

**Item 1. Cover Page**

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This brochure provides information about the qualifications and business practices of Fletcher Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at 212-284-4800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional Information about Fletcher Asset Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration as an investment adviser does not imply a certain level of skill or training.

## **Item 2. Material Changes**

This item is not applicable at this time.

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## **Item 4. Advisory Business**

Fletcher Asset Management, Inc. (the "Applicant") was founded in 1991 as a Delaware corporation by Mr. Alphonse Fletcher, Jr., who maintains 100% ownership of the Applicant and who also serves as Director, Chairman and Chief Executive Officer of the Applicant.

The Applicant is a registered investment advisor and is the general partner or investment advisor of private investment partnerships and funds that generally use leverage to buy, hedge and sell domestic and foreign stocks, bonds and derivatives in the secondary markets, in negotiated transactions and as newly issued securities of large, medium and small capitalization companies in a variety of industries. The investment partnerships and funds themselves are the only Clients of the Applicant. As of December 31, 2011 the Applicant managed \$554.8 million of Client assets on a discretionary basis and \$0 of Client assets on a non-discretionary basis.

The Applicant has discretionary authority to determine the specific securities and amount of such securities to be bought and sold by each Client. Such authority is exercised by the

Applicant in a manner consistent with each Client's investment objectives, policies and restrictions.

The Applicant organizes its advisory business in what is commonly referred to as a "Master-Feeder" structure. In such a structure, individual investors make investments in the various partnerships or corporate entities advised by the Applicant (the "Feeder Funds"). The Feeder Funds, which are managed by the Applicant, invest substantially all of their assets in special purpose investment vehicles, or "Master Funds," (and together with the Feeder Funds, the "Funds" or the "Clients") structured and advised by the Applicant exclusively on behalf of the Feeder Funds. The Feeder Funds are the only investors in the Master Funds. The Applicant is an investment adviser to the Feeder Funds and the Master Funds, but not to the individual investors in the Feeder Funds.

Each Master Fund generally follows a unique investment strategy and makes investments of different types than the other Master Funds. The Feeder Funds invest in common equity, preferred equity, or debt instruments of one or more Master Fund. Through investing in the different types of securities offered by the different Master Funds, the Feeder Funds may gain access to a different combination of investment strategies and risk levels that generally result in the Feeder Funds having returns different from those of the Master Funds. In this way the Applicant is able to tailor its fund offerings to different investment objectives and risk tolerance levels of investors. When the Applicant determines that it is appropriate, together or individually, for the Master Funds to participate in an investment opportunity, the Applicant and its affiliates seek to execute orders for all of the participating Funds on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments, ability to meet margin requirements, relative exposure to short-term market trends, risk profile, tax and regulatory considerations and the investment programs and portfolio positions of the Funds for which participation is considered to be appropriate and which comply with the rules promulgated by the Financial Industry Regulatory Authority, Inc. governing "new issues". Currently, certain Funds do not participate in initial public offerings. Investors may not impose restrictions on the Funds investing in certain securities or types of securities.

The investment program the Applicant expects to employ for its Clients may in certain cases result in the Applicant purchasing or selling the same securities in different Client accounts. Additionally, there may be circumstances under which the Applicant will commit a greater or lesser percentage of some Client's assets to an investment opportunity than the percentages of other Client's assets to such investment opportunity. There may also be circumstances under which the Applicant may consider participation by some Clients in investment opportunities in which other Clients do not invest.

If an order on behalf of more than one Client cannot be fully executed under prevailing market conditions, securities may be allocated among the different Funds on a basis that the Applicant considers fair and equitable, and that is consistent with the requirements of the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Decisions in this regard are necessarily subjective and there is no requirement that each Fund participates, or participates to the same extent as other Funds, in all trades. The Applicant intends, however, that no Client advised by the Applicant or its affiliates will receive preferential treatment over any other Client and the

Applicant and its affiliates will take steps to ensure that no Client will be systematically disadvantaged by the aggregation, placement and allocation of orders.

The Applicant may cause one or more of its Clients to sell securities to another Client which it also advises. As a matter of policy, the Applicant effectuates such transactions only when consistent with the investment objectives and portfolio policies of both the selling Fund and the buying Fund. Such transactions are settled at fair value which, in the case of securities sold in markets where prices of actual trades are reported contemporaneously, is at the last price prior to the transaction, and in the case of other readily marketable securities is midway between the current bid and ask by one or more dealers in such securities. For the purpose of such transactions, securities that are not readily marketable are valued at fair value as determined by the Applicant in good faith based on available market information. Transactions of this type are settled at the lowest reasonably achievable transaction costs without incurring broker-dealer commissions or markups to the extent practicable.

The Applicant will evaluate for each Client a variety of factors that may be relevant in determining whether a particular investment opportunity or strategy is appropriate or feasible for that Client at a particular time, including, but not limited to, the following: (1) the nature of the investment opportunity taken in the context of the other investments at the time; (2) the liquidity of the investment relative to the needs of the particular account; (3) the availability of the opportunity (i.e., size of the obtainable position); (4) the transaction costs involved; and (5) the regulatory limitations applicable to the particular account.

## **Item 5. Fees and Compensation**

For providing advisory services, the Applicant receives a weekly, monthly or quarterly advisory fee, paid in advance, in the amount of 1% to 2% per year of the average net assets of each Feeder Fund. No advisory fees are paid to the Applicant by the Master Funds. If the advisory contract is terminated before the end of the applicable billing period, the unearned portion of the advisory fee is refunded by the Applicant to the applicable Feeder Fund based on the number of days left in such billing period. The Applicant also generally receives from the Funds a performance fee equal to 20-25% of the cumulative performance (including both realized gains and losses and unrealized appreciation and depreciation before taxes, including foreign withholding taxes) of the Feeder Funds, and in certain instances subject to a preferred return or "hurdle rate" (the "Incentive Fee"). The Incentive Fee is usually, though not always, subject to a "high water mark" feature so that the Incentive Fee is payable only in respect of incremental positive performance. No performance fees are paid to the Applicant by the Master Funds. Finally, the Feeder Funds may pay to the Applicant certain indirect expense reimbursement fees in an amount of up to 0.5% of each Feeder Fund's assets under management. In rare instances, fees that are paid by a Fund with respect to a particular investor's investment may be negotiable, but generally the fees paid by the Funds are not negotiable. The fees charged by the Applicant are deducted directly from Client accounts and Clients are not given the option to be billed for fees incurred.

Fees owed to the custodians, administrators, legal advisors and auditors of each of the Applicant's Clients are paid directly by such Clients, not by the Applicant. Similarly, Clients of the Applicant are responsible for paying brokerage fees on any transactions in which they engage.

Please refer to **Item 12. Brokerage Practices** for a more extensive discussion of the Applicant's brokerage practices.

Neither the Applicant nor the Applicant's supervised persons accept compensation for the sale of securities or other investment products.

#### **Item 6. Performance-Based Fees**

As discussed in **Item 5. Fees and Compensation**, the Applicant also receives an Incentive Fee from the Feeder Funds. The Incentive Fee is performance-based and usually, though not always, subject to some form of a "high water mark" feature so that the Incentive Fee is payable only in respect of incremental positive performance.

Not all of the Applicant's Clients are charged Incentive Fees. Thus, the Applicant has an incentive to favor those Clients that are charged full Incentive Fees both in terms of time dedicated to such accounts and in terms of opportunities allocated to such Clients.

The Incentive Fees payable to the Applicant may also create an incentive for the Applicant to cause the Feeder Funds that pay such Incentive Fees to make investments that are riskier than such Funds would otherwise make. In addition, since some Incentive Fees may be calculated on a basis that includes unrealized appreciation of a Client's assets, such fees may be greater than if they were based solely on realized gains.

Despite the existence of these conflicts of interest the Applicant always seeks to ensure that it allocates investment opportunities and dispositions fairly among all Clients in light of each Client's particular circumstances as more fully described in **Item 4. Advisory Business**.

#### **Item 7. Types of Clients**

The Applicant or one of its affiliates is the general partner and/or investment advisor of several private investment partnership and funds, which serve as the Feeder Funds in the Master-Feeder structure managed by the Applicant. The individual partners or investors of the Feeder Funds are not Clients of the Applicant. The Applicant's other Clients are the Master Funds it services as an investment advisor, which are also private investment funds. The Applicant does not provide investment advisory services to individuals.

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

The Applicant employs a Master-Feeder structure to conduct substantially all the investments of its Clients. The Feeder Funds managed by the Applicant and its affiliates invest substantially all of their assets in the Master Funds, which are special purpose investment vehicles structured by the Applicant exclusively on behalf of the Feeder Funds. The only investors in these Master Funds are the Feeder Funds managed by the Applicant. This is commonly referred to as a "Master-Feeder" structure.

In forming the investment strategies of the Master Funds the Applicant relies on investment and management personnel who are required to have managerial and organizational ability and expertise in the investment area. Those involved in portfolio management are required

to have experience in the management of equity securities and fixed income instruments. Thus, the Applicant's methods of analysis and investment strategies are developed and executed by a talented and experienced group of personnel.

The types of investments that the Applicant generally offers advice on include the following: equity securities (including exchange-listed securities, securities traded over-the-counter and securities of foreign issuers), warrants, corporate debt securities other than commercial paper, commercial paper, United States government securities, securities options contracts and interests in partnerships investing in oil and gas and other industries.

To evaluate various potential investments the Applicant uses multidisciplinary methods of analysis that rely on, among other things, an emphasis on dynamic companies, constructive transactions that strengthen select public companies, proprietary quantitative methods, and an examination of social and environmental impact as an additional risk measure. Applicant's security analysis methods also include charting, fundamental techniques, technical analysis and cyclical analysis. Applicant uses various sources of information including financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission and company press releases. In addition, the Applicant utilizes established relationships and contacts in order to obtain investment information for the benefit of Clients. Investors in certain of the Applicant's Clients may also provide the Applicant with insight concerning potential investments and receive a portion of the net profits, if any, made on such investments. Prior to receiving any such fee, the investor must represent that it is legally eligible to receive the fee.

After thorough analysis of available opportunities the Applicant executes investment strategies that incorporate elements of various financial techniques to generate profits and superior, long-term, risk-adjusted returns. Investment strategies used by the Applicant include long term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), short sales, margin transactions and option writing, including covered options, uncovered options, or spreading strategies. In general there can be no assurance that any of these investment strategies will meet their objectives. Investment in securities is speculative and entails significant risk of partial or complete loss that Clients should be prepared to bear.

The Applicant also uses other investment strategies to implement the investment advice it gives to Clients. Such investment strategies may include direct investments, in which the Client purchases newly issued shares or convertible securities (typically in private transactions) from publicly-traded companies. Despite the Applicant's best efforts to invest its Clients' money profitably, any investment in a publicly-traded company is speculative and entails significant risk of partial or complete loss at any time that Clients should be prepared to bear. The value of such an investment may be influenced negatively by broad market trends or by factors specific to the company issuing the purchased securities.

In addition, the Master Funds may seek to identify and exploit current and future price inefficiencies. The Master Funds may directly or indirectly buy, hedge and sell U.S. securities, foreign securities, American depository receipts and other instruments to and from institutional

holders or other counterparties in an effort to capture or arbitrage income from these investments. The Applicant is able to negotiate these transactions because institutional investors (e.g., municipal and corporate pension funds and university endowments) may value the dividends at lower levels than would one or more Clients. Such investments are speculative and dependent on the Applicant's ability to predict future market movements and, as such, entails significant risk of partial or complete loss that Clients should be prepared to bear. Moreover, investment in foreign securities involves certain risks that are not ordinarily associated with investments in securities of U.S. issuers. Such risks vary by the issuer's country and may include political, social or economic instability in the issuer's country, the difficulty of predicting international trade patterns and the possibility of the imposition of exchange controls, expropriation, limits on removal of currency or other assets, nationalization of assets, foreign withholding and income taxation. There generally is less governmental supervision and regulation of exchanges, brokers, dealers and issuers outside the United States than there is in the United States. In addition, there generally is less publicly available information regarding non-U.S. issuers than U.S. issuers, and non-U.S. issuers generally are not subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to U.S. issuers. Securities of non-U.S. issuers are generally less liquid and have more price volatility than securities of U.S. issuers.

The Applicant may also invest in over-the-counter derivative instruments including swaps and forward agreements. When the Applicant determines that it is appropriate it may purchase initial public offerings for a Client's account. The Applicant may also make investments through subsidiary corporations, joint ventures, partnerships or any other structure (collectively, the "Other Forms of Special Purpose Investment Vehicles"). These investments may take the form of equity investments or a loan or loans to Other Forms of Special Purpose Investment Vehicles. Such loans may contain fixed and contingent interest components. The Applicant does not have fixed guidelines for diversification and may concentrate investments in particular industries or companies, which may cause a greater risk of loss for any of the Applicant's Clients.

The Applicant intends to employ hedging techniques designed to reduce the volatility of returns and in order to enhance the total return to its Clients. As an example, the Applicant may cause a Client to buy a block of securities while also buying a put option or selling a call option on such securities or selling securities short in an effort to significantly reduce price risk. The Client would enter into these trades if the Applicant believed that the trading gain, loss, income and expense would result in a net profit to the Client given current market prices of such securities and other instruments. If the Applicant is successful, such transactions will result in a net profit regardless of anticipated price movements. While the Applicant may cause a Client to enter into such transactions to seek to reduce risks, unanticipated market movements and fluctuations may result in a poorer overall performance for the Client than if the Client had not engaged in any such hedging transactions.

While the investment strategies listed above are those primarily used by the Applicant, the strategies employed by the Applicant, or the markets, types of securities or other instruments in which the Applicant may invest its Client's assets, or the positions, types of positions, or concentration of investments the Applicant may cause Clients to make may, from time to time, be different from those listed above. Over time, markets change and the Applicant will seek to capitalize on attractive opportunities wherever they might be. Depending on conditions and trends

in securities markets and the economy generally, the Applicant may pursue other strategies or employ other techniques it considers appropriate and in the best interest of the Funds.

As discussed in **Item 4. Advisory Business**, each of the Feeder Funds invests in one or more type of security issued by one or more of the Master Funds. This cross-investment feature makes the Feeder Funds dependent on each other to a varying degree, with the net result that differences in amounts withdrawn from or added to the Feeder Funds may substantially alter the risk to which investors in such Feeder Funds are exposed.

The ability of the Applicant to vary the features of the securities issued by the Master Funds, including the type of securities issued, the amount invested by each Feeder Fund and the terms of the cross-investment itself (including seniority, yield, maturity, early termination and other provisions), gives rise to potential conflicts of interest. For example, situations may occur where a particular Fund could be disadvantaged because of the investment activities conducted by the Applicant and its affiliates on behalf of other Funds. Such situations may be based on, among other things, the following: (1) legal restrictions on the combined size of positions that may be taken for the Funds, thereby limiting the size of a Fund's position; (2) the difficulty in liquidating an investment for a Fund where the market cannot absorb the sale of the combined positions; and (3) the determination that a particular investment is warranted only if hedged with an option or other instrument and there is a limited availability of such options or other instruments. The Applicant seeks to utilize these features to produce the appropriate exposure to the types of investment strategies and relative levels of risk described for each Feeder Fund on arm's-length terms, rather than to produce targeted returns without regard to indicated relative or absolute levels of risk or market rates of return.

#### **Item 9. Disciplinary Information**

The Applicant has not been involved in any legal or disciplinary events of the type covered by the Advisor's Form ADV, such as regulatory orders or court orders finding violations of securities or financial laws.

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

Neither the Applicant nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, as a futures commission merchant, as a commodity pool operator, as a commodity trading advisor, or as an associated person of the foregoing entities.

RF Services, L.L.C. ("RFS") has been retained by some of the Applicant's Clients to assist such Clients and/or their administrators with the maintenance and preparation of certain financial records, to assist in the computation of net asset values, and to prepare financial statements and provide tax and audit services as requested by the Clients. RFS is a Delaware limited liability company and is considered a related entity by the Applicant. As a result of the foregoing factors the Applicant may, from time to time, face certain conflicts of interest. In all cases the Applicant seeks to act in the best interests of its Clients and to ensure that its Clients are treated fairly in any dealings with RFS. For example, the Applicant's Clients who utilize RFS pay RFS a fee similar to that which would be agreed to through arms-length negotiation.



In June 2008 an affiliate of the Applicant acquired a controlling stake in the Richcourt Group, a non-U.S. manager of funds of hedge funds. Mr. Stewart Turner and Mr. Floyd Saunders, who are affiliated with the Applicant, are Directors of many of the Richcourt entities. As a fund of hedge funds, the Richcourt Group does not pursue the same investment opportunities as those generally followed by the Applicant. In the case that any conflicts of interest do arise between the Richcourt Group and the Applicant or its affiliates, the Applicant and its affiliates will act in accordance with the fiduciary duties, if any, they may owe to the relevant parties and seek to treat all parties fairly.

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

The Applicant had adopted a Code of Ethics (the "Code") in conformity with the requirement of Rule 204 of the Advisers Act as promulgated by the Securities and Exchange Commission. The employees, directors, officers, specified consultants and certain affiliated persons of the Applicant may in varying degrees participate in or be aware of decisions made to implement the investment policies of the Clients for which the Applicant and its affiliates provide investment advisory services. The relationship thus created mandates strict adherence to the highest standards of conduct and integrity by each and every director, officer, employee and consultant of the Applicant and its affiliates. The establishment of high standards of behavior is intended to prevent any intentional or unintentional transgression, while not unnecessarily interfering with the privacy and freedom of the individuals concerned. The provisions of the Code may be, in some respects, stricter than the standards required by law, but, in the opinion and best judgment of the Applicant, such stricter standards are preferable in order to avoid even the appearance of impropriety. Persons to whom the Code is applicable are cautioned that the Code was not established as a set of fixed rules with attendant loopholes to be found, but as guidelines to support the principle that in all instances of conflict or potential conflict, the interests of the Applicant's Clients must be protected and given priority over personal interests. A copy of the Code is available to any Client or prospective Client upon request.

The investment and management personnel of the Applicant are required to have managerial and organizational ability and expertise in the investment area. Those involved in portfolio management are required to have experience in the management of equity securities and fixed income instruments. Persons serving as professional staff are also generally required to have a bachelor's degree from an accredited college or university.

As a result of differing trading and investment strategies or constraints, positions may be taken for Clients in which such Clients and their respective principals and employees have interests that are the same, different or made at a different time than positions taken for other Clients. In order to mitigate the possibility that a Client will be adversely affected by personal trading by such related persons, the Applicant has adopted policies that govern securities trading in the personal accounts of all employees and which prohibit trading in equities and other securities without prior written authorization in accordance with the Applicant's employee trading policies and compliance procedures.

The Applicant has purchased interests in certain of the Feeder Funds, which are securities that it also recommends to Clients. As such, the Applicant may have an incentive to

favor the Feeder Funds in which it is invested over other Feeder Funds and to devote more time, energy or skill to those Feeder Funds in which it is invested. Applicant may also utilize the Master-Feeder structure, detailed in **Item 4. Advisory Business** to unfairly benefit itself, possibly to the detriment of the Applicant's Clients or the investors in certain of such Clients. As further explained in **Item 4. Advisory Business** the Applicant intends that no Client advised by the Applicant or its affiliates or employees will receive preferential treatment over any other Client and the Applicant and its affiliates and employees will take steps to ensure that no Client will be systematically disadvantaged by the selection of investments or the aggregation, placement and allocation of orders.

## **Item 12. Brokerage Practices**

Clients of the Applicant do not direct brokerage. The Applicant selects brokers to effect portfolio transactions for all of its Clients on the basis of best execution. In selecting brokers, the Applicant considers such factors as the ability of the brokers to achieve prompt and reliable executions at the most favorable prices, the operational efficiency with which transactions are effected, the financial strength, integrity and stability of the broker, the quality, comprehensiveness and frequency of available research and related services considered to be of value, and the competitiveness of commission rates in comparison with other brokers satisfying the Applicant's other selection criteria. Accordingly, if the Applicant determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the execution provided by such broker, Clients may pay commissions to such broker in an amount greater than the amount another firm might charge.

Besides execution, some other services provided by the brokers are financing and availability of over-the-counter products. In order to ensure that executions are appropriate the Applicant has certain policies and procedures in place. These policies and procedures call for the Chief Compliance Officer (the "CCO") to review trade blotters at least quarterly to determine whether portfolio transactions appear to have been executed at higher commissions or spreads than are usually attainable. This review is intended to be on a post check basis and is not intended to require the CCO to recreate the execution process or obtain verifying information from third parties. If any questionable activity is found, the CCO will review the trade or trades in question in greater detail and will discuss the matter with the head trader as appropriate. The Applicant's CCO will review not less often than quarterly statistical information regarding brokerage commissions and other portfolio execution costs paid by other brokers to determine whether the Applicant is achieving execution costs at least as favorable on average as other comparably situated advisors. The Applicant's CCO will review quarterly with the traders whether there are markets, execution practices or counterparties that the Applicant should be considering in order to improve overall portfolio execution and performance. The Applicant will maintain written record of the reviews.

Orders may be combined for all participating Funds, and if any order is not filled at the same price, they may be allocated on an average price basis. The Applicant is not, however, obligated to aggregate orders. Due to the nature of the Master-Feeder structure the Applicant often does aggregate the purchase or sale of securities for various Client accounts. Since the Feeder Funds invest substantially all of their assets into the Master Funds, which then invest directly in securities, any single purchase or sale of securities by a Master Fund will essentially be an aggregated purchase or sale on behalf of all the Feeder Funds invested in that Master Fund.

A soft dollar arrangement is an arrangement between the Applicant and a broker-dealer to direct Client portfolio transactions (resulting in commissions) to a particular broker-dealer who provides research or other appropriate services to the Applicant. Soft dollar arrangements include those where the Applicant receives proprietary research or other covered services produced by the broker as well as those where a broker provides the Applicant with research and other appropriate services prepared by a third party other than the broker. It is a policy of the Applicant not to engage in soft dollar arrangements.

### **Item 13. Review of Accounts**

Applicant generates daily profit and loss reports for every position in each account. Mr. Alphonse Fletcher, Jr., Director, Chairman and Chief Executive Officer usually conducts a general review of each account each trading day. RFS, which provides certain accounting and administrative services for the Feeder Funds and the Master Funds, is an independent financial services firm that also reviews such reports daily for accuracy.

Several times a month based on market conditions Mr. Fletcher reviews the status of every significant position in each account in greater detail. Decisions to change positions are made by Mr. Fletcher during the course of this review. The investment criteria include analysis of the down-side risk of the position and any material change in outlook and the projected profit and time frame for each position held. Accounts reflecting unusual trading activity, poor performance relative to their investment objectives, or other unusual characteristics are reviewed in greater detail.

The Feeder Funds managed by the Applicant and its affiliates seek to provide to investors in such Feeder Funds interim reports no less frequently than quarterly and audited annual reports generally within 120 days after the close of the period for which the report is being made. Such investor reports are written and contain the returns and capital balances of each investor account with the relevant Feeder Fund. Due to certain administrative issues, these reports have not always been delivered within such timeframes.

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

The Applicant has entered into agreements whereby persons are paid monthly retainers in compensation for their assistance in the marketing, including investor solicitations and referrals, of the Applicant's services. Such persons may receive, for a specific period, a portion of the management and performance fees generated by the Feeder Funds in which the investors resulting from such solicitations and referrals invest. Such agreements will be disclosed to investors in the Feeder Funds who acquire their investments through an unaffiliated agent of the Applicant or Feeder Fund.

### **Item 15. Custody**

The Applicant generally maintains Client assets in a "qualified custodian" as that term is defined in Rule 206(4)-2 under the Advisers Act. The qualified custodian maintains each Client's assets in a separate account under that Client's name.

On a regular basis, RFS reviews Client accounts to compare and reconcile trade orders with executions and Client account balances as reflected in custodial records. Upon the discovery of any discrepancy in the above records, RFS would promptly contact the applicable custodian to resolve the discrepancy. If any such discrepancy remains unresolved for a period of 30 days RFS would contact the Applicant's Chief Executive Officer.

When performing Client account reconciliations, RFS prepares and maintains written, contemporaneous records as to each discrepancy that include: (i) the Client; (ii) date of the transaction questioned; (iii) the date on which the discrepancy was detected, and by whom; (iv) the nature and significance of the problem or discrepancy; and (v) date and means of resolution.

#### **Item 16. Investment Discretion**

By entering into investment management agreements with its Clients the Applicant assumes complete investment discretion over the assets of those Clients. Specifically, the Applicant is given authority to determine the particular securities and amount of such securities to be bought and sold for each Client. Although Clients of the Applicant typically do not place any limitations on this discretionary authority, the nature and amount of securities to be purchased and sold are determined by the Applicant consistent with its Clients' investment objectives and policies.

#### **Item 17. Voting Client Securities**

The Applicant has adopted proxy voting policies and procedures (the "Proxy Voting Policies and Procedures") in order to comply with Rule 206(4)-6 under the Advisers Act and its associated record keeping requirements. Clients may obtain a copy of the Proxy Voting Policies and Procedures upon request. The Proxy Voting Policies and Procedures apply to those Client accounts (i) that contain voting securities; and (ii) for which the Applicant has authority to vote Client proxies. The Proxy Voting Policies and Procedures will be reviewed and, as necessary, updated periodically to address new or revised proxy voting issues. Other similar rights such as consent rights shall be evaluated on a case by case basis.

Pursuant to the Proxy Voting Policies and Procedures and the Applicant's fiduciary duties, the Applicant will vote Client proxies as part of its authority to manage, acquire and dispose of account assets. Clients do not direct such voting by the Applicant. The Applicant acknowledges that it is part of its fiduciary duty to its Clients to vote Client proxies, except in cases in which the cost of doing so, in the opinion of the Applicant, would exceed the expected benefits to the Client. This may be particularly true in the case of non-U.S. securities. While the proxy voting process is well established in the United States and other developed markets with a number of tools and services available to assist an investment manager, voting proxies of non-U.S. companies located in certain jurisdictions, particularly emerging markets, may involve a number of logistical problems that may have a detrimental effect on the Applicant's ability to vote such proxies.

When voting proxies for Client accounts, the Applicant's primary objective is to make voting decisions solely in the best interests of the Clients. In fulfilling its obligations to Clients, the Applicant will act in a manner deemed to be prudent and diligent and which is intended to

enhance the economic value of the underlying securities held in Client accounts. It is the policy of the Applicant in voting proxies to consider and vote each proposal with the objective of maximizing long-term investment returns for its Clients.

The Applicant will vote its Clients' proxies in the best interests of its Clients and not its own best interests. In voting Client proxies the Applicant will avoid material conflicts of interest between the interests of the Applicant and its affiliates on the one hand and the interests of its Clients on the other. The Applicant recognizes that it could have a material conflict of interest in voting a Client proxy where (i) it manages assets, administers employee benefit plans, or provides brokerage, underwriting or insurance to companies whose management is soliciting proxies; (ii) it manages money for an employee group that is the proponent of a proxy proposal; (iii) it has a personal relationship with participants in a proxy solicitation or a director or candidate for director; or (iv) it otherwise has a personal interest in the outcome in a particular matter before shareholders. Notwithstanding the above categories, the Applicant understands that the determination of whether a "material conflict" exists depends on all of the facts and circumstances of the particular situation. The Applicant acknowledges the existence of a relationship of the type discussed above, even in the absence of any active efforts to solicit the investment adviser with respect to a proxy vote, is sufficient for a material conflict to exist.

A copy of the proxy statement and cast vote are kept on file. Clients may contact the Applicant to request information regarding how their proxies have been voted.

**Item 18. Financial Information**

This item is not applicable at this time.

**Item 19. Requirements for State-Registered Advisers**

This item is not applicable at this time.

## **Part 2B. Brochure Supplement for Mr. Alphonse Fletcher, Jr.**

### **Item 1. Cover Page**

Mr. Alphonse Fletcher, Jr.  
Fletcher Asset Management, Inc.  
48 Wall Street, New York NY, 10005  
212-284-4800; Fax: 212-284-4801

March 31, 2012

This brochure supplement provides information about Mr. Alphonse Fletcher, Jr. that supplements the Fletcher Asset Management, Inc. brochure. This supplement is attached to that brochure. Please contact the Applicant's Chief Compliance Officer if you did not receive Fletcher Asset Management's brochure or if you have any questions about the contents of this supplement.

### **Item 2. Educational Background and Business Experience**

Born in 1965, Mr. Fletcher founded the Applicant in 1991 and currently serves as Director, Chairman and Chief Executive Officer. Prior to founding the Applicant Mr. Fletcher was employed as Senior Vice-President for General Electric Company's Kidder, Peabody & Co. division where he created and managed one of the most profitable teams investing the firm's own capital. Prior to that Mr. Fletcher was a Vice-President in a similar group at Bear, Stearns, & Co. Inc. Mr. Fletcher graduated from Harvard College while cross-enrolled at MIT and then went on to receive a Master's degree in Environmental Management from Yale University. Mr. Fletcher has also served as a 1st Lieutenant with the U.S. Air Force Ready Reserve.

### **Item 3. Disciplinary Information**

Mr. Fletcher has not been involved in any legal or disciplinary events that would be material to a Client's or prospective Client's evaluation of the Applicant's advisory business or the integrity of the Applicant's management.

### **Item 4. Other Business Activities**

Mr. Fletcher is not actively engaged in any investment-related business or occupation other than his position with the Applicant nor is he engaged in any other business activity or activities that provide a substantial source of his income or involve a substantial amount of his time.

### **Item 5. Additional Compensation**

Mr. Fletcher does not receive any economic benefit from any person who is not a Client of the Applicant for providing advisory services.

**Item 6. Supervision**

The Applicant uses a team structure to provide Clients with investment advice. Within that team structure there is a significant amount of exchange and interaction to discuss and develop investment advice and any advice provided to Clients is therefore the product of collaboration and consequently oversight by multiple employees of the Applicant.

## **Part 2B. Brochure Supplement for Mr. Kell Byron Benson**

### **Item 1. Cover Page**

Mr. Kell Byron Benson  
Fletcher Asset Management, Inc.  
48 Wall Street, New York NY, 10005  
212-284-4800; Fax: 212-284-4801

March 31, 2012

This brochure supplement provides information about Mr. Kell Byron Benson that supplements the Fletcher Asset Management, Inc. brochure. This supplement is attached to that brochure. Please contact the Applicant's Chief Compliance Officer if you did not receive Fletcher Asset Management's brochure or if you have any questions about the contents of this supplement.

### **Item 2. Educational Background and Business Experience**

Born in 1947, Mr. Benson joined the Applicant in April 1996 and currently serves as Director and Vice-Chairman. Mr. Benson focuses on company analysis and transaction structuring for the Applicant. Prior to joining the Applicant Mr. Benson served at Zenith Electronics Corporation as Senior Vice-President, Finance and Chief Financial Officer. In 1992, while he was Chief Financial Officer of Zenith, Mr. Benson selected the Applicant as a source of equity capital and negotiated what would be the Applicant's first direct investment. Mr. Benson received his M.B.A. from the Wharton School of the University of Pennsylvania and his B.A. in Economics with High Honors from Denison University. Mr. Benson is a veteran of the United States Army.

### **Item 3. Disciplinary Information**

Mr. Benson has not been involved in any legal or disciplinary events that would be material to a Client's or prospective Client's evaluation of the Applicant's advisory business or the integrity of the Applicant's management.

### **Item 4. Other Business Activities**

Mr. Benson is not actively engaged in any investment-related business or occupation other than his position with the Applicant nor is he engaged in any other business activity or activities that provide a substantial source of his income or involve a substantial amount of his time.

### **Item 5. Additional Compensation**

Mr. Benson does not receive any economic benefit from any person who is not a Client of the Applicant for providing advisory services.



**Item 6. Supervision**

The Applicant uses a team structure to provide Clients with investment advice. Within that team structure there is a significant amount of exchange and interaction to discuss and develop investment advice and any advice provided to Clients is therefore the product of collaboration and consequently oversight by multiple employees of the Applicant.

## **Part 2B. Brochure Supplement for Mr. Stewart Alan Turner**

### **Item 1. Cover Page**

Mr. Stewart Alan Turner  
Fletcher Asset Management, Inc.  
48 Wall Street, New York NY, 10005  
212-284-4800; Fax: 212-284-4801

March 31, 2012

This brochure supplement provides information about Mr. Stewart Alan Turner that supplements the Fletcher Asset Management, Inc. brochure. This supplement is attached to that brochure. Please contact the Applicant's Chief Compliance Officer if you did not receive Fletcher Asset Management's brochure or if you have any questions about the contents of this supplement.

### **Item 2. Educational Background and Business Experience**

Born in 1958, Mr. Turner first worked with the Applicant in 1998 and currently serves as a Director and assists in the management of the firm and the portfolio. Prior to joining FAM, Mr. Turner was President of Eagle Options, LLC, an options market maker firm on the American Stock Exchange. Previously, he was a proprietary trader at both Mitoric Trading, Inc. and Bear, Stearns & Co. Mr. Turner graduated Summa Cum Laude from Princeton University with a B.S.E. in Civil Engineering and received his M.B.A. with distinction from The Wharton School of the University of Pennsylvania.

### **Item 3. Disciplinary Information**

Mr. Turner has not been involved in any legal or disciplinary events that would be material to a Client's or prospective Client's evaluation of the Applicant's advisory business or the integrity of the Applicant's management.

### **Item 4. Other Business Activities**

Mr. Turner serves as a director for a number of entities in the Richcourt Group, which is a non-U.S. manager of funds of hedge funds owned by affiliates of the Applicant. Mr. Turner serves as a director for management companies and investment funds associated with the Richcourt Group. As a hedge fund of funds, the Richcourt Group does not pursue the same investment opportunities as those generally followed by the Applicant and therefore there should not generally be conflicts of interest between the Applicant and the Richcourt Group. In the case that any conflicts of interest do arise between the Richcourt Group and the Applicant or its affiliates, Mr. Turner will act in accordance with the fiduciary duties that he owes to any relevant parties and will treat all parties fairly.

Mr. Turner is not actively engaged in any other investment-related businesses or occupations other than his position with the Applicant nor is he engaged in any other business activity or activities that provide a substantial source of his income or involve a substantial amount of his time.

**Item 5. Additional Compensation**

Mr. Turner does not receive any economic benefit from any entity which is not related to the Applicant for providing advisory services.

**Item 6. Supervision**

The Applicant uses a team structure to provide Clients with investment advice. Within that team structure there is a significant amount of exchange and interaction to discuss and develop investment advice and any advice provided to Clients is therefore the product of collaboration and consequently oversight by multiple employees of the Applicant.

