandum (or equivalent) of the Fund and the other Fund Documentation and should consult with their own advisors before deciding whether to invest in a Fund. In addition, as the Adviser's investment programs develop and change over time, non-Fund Clients and Fund investors may be subject to additional and different risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

ITEM 9 – DISCIPLINARY INFORMATION

The Adviser has no information required to be disclosed pursuant to this Item.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Albright Securities LLC (the "BD Subsidiary"), an SEC-registered broker-dealer and a member of the Financial Industry Regulatory Authority, Inc., is wholly owned by the Adviser. The BD Subsidiary assists the Adviser in the private placement of interests in the Funds and interests in private portfolio companies of the Funds, for which the BD Subsidiary may periodically receive fees for services rendered, subject to the requirements under the Fund Documentation with respect to the offset of such fees against

the Management Fees that are otherwise payable to the Adviser. The BD Subsidiary does not and will not perform any other service for the Adviser or any Fund.

The Adviser serves as the general partner of each Fund that is organized as a limited partnership. To the extent that the Adviser provides investment advice to any non-Fund Client in the future, such Clients may be solicited to invest some or all of their assets in the Funds. The Adviser may also serve as general partner (or equivalent capacity) of a fund established in the future in which non-Fund Clients of the Adviser may be solicited to invest.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND CROSS TRADES

Code of Ethics. The Adviser has adopted a Code of Ethics (the “Code”) that establishes formal standards of business conduct and professionalism for certain employees, officers, directors, and similar persons of the Adviser and certain of its affiliates (all such persons, “Subject Persons”). In addition, the Adviser’s Code incorporates, by reference, the Adviser’s Policy Statement Against Insider Trading (the “Policy Statement”). Upon employment, and annually thereafter, all Subject Persons are required to certify compliance with the Code and Policy Statement. The Code complies with the requirements of Rule 204A-1 under the Advisers Act regarding codes of ethics and contains certain provisions that are more restrictive than those mandated by such rule.

The Code sets forth, among other things, the following as required under Rule 204A-1. The Code holds Subject Persons to high standards of ethical conduct and places upon them a duty to act for the Client’s benefit as well as to place the financial interests of the Adviser’s Clients ahead of their own interests at all times. The Code also requires Subject Persons to comply with applicable federal securities laws and to report any violations of the Code promptly to the Adviser’s Chief Compliance Officer. In addition, the Code imposes certain restrictions on access persons (as such persons are defined in Rule 204A-1), including trading limitations and/or prohibitions on “covered securities,” defines holding and blackout period limitations, requires pre-clearance for particular personal securities transactions, and mandates initial holdings reports and at least quarterly transaction and annual holdings reporting. The term “covered securities” generally includes all securities except direct obligations of the United States government, money market funds and shares of open-end investment companies registered under the Investment Company Act (other than investment companies, if any, for which the Adviser acts as a subadviser or adviser), bankers’ acceptances and certificates of deposit, commercial paper, high quality short-term debt obligations, repurchase agreements and other money market instruments. If a personal securities transaction is approved, the access person may proceed with the approved trade on the date clearance is granted. Any personal securities trading required to be pre-cleared that has not gone through the approval process is a violation of the Code, and may be subject to penalties or fines. The Adviser’s Chief Compliance Officer reviews quarterly (or monthly) and annual holdings reports to ensure appropriate pre-approvals were obtained and to identify potential conflicts of interest.

In addition to the above restrictions, the Policy Statement includes policies to monitor, restrict (if necessary), and educate employees of the firm and certain of its affiliates with respect to acquiring and investing when in possession of material, non-public information. The Adviser maintains a “restricted list” of certain securities and has related pre-clearance procedures for securities trading.

Copies of the Adviser’s Code and Policy Statement are available to any prospective or existing Client upon request to the Adviser’s Chief Compliance Officer, Albright Capital Management LLC, 1101 New York Ave, N.W., Washington, DC 20005

Participation or Interest in Client Transactions. The Adviser does not buy or sell securities for its own account. However, the Adviser may have an interest, as general partner or otherwise, in one or more of the Funds and officers, managers and employees of the Adviser may invest in one or more of the Funds. In addition, officers, managers and employees of the Adviser are permitted to own, buy and/or sell securities that the Adviser recommends to the Funds and/or non-Fund Clients, subject to the limitations described below. Such transactions may also include trading in securities in a manner that differs from or is inconsistent with advice provided to the Funds and/or non-Fund Clients. Such transactions by officers, managers and employees of the Adviser are subject to, and must be made by each such person in accordance with, the Code (as discussed above), including without limitation, the duty to put the interests of the Adviser's Clients ahead of their own interests.

In addition, to the extent that the Adviser has non-Fund Clients, the Adviser may recommend that such Clients purchase interests in Funds sponsored by the Adviser. The Adviser will receive economic benefits in the form of advisory fees and performance-based allocations (including Management Fees and Performance Allocations) from such purchases. Because the Funds have both Management Fees and Performance Allocations, the Funds may have a different fee and/or allocation structure than that of a non-Fund Client. In addition, the investment guidelines for the Funds may differ from the guidelines of certain non-Fund Clients. When recommending the purchase of interests in the Funds, the Adviser will take both the fee and allocation structure and the investment guidelines of such non-Fund Client into consideration.

Cross Trades. On occasion, the Adviser may determine that it is appropriate and in the best interest of each Fund or non-Fund Client, if one account purchases a security while another account is selling the same security. To the extent permitted by law and applicable policies and procedures, the Adviser may effect "cross trades" involving Fund or non-Fund Client accounts in which a security is sold from one account advised by the Adviser and bought for another such advised account through a book-entry or custodial transfer or through a broker-dealer. For example, cross trades may occur when accounts have different objectives or there are other factors specific to a Fund or non-Fund Client or when the Adviser is rebalancing Fund or non-Fund Client portfolios. In such circumstances, the Adviser may be able to reduce or eliminate transaction costs by arranging for one Fund or non-Fund Client account to buy or sell a portfolio security directly from or to another Fund or non-Fund Client account. No such transactions will be effected unless the Adviser determines it is in the best interest of each account. No such transactions will be permitted with respect to any account governed by the Employee Retirement Income Security Act of 1974. The Adviser will generally only effect cross trades in securities for which market quotations are readily available.

ITEM 12 – BROKERAGE PRACTICES

Brokerage Transactions. The Adviser has complete discretion in deciding which brokers and dealers the Funds will use and in negotiating the rates of compensation the Funds will pay. In addition to using brokers as "agents" and paying commissions, the Funds may buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

In the absence of specific written instructions to the contrary from a non-Fund Client, the Adviser will have complete discretion with respect to such Client accounts without any limitations on its authority. This discretion includes the authority, without prior notice to the non-Fund Clients, to buy and sell securities for Client accounts and to establish and effect securities transactions through accounts with broker-dealers selected by the Adviser and to negotiate rates of commissions, commission equivalents,

and other transaction-related charges (collectively, “commissions”) to be paid.

The Adviser does not utilize the services of the BD Subsidiary, its affiliated broker-dealer, in connection with the execution, settlement or clearing of securities transactions on behalf of the Funds or non-Fund Clients.

In selecting brokers and dealers to effect portfolio transactions for the Funds, or transactions in a non-Fund Client account (absent any specific instructions from such Client), the Adviser generally will seek prompt execution of orders at the most favorable prices reasonably obtainable under the circumstances. The Adviser has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction or to select any broker-dealer on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the commissions of eligible broker-dealers and to minimize the expenses incurred for effecting Client transactions to the extent consistent with the interests and policies of the accounts. Although the Adviser generally seeks competitive commission rates, it will not necessarily pay the lowest commission. Transactions may involve specialized services on the part of the broker-dealer involved and thereby entail higher commissions than would be the case with other transactions requiring more routine services. Transactions in emerging market securities are typically executed at commissions higher than those available in U.S. securities markets and frequently involve settlement on other than a “delivery-versus-payment” basis, which could subject the Client to a risk of loss.

Non-Fund Clients may direct the Adviser to use one or more particular broker-dealers in managing their accounts (see “Directed Brokerage” below).

The Adviser maintains a list of brokers and counterparties that have been approved for trading Fund and non-Fund Client assets based on the criteria described below. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including, but not limited to, the following:

- A broker’s trading expertise, including the broker’s ability to complete trades; execute and settle difficult trades; obtain liquidity to minimize market impact and accommodate unusual market conditions; maintain anonymity; and account for its trade errors and correct them in a satisfactory manner.
- A broker’s infrastructure, including order-entry systems; adequate lines of communication; timely order execution reports; an efficient and accurate clearance and settlement process; and capacity to accommodate unusual trading volume.
- A broker’s ability to minimize total trading costs while maintaining its financial health, such as whether a broker can maintain and commit adequate capital when necessary to complete trades; respond during volatile market periods; and minimize the number of incomplete trades.
- A broker’s ability to provide research and execution services, including advice as to the value or advisability of investing in or selling securities; analyses and reports concerning such matters as companies, industries, economic trends and political factors; or services incidental to executing securities trades, including clearance, settlement and custody.
- A broker’s ability to provide services to accommodate special transaction needs, such as the broker’s ability to execute and account for non-Fund Clients-directed arrangements and soft dollar arrangements; participate in underwriting syndicates; and obtain initial public offering shares.

Research and Other Soft Dollar Benefits. The Adviser may enter into “soft dollar” arrangements. Although the Adviser’s use of soft dollars to pay for research and execution products or services has to date, been conducted in accordance with the safe harbor created by Section 28(e) of the U.S. Securities Exchange Act of 1934, the Adviser may on occasion use soft dollars for purposes outside of the safe harbor in a manner consistent with its fiduciary duties to the Funds.

Where more than one broker-dealer is believed to be capable of providing the best combination of price and execution with respect to a particular portfolio transaction, the Adviser may select a broker-dealer that furnishes products and/or research services. In addition, if the Adviser determines in good faith that the commission charged by a broker-dealer is reasonable in relation to the value of brokerage and research services provided by such broker-dealer, the Adviser may cause a Fund to pay such a broker-dealer an amount of commission greater than the amount another broker-dealer may charge, but generally within a competitive range for full service brokers. Research products and/or services may include, without limitation:

- Fundamental research reports;
- Current market data and news;
- Technical and portfolio analyses;
- Economic forecasting and currency and interest rate projections;
- Historical information on securities and companies;
- Tuition or attendance fees for research seminars;
- Assistance in arranging company visits; and
- Providing consultations with and access to consultants who supply research information.

The Adviser may also enter into arrangements with brokers regarding the allocation of minimum annual amounts of brokered transactions to such brokers. In exchange, the Adviser would receive from such brokers’ research products and/or services and research-related software. A transaction would be placed with such brokers only if consistent with the best execution policies described above (which would take into account the provision of research and related services) and the Adviser would terminate any such arrangement or compensate the broker in cash for such research or software to the extent it could not fulfill the arrangement consistent with such policies.

Some “mixed-use” products or services could be used by the Adviser for both research/execution and non-research purposes, such as administration or marketing. If these products or services are obtained with soft dollars, the Adviser will allocate their cost between research and non-research uses. The Adviser will use its own “hard dollars” to pay that part of the cost which is attributable to non-research uses.

Brokerage and research services received could benefit Funds or non-Fund Clients other than the Fund or non-Fund Client generating the soft dollar credits. The Adviser’s receipt of research services will not reduce a Fund’s or non-Fund Client’s management fee or performance allocations or fees.

In exchange for using the services of certain broker-dealers or custodians, the Adviser may receive from such broker-dealers or custodians, without cost, computer software and related systems support, which allow the Adviser to better monitor Client accounts maintained with them. In addition, the Adviser may receive the following benefits from such broker-dealers: duplicate Client confirmations and bundled duplicate statements; access to a trading desk that exclusively services institutional brokerage group participants; access to block trading services which provide the ability to aggregate securities transactions and then allocate the appropriate shares to Client accounts; and/or access to an electronic communication network for Client order entry and account information. The Adviser currently has such an arrangement

with the entity that serves as the Funds' prime broker. Although the Adviser receives these services and generally may direct trading for the Funds through the prime broker, they are not considered by the Adviser to be "soft dollar" benefits because the services are not provided in exchange for the Adviser's Clients paying higher transaction commissions or fees than those obtainable from other brokers in return for similar products and services.

See Item 10 for a discussion of the Adviser's relationship with the BD Subsidiary.

Brokerage for Client Referrals. Neither the Adviser nor any related person receives, or seeks to receive, Client referrals from a broker-dealer or other service provider to the Clients.

Directed Brokerage. Generally, the Adviser is retained on a discretionary basis and is authorized to determine which securities to buy or sell (including the amount thereof) and to direct execution of portfolio transactions within the Client's specified investment objective without consultation with the Client on a transaction-by-transaction basis. The Adviser prefers to select or recommend the broker-dealers that will execute portfolio transactions and generally the Client leaves that selection or recommendation to the Adviser. On occasion, a non-Fund Client may direct the use of a particular broker-dealer to execute portfolio transactions. In directing brokerage business to brokers, non-Fund Clients should consider if the commission expenses, execution, clearance, and settlement capabilities, and (if applicable) any amount of the commissions that may be attributable to custodian fees, are comparable to those that the Adviser could otherwise attain. The Adviser is not responsible for seeking best execution when a non-Fund Client directs its brokerage.

Balancing the Interests of Multiple Client Accounts. The Adviser may manage multiple Funds and non-Fund Clients with the same or similar investment objectives and strategies or may manage Funds or non-Fund Client accounts with different objectives or strategies that may trade in the same securities. Despite similarities, the Adviser's portfolio decisions about each Fund's or non-Fund Client's investments and the performance resulting from these decisions may differ from those of other Funds or non-Fund Clients.

Allocating Investment Opportunities. The Adviser will not necessarily purchase or sell the same securities for Funds and non-Fund Client accounts at the same time or in the same proportionate amounts for all eligible Clients. There may be circumstances when Funds or non-Fund Client accounts with similar objectives trade in the same securities at the same time. Funds with the same investment objectives will generally invest in a common Master Fund or in parallel and will thereby trade in the same securities at the same time, based primarily on available capacity for investment in such securities. However, there may be circumstances when the Adviser determines to trade in securities directly at a Fund level.

The Adviser will allocate investment and trading opportunities (including the sequence of placing orders if not "batched") in a manner believed by the Adviser to be fair and equitable to each Fund and non-Fund Client over time. In making these allocations, the Adviser will take into account the following factors:

- Each Fund's or non-Fund Client's investment objectives and strategies;
- The composition, size and characteristics of the account;
- The cash flows and amount of investment funds available to each Fund or non-Fund Client;
- The amount already committed by each Fund or non-Fund Client to a specific investment;
- Each Fund's or non-Fund Client's risk tolerance and the relative risk of the investment; and
- The marketability of the security being considered.

The Adviser may deviate from strictly pro rata allocation, when appropriate, taking into account the

following factors:

- To avoid creating odd lot positions in any account;
- To allocate a smaller portion to those accounts for which the purchased security would be a peripheral investment and a larger portion to those accounts for which the security would be a core investment;
- To the extent that the purchased security is especially appropriate for accounts with certain investment goals or risk tolerances;
- To satisfy demand with respect to an account's cash position relative to its portfolio (*e.g.*, to allocate a small portion to accounts with less cash or liquidity and a greater portion to accounts with more cash or highly liquid investments); and
- When a proportionate allocation would, given the size of an account, result in a position that is too small to be meaningful or too large to maintain an appropriate level of diversification.

If it is not possible, in a single transaction or at a single price, to effect trades in a particular security that is appropriate for multiple accounts, the Adviser may if feasible compute and give to each participating Fund or non-Fund Client account the average price for that day's transactions in the securities.

Batching Orders. When the same investment decision is made for more than one Fund or non-Fund Client on the same day, the Adviser may place orders to buy or sell the same securities for a number of Funds and/or non-Fund Client. Whenever possible, orders to purchase or sell the same security for multiple accounts are aggregated. All accounts that participate in an aggregated transaction shall participate on a pro rata basis. The Adviser shall not aggregate investment transactions for accounts unless the transaction is consistent with the terms of the applicable Investment Management Agreement and each account's investment objectives, restrictions and policies.

The Adviser may batch a Fund's or non-Fund Client's trades with trades of accounts of persons affiliated with the Adviser. A Fund or non-Fund Client trade shall be aggregated with an employee trade or trade by an affiliated account only if each of the following conditions are met:

- The Fund or non-Fund Client trades are treated equally with affiliated account trades;
- Each affiliated and non-affiliated participant in the trade receives average execution and average commissions; and
- The securities purchased or sold are allocated pro rata.

ITEM 13 – REVIEW OF ACCOUNTS

Review of Accounts. At least monthly, and more often as required by special circumstances (such as a relevant development in market conditions affecting one or more of the portfolio securities or markets in which the Fund invests), the Adviser's Investment Committee, the Chief Investment Officer and each portfolio manager for a particular strategy with the title of Managing Director (individually or as part of a group) will review the Fund's performance.

For non-Fund Clients for whom the Adviser provides investment supervisory services, account reviews will be conducted on a regular basis. The Adviser's Chief Investment Officer would conduct such reviews. Non-Fund Clients will be encouraged to discuss their needs, goals, and objectives with the Adviser and to keep the Adviser informed of any changes in the Client's financial situation or investment objectives. The Adviser will contact ongoing non-Fund Clients at least annually to review previous services and/or recommendations and to discuss the effect of any changes in the Client's financial

situation and/or investment objectives.

Reports to Investors and Non-Fund Clients. Each investor in a Fund will receive: (i) monthly estimated net asset value reports for the Fund's liquid asset investments; (ii) quarterly valuation reports for the Fund's special situation investments, with mark-to-market information; (iii) monthly commentary for both the Fund's portfolio of liquid investments and special situation investments; (iv) the Fund's annual audited financial statements; (v) necessary U.S. federal tax information; and (vi) an annual report summarizing the Fund's investment activities for the preceding year. In addition, certain investors in the Funds receive more frequent and more detailed reporting with respect to the relevant Fund's holdings and performance.

Unless otherwise agreed upon, non-Fund Clients will be provided with transaction confirmation notices and regular account statements directly from the broker-dealer or custodian for their Client accounts. Non-Fund Clients may also receive a report from the Adviser that includes such relevant account and/or market-related information, such as an inventory of account holdings and account performance on a quarterly basis.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Client Referrals. The Adviser may employ third party marketing personnel as well as employees of the Adviser or an affiliate of the Adviser (e.g., the BD Subsidiary) who would be compensated for soliciting referrals of investors in the Funds or for non-Fund Clients. Any such referral arrangements will be in compliance with Rule 206(4)-3 under the Advisers Act.

Other Compensation. The principal prime broker to the Funds (the “Prime Broker”) and certain of its affiliates may, but are not obligated to, provide capital introduction services to the Funds. Such services may result in more investors in the Funds, and accordingly, more assets in the Funds, which benefits both the Funds and their investors, on the one hand, and the Adviser, on the other hand. Benefits to the Adviser are increased Management Fees and potentially higher Performance Allocations as a result of the Funds' potentially larger asset base. The possibility of such benefits to the Adviser results in a conflict of interest in its selection of the Prime Broker as the Funds' principal prime broker and may create an incentive for the Adviser to continue to retain the Prime Broker in such capacity. Of course, there is no guaranty that any benefits to the Funds, the Funds' investors, or the Adviser may be realized or that capital introduction services provided by the Prime Broker and its affiliates will actually increase the Funds' assets. The Funds, and not the Adviser, pay prime brokerage fees and other fees and expenses to the Prime Broker and its affiliates. However, none of such fees or expenses are specifically allocable to any capital introduction services that the Prime Broker may provide.

ITEM 15 – CUSTODY

The Adviser is deemed to have custody over the assets of the Funds because of its authority over the Funds in its capacity as general partner of the Funds. All funds and securities of the Funds, other than certain privately offered securities, are held in custody by qualified custodians. As noted in Item 13 above, investors in the Funds receive the applicable Fund's annual financial statements audited by an independent public accounting firm within 120 days following the end of the fiscal year. Investors in the Funds are urged to carefully review such statements.

ITEM 16 – INVESTMENT DISCRETION

The Adviser provides investment management services to the Funds on a discretionary basis. When

selecting securities and determining amounts, the Adviser observes the investment policies, limitations and restrictions set forth in the relevant Fund Documentation. As described above, the Adviser may also advise accounts other than the Funds – non-Fund Clients – on a discretionary basis, as agreed between the Adviser and each such Client, to the extent permitted by the Fund Documentation. For any such non-Fund Client, the Adviser will observe permitted investment guidelines and restrictions as agreed under the relevant Investment Management Agreement.

ITEM 17 – VOTING CLIENT SECURITIES

The Adviser has authority to vote proxies on behalf of the Funds in accordance with the Adviser's Proxy Voting Procedures and Guidelines. It is the Adviser's policy that each non-Fund Client will be responsible for voting all of the proxies related to the securities held in any and all of their accounts. The Adviser will not be responsible for voting proxies related to securities held in a Client's account unless specifically agreed to in writing between the Adviser and the Client.

Where the Adviser has been given authority to vote proxies on behalf of Clients (e.g., with respect to the Funds), such proxies will be voted for the exclusive benefit for such Clients. In general, the Adviser utilizes electronic notification and voting services made available by the Funds' Prime Broker and maintains all records of such votes.

A copy of the Adviser's Proxy Voting Procedures and Guidelines, as well as records for all votes taken on behalf of each individual Client, are available to that Client upon request. Requests should be addressed to the Adviser's Chief Compliance Officer, Albright Capital Management LLC, 1101 New York Avenue, NW, Washington, DC 20005. Under the Adviser's Voting Procedures and Guidelines, the Adviser is responsible for the following:

- Overseeing the process by which the Adviser votes proxies to be sure they are being voted in accordance with the Adviser's guidelines and procedures and any special restrictions imposed by clients;
- Identifying conflicts that may exist between the interests of the Adviser and its clients by reviewing the relationship of the Adviser with the issuer of any security for which a proxy is being voted to determine if the Adviser or its employees has a financial, business or personal relationship with the issuer;
- When a material conflict of interest has been identified, taking the necessary steps to resolve the matter in accordance with the Adviser's Voting Procedures and Guidelines;
- Coordinating with outside parties, if any, who have been retained to vote on behalf of the Adviser; and
- Reviewing the Voting Procedures and Guidelines periodically to assess their adequacy, including consulting with outside counsel to stay abreast of the regulations affecting the Adviser's proxy voting obligations.

ITEM 18 – FINANCIAL INFORMATION

The Adviser has no information required to be disclosed pursuant to this Item.