

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

### **Item 1: Cover Page**

Name: Forum Asset Management, LLC

Business Address: 733 THIRD AVENUE  
24<sup>TH</sup> FLOOR  
New York, NY 10017

Contact Information: Werner Graser  
Chief Compliance Officer  
Phone: 212-599-2781  
Email: wgraser@forumhedge.com

Website Address: [www.forumhedge.com](http://www.forumhedge.com)<http://www.forumhedge.com/>

Date: January 17, 2012

**This brochure provides information about the qualifications and business practices of Forum Asset Management, LLC (“Forum”). If you have any questions about the content of this brochure, please contact us at phone number: 212-599-2781 or email: [info@forumhedge.com](mailto:info@forumhedge.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

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

**Forum is a registered investment adviser. The fact that Forum is registered does not imply a certain level of skill or training.**

## **Item 2: Material Changes**

The ownership structure of the firm changed effective December 20, 2011. Dr Ray Bakhramov has become the firm's Chief Investment Officer, Managing Member and sole owner. Mr. Americo Da Corte will stay in the firm with responsibility for managing the non-investment side of the business. Mr. Jose Pedreira will continue as lead Portfolio Manager of the Forum Absolute Return Fund Limited.

## **Item 3: Table of Contents**

	<u>Page</u>
Item 1: Cover Page	1
Item 2: Material Changes	2
Item 3: Table of Contents	2
Item 4: Advisory Business	3
Item 5: Fees and Compensation	3
Item 6: Performance-Based Fees and Side-by-Side Management	4
Item 7: Types of Clients	4
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	4
Item 9: Disciplinary Information	14
Item 10: Other Financial Industry Activities and Affiliations	14
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	15
Item 12: Brokerage Practices	15
Item 13: Review of Accounts	17
Item 14: Client Referrals and Other Compensation	17
Item 15: Custody	17
Item 16: Investment Discretion	18
Item 17: Voting Client Securities	18
Item 18: Financial Information	18
Item 19: Requirements for State-Registered Advisers	18

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

Forum has been in business since 2001. Forum had previously operated as LW Asset Management, LLC. Forum is solely owned by Dr. Ray Bakhramov.

Forum specializes in identifying investment opportunities in emerging markets. The term “emerging markets” as it is used in this Firm Brochure generally means those countries that are considered to be developing countries by the World Bank, the International Finance Corporation or the United Nations or its agencies.

Forum primarily provides investment advice to clients that are unregistered investment companies, commonly known as hedge funds. In addition, Forum currently acts as a sub-advisor, and provides investment advice to an independent investment adviser of a non-affiliated hedge fund. Forum tailors its advisory services to the particular needs of its clients. Forum enters into investment advisory agreements with its clients in which they agree to the type of advisory services Forum will perform.

As of January 1, 2012, Forum managed \$ 415,920,684 in assets on a discretionary basis and approximately \$ 72,192,520 on a non-discretionary basis.

#### **Item 5: Fees and Compensation**

Forum charges each of its hedge fund clients a monthly management fee based on the amount of assets that Forum manages. The management fee is calculated and due monthly in arrears and paid from client assets. Forum charges all but one of its hedge fund clients a quarterly performance based fee, which is payable in arrears, paid from client assets and is subject to a loss carryforward. One of Forum’s hedge fund clients does not pay a performance based fee directly to Forum. Rather, one of Forum’s affiliates, Forum Investment Partners, LLC, the General Partner of this hedge fund client, receives a performance based incentive allocation subject to a loss carryforward.

Forum’s investment adviser client does not pay a management fee but pays a performance based fee, subject to a loss carryforward. Forum bills this client directly for fees incurred (and does not have the authority to deduct them from client assets) at the end of the performance period.

Forum’s clients indirectly incur brokerage fees, other transaction costs, custodial fees and administration fees in connection with the assets that Forum manages for them. *See also* “Item 12, Brokerage Practices.”

#### **Item 6: Performance-Based Fees and Side-By-Side Management**

All of Forum’s clients pay a performance based fee or are subject to a performance based allocation. All but one of Forum’s clients pay a flat management fee based on the dollar amount of assets under management. Because all of Forum’s clients are subject to performance based fees/allocation, Forum does not have an incentive to favor certain clients over others based on its compensation agreements with its clients.

#### **Item 7: Types of Clients**

Forum currently provides investment advice to clients that are either unregistered investment companies (commonly known as hedge funds) and to an investment adviser of a hedge fund to which Forum acts as a sub-adviser.

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

### **Methods of Analysis, Investment Strategies and General Risk of Loss of Investing in Securities and Financial Instruments**

Forum focuses primarily on identifying investment opportunities in emerging markets. Forum takes positions in both publicly-traded and privately placed securities and financial instruments. The securities/financial instruments in which Forum may invest include but are not limited to sovereign debt, private sector debt, equities, convertible securities, foreign currency transactions, restricted securities, loans and loan participations, interest rate/cross currency swaps, credit default swaps, commodities, futures and options and warrants. Forum may also directly or indirectly invest in asset-backed transactions, structured financial products, subordinated and distressed asset-backed securities, collateralized debt obligations, commercial mortgage-backed securities and collateralized mortgage obligations. Forum may buy securities on margin and arranges with banks, brokers and others to borrow money against a pledge of securities in order to employ leverage.

Forum utilizes fundamental, top down macroeconomic analyses to attempt to identify and exploit what it believes are overpriced and under-priced investment opportunities. Forum buys or sells short based on its evaluation of the fair value of the investment opportunities that it identifies. In other words, Forum seeks to construct a portfolio that can profit from both bull and bear markets. As part of its macroeconomic analysis, Forum examines growth rates, debt/GDP ratios, fiscal and current account balances, funding needs, inflation, demographics, flow of funds and liquidity of the emerging markets in which Forum may invest.

Complementing its macroeconomic analysis, Forum also deploys a bottom up analysis to determine the asset classes and individual financial instruments that it believes will best exploit investments that it identifies. As part of its bottom up analysis, Forum assesses the following elements: sovereign credit analysis, sovereign versus private sector debt analysis, debt versus equity analysis, seniority of debt analysis, analysis of instrument liquidity, quantitative analysis, market technical analysis and momentum analysis. Each of these types of analyses is discussed in more detail below.

*Sovereign Credit Analysis.* Forum assesses each country's ability to pay its debt obligations. This entails analyzing the country's debt burden (i.e., ratio of debt to gross domestic product and debt to exports), fiscal situation, balance of payments (i.e., trade balance and dependence on foreign investment), private sector savings rate, soundness of its banking system, access to foreign currencies and debt repayment schedule. Forum also assesses the country's willingness to pay its debt obligations by analyzing its past payment history and its political and social environment. This analysis provides Forum with a basis upon which to select the sovereign debt for long or short term investments.

*Sovereign Versus Private Sector Debt Analysis.* Forum will assess the relative merits of investing in any single country, sovereign versus private sector debt based on a relative liquidity and risk-return analysis. To invest in private sector debt, Forum assesses the ability of each specific issuer to pay its debt obligations. This credit analysis is based on standard lending due diligence procedures conducted by commercial banks. Key to Forum's analysis is attaining a high level of comfort with (a) the quality and experience of the borrower's management, (b) the borrower's ability to generate hard currency (i.e.

exports), (c) the borrower's ability to generate enough cash flow to avoid excessive reliance on local short term borrowings, (d) the borrower's past payment history, (e) the borrower's competitive position in its local and foreign markets and (f) the institution's asset quality and leverage.

*Debt versus Equity Analysis.* Forum may invest in equity securities based on a top-down analysis of macroeconomic considerations as well as a fundamental analysis of individual issuers. Selective equity investments may be made when valuation discrepancies provide for significantly higher rates of return using equity securities as opposed to debt. Equity securities may also provide an efficient hedging mechanism against debt investments.

*Analysis of Seniority of Debt.* Forum assesses the perceived and actual seniority of a particular debt instrument. Forum believes that, in times of crisis, countries selectively default on and/or restructure their debt obligations. On the basis that "not all debt obligations (of a particular country) are created equal," Forum analyzes the following characteristics of a particular debt instrument: (a) payment history, (b) nature of the holders of the specific debt issue, (c) any potential attempt by a country to preserve a sector of the market open to future access, (d) difficulty in negotiating restructuring terms pertaining to a specific debt issue, and (e) legal and jurisdictional issues.

*Instrument Liquidity Analysis.* Forum pays particular attention to the market liquidity of its investments. Forum closely manages its investment positions in times of crisis in order to minimize (to the extent possible) volatility; hence market liquidity of investments is crucial.

*Quantitative Analysis.* Forum believes that the discrepancies in the valuations of some debt, equity and foreign exchange instruments are relatively widespread, and give rise to opportunities for cross-asset class arbitrage. Forum also believes that mathematical arbitrage and other valuation discrepancies should be taken alongside a historical context and deep understanding of the region. For example, significant yield differentials between two securities of comparable credit and duration may be the result of different market perceptions as to the relative seniority of the obligations because of historical (not legal) reasons. Discrepancies in valuation may also result from the use of, at times, drastically different discount rates, as the cost of funding (or leveraging) varies within the universe of credit investments.

*Technical Analysis.* Forum will analyze a security's historical prices in an effort to determine probable future prices. This is done by comparing current price action with the comparable historical price action to predict a reasonable outcome. Among the different tools Forum uses for its technical analysis are advance/decline ratios, bull/bear ratios, Elliot Wave Theory, Fibonacci Studies, MACD, Money Flow Index, Moving Averages and Relative Strength Index.

*Momentum Analysis/Trading.* This is a term used for selecting investment securities based on the recent price movements of the securities, and the market's level of interest in the securities. Momentum trading assumes the market action of a security is indicating something investors need to know. It assumes the market is the truth teller of the real value of an asset. By using this technique, Forum follows securities that are moving up or down, on big volume, and buys or sells. Forum will in most cases be a seller when the momentum stops. Forum will look for volume signals, liquidity of the underlying instrument, and size of the issue, before taking any action.

Like all investments, the securities and financial instruments in which Forum invests may not be profitable. The types of investments that Forum makes are considered speculative and its clients may lose most or all of their investment. In addition to the general risk of loss for any investment, investing in emerging markets involves specific risks as does the other aspects of Forum's investment strategy. The

type of securities and financial instruments in which Forum invests also pose specific risks. These risks are discussed below.

### Specific Risks Regarding Investment Strategy

#### *Emerging Market Risk*

Investing in emerging market securities and financial instruments poses risks that are not present when investing in the United States, Western Europe, parts of Asia and other developed countries. Non-U.S. securities markets generally are not as developed or efficient as those in the United States. The following risks should be considered with respect to investing in emerging markets:

*Political, Social and Economic Factors.* Many emerging markets are subject to a greater degree of economic, political, and social instability than is the case in the United States, Western Europe and parts of Asia. This instability may result from, among other things: (i) authoritarian governments or military involvement in political and economic decision-making, including changes in government through extra-constitutional means and the imposition or strengthening of control on foreign investment and/or repatriation of capital and income; (ii) popular unrest associated with demands for improved political, economic and social conditions; (iii) internal insurgencies; (iv) hostile relations with neighboring countries; and (v) ethnic, religious, and racial disaffection. This social, political, and economic instability significantly increases the risk of, and could significantly adversely affect the value of, investments in emerging markets.

The economies of countries in emerging markets are heavily dependent upon international trade and, accordingly, are affected by protective trade barriers and the economic conditions of their trading partners, which are principally the United States, Japan, China, and the European Economic Community. The enactment by the United States or other principal trading partners of protectionist trade legislation or the imposition of import duties by any of them, distressed economic conditions affecting these or other trading partners, or a reduction of foreign investment in the local economies could have a significant adverse effect upon business conditions in emerging markets and the value of investments in those markets.

In addition, governments in certain emerging markets participate to a significant degree, through ownership interests or regulation, in their respective economies. Action by these governments could have a significant adverse effect on the value of any investments in emerging markets.

*Legal System.* Many of the countries in emerging markets generally are subject to laws and legal standards that differ materially from those applicable to U.S. companies. These standards have a material impact on the general economic and political environments in each of the countries, as well as the businesses conducted in emerging markets. With notable exceptions, the trend of legislation over the last decade has significantly enhanced the protection afforded foreign investment and has in general improved the legal climate for business. There can be no assurance that this trend in economic legislation will not be slowed, curtailed or reversed, particularly in the event of a change in leadership, social disruption, or other circumstances affecting the social, political, or economic status of countries in emerging markets. Such a shift could have a material adverse effect on emerging markets investment.

*Reporting Standards.* Emerging markets issuers are frequently subject to accounting, auditing and financial standards that differ significantly from those applicable to the United States, Western European or Japanese issuers. Balance sheet and income statement data appearing in the financial statements of

emerging markets issuers may not reflect the financial position or results of operations of such issuers in the same way as financial statements prepared in accordance with generally accepted accounting principles in the United States, Western Europe or Japan. Emerging markets issuers that operate in certain inflationary economies may be required to keep records according to inflation accounting rules that require that certain balance sheet assets and liabilities be restated annually in order to express such items in terms of currency of constant purchasing power. This process may indirectly generate losses or profits. In emerging markets generally, there is substantially less publicly available information about issuers than in more developed markets.

*Foreign Currency and Exchange Rates.* Much of the income and assets of the companies in emerging markets in which Forum invests will be denominated in local currencies. To the extent that the U.S. dollar appreciates relative to these currencies, the U.S. dollar value of these investments is likely to be adversely affected. In addition, the ability to convert freely between the U.S. dollar and the local currencies may be restricted or limited from time to time and exchange rates and currency conversion may be controlled directly or indirectly by governments or selected entities. Moreover, hedging many emerging market currencies may be impractical or expensive.

*Investment and Repatriation Restrictions.* Foreign investment in several of the countries in emerging markets is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude investment in certain countries and may increase expenses related to Forum's emerging market investments. For example, certain countries may require governmental approval or may restrict investment opportunities in companies or industries deemed important to national interests. In addition, the repatriation of both investment income and capital from several emerging markets is subject to restrictions such as the need for certain government consents or waiting periods.

*Inflation.* Many of the economies in emerging markets have experienced substantial, and in some periods extremely high, rates of inflation for several years. Inflation and rapid currency fluctuations have had and may continue to have negative effects on the economies of certain countries in emerging markets. Wage and price controls have been imposed at times in certain countries in an attempt to control inflation.

*Due Diligence May be Difficult.* Disclosure, accounting and other regulatory standards in emerging markets are, in many respects, different from standards in the United States and certain European countries. This may result in a lack of adequate or accurate information regarding prospective portfolio companies. Accordingly, there can be no assurance that the due diligence investigation carried out by Forum in respect of any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating that opportunity.

*Claims Against Foreign Entities.* Any claim, judgment or arbitration award against any foreign broker, or any other foreign entity or any of their respective principals, officers, directors, members or employees, might ultimately have to be enforced in a foreign jurisdiction under foreign laws and procedures. There are substantial risks, uncertainties and delays inherent in litigation in such jurisdictions.

*Foreign and Withholding Taxes.* Certain foreign investments may be subject to taxes, including withholding taxes, or to changes in the rates or methods of taxation applicable to Forum, or to the entities in which Forum has invested.

*Rating Criteria for Emerging Market Debt Securities.* No rating criteria have been established for many of the debt securities in which Forum may invest. Securities of emerging markets issuers often are not rated at all for creditworthiness and are considered to be speculative. In purchasing such securities,

Forum will analyze the creditworthiness of the issuer of such securities, its financial resources, its sensitivity to economic conditions and trends, its operating history and the quality of its management and regulatory matters. No assurance can be made that Forum's analysis will be correct. Forum may purchase debt securities that are in default or that Forum believes will be in default. Forum may invest in low rated or unrated debt securities. Low rated securities (considered to be those that are below "investment grade") are the equivalent of high yield, high risk bonds, commonly known as "junk bonds." These securities are generally considered to be speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations.

*Illiquidity of Emerging Market Securities.* Forum may have difficulty disposing of emerging markets debt or equity securities because there may be a thin trading market for such securities. To the extent that a secondary trading market does exist in an emerging market issuer's securities, it is generally not as liquid as the secondary market for non-emerging markets securities. Reduced secondary market liquidity may have an adverse impact on market price and the ability to dispose of particular issues when necessary to meet liquidity needs or in response to specific economic events such as deterioration in the creditworthiness of the issuer. Market quotations are generally available on many emerging markets securities only from a limited number of dealers and may not necessarily represent firm bids of such dealers or prices for actual sales. To the extent that illiquid investments restrict Forum's ability to raise cash when needed, such illiquidity may result in borrowings by Forum in order to meet short-term cash requirements.

#### *Risk of Investment Strategy Not Specifically Related to Emerging Markets*

*Leverage.* Forum may use leverage. The use of leverage creates opportunities for greater total return, but also increases the risk of losses. A relatively small movement in the market prices of the instruments purchased with leverage can result in immediate and substantial loss. Purchasing on margin increases the risk of having to sell at a time when market prices are declining in order to meet margin calls.

*Hedging Transactions.* Forum may utilize financial instruments such as forward contracts and currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of its emerging markets investment positions as a result of changes in currency exchange rates and market interest rates. Hedging against a decline in the value of a position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus offsetting the decline in the positions' value. Such hedge transactions also limit the opportunity for gain if the value of the position should increase.

The success of hedging transactions will be subject to the ability to correctly predict movements in and the direction of currencies and interest rates. Therefore, while Forum may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in a poorer overall performance than if it had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the underlying positions being hedged may vary. Moreover, for a variety of reasons, Forum may not seek to establish a perfect correlation between such hedging instruments and the instruments being hedged. This imperfect correlation may prevent Forum from achieving the intended hedge or expose it to risk of loss.

*Recent Developments in Global Credit Markets.* Recently, declines in the market value of asset-backed securities, especially securities backed by subprime mortgages, have been concomitant with the



occurrence of significant market events. Increasing credit and valuation problems in the subprime mortgage market have generated extreme volatility and illiquidity in the markets for securities directly or indirectly exposed to subprime mortgage loans. This volatility and illiquidity has extended to the global credit and equity markets generally, and, in particular, to the high-yield bond and loan markets, exacerbated, among other things, by growing uncertainty regarding the extent of the problems in the mortgage industry and the degree of exposure of financial institutions and others, decreased risk tolerance by investors and significantly tightened availability of credit. The duration and ultimate effect of current market conditions cannot be predicted, nor is it known whether or the degree to which such conditions may worsen. However, the continuation of current market conditions, uncertainty or further deterioration could result in further declines in the market values of investments or declines in the market values of subsequently purchased investments. Such declines could lead to diminished investment opportunities for Forum, prevent it from successfully executing its investment strategies or require Forum to dispose of subsequently purchased investments at a loss while such adverse market conditions prevail.

*Short Sales.* Forum may sell securities short. Short selling involves the sale of a security that one does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. Selling securities short risks losing an amount greater than the proceeds received. Theoretically, securities sold short suffer from an unlimited risk of loss because there is no limit on how high the price of security may rise before the short position is closed.

#### Risks Related to Specific Securities/Financial Instruments

##### *Restricted and Illiquid Securities*

Forum invests in securities that may be restricted or illiquid. Restricted securities are securities that may not be resold to the public without an effective registration statement under the Securities Act of 1933 or, if they are unregistered, may be sold only in a privately-negotiated transaction or pursuant to an exemption from registration. Restricted and other illiquid investments involve the risk that the securities cannot be sold at the time desired by Forum or at prices approximating the value Forum has determined. Difficulty in selling illiquid investments could impair Forum's ability to meet repurchase requests or to pay its fees and expenses. Further, issuers whose securities are not publicly-traded may not be subject to public disclosure and other investor protection requirements applicable to publicly-traded securities.

##### *When-Issued and Delayed Delivery Securities*

Forum may purchase securities on a when-issued or delayed delivery basis, for payment and delivery at a specified, later date. The price and yield of such a security are generally fixed on the date of the commitment to purchase. During the period between purchase and settlement, no interest will accrue. At the time of settlement, the market value of the security may be more or less than the purchase price and, accordingly, Forum may realize an immediate gain, but also bears the risk of having an unrealized loss at the time of delivery.

##### *Sovereign Debt*

Forum invests in securities issued by an emerging markets government, its agencies, instrumentalities or its central bank ("sovereign debt"), which involve significant risk. Sovereign debt issued by many emerging markets is considered to be below investment grade, and should be viewed as speculative with respect to the issuing government's ability to make payments of interest and principal. Many individual emerging markets are large debtors to commercial banks, foreign governments and international financial

organizations. Some emerging markets have encountered difficulties in servicing their external debt obligations. These difficulties have led to agreements to restructure these debts, typically by rescheduling principal payments, reducing interest rates and principal amounts and extending new credit to finance interest payments on existing debt. Certain countries have not been able to make payments of interest on or principal of sovereign debt as such payments have come due. At times, certain emerging markets have declared moratoriums on the payment of principal and/or interest on outstanding debt.

There may be limited legal recourse in the event of default. Sovereign debt obligations differ from those of private entities in that generally remedies from defaults may have to be pursued in the courts of the defaulting party itself, which may be especially difficult in an emerging market. Bankruptcy, moratorium and other similar laws applicable to issuers of sovereign debt may be substantially different in emerging markets than in other countries.

#### *Interest Rate Changes*

The debt securities in which Forum may invest have varying levels of sensitivity to changes in interest rates. In general, the price of a debt security can fall when interest rates rise and can rise when interest rates fall. Securities with longer maturities are more sensitive to interest rate changes. In other words, the longer the maturity of a security, the greater the impact a change in interest rates will have on the security's price. In addition, short-term and long-term interest rates do not necessarily move in the same amount or the same direction, this is commonly referred to as yield curve risk. Short-term securities tend to react to changes in short-term interest rates, and long-term securities tend to react to changes in long-term interest rates. While Forum does not intend to speculate on the direction of interest rates, the nature of some debt securities in which Forum may invest may require Forum to have an interest rate bias from time to time.

#### *Derivatives Generally*

Forum invests in derivatives, which include options, swaps, futures, structured securities and other instruments and contracts that are derived from or the value of which is related to one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset.

The value of a derivative is frequently difficult to determine and depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are leveraged they provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Fund to the possibility of a loss exceeding the original amount invested. Over-the-counter derivatives generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for derivatives is relatively illiquid.

#### *Loan Participations*

Forum may invest in loan participations. Investment in loan participations involves certain risks additional to those associated with direct loans. A loan participant has no contractual relationship with

the borrower of the underlying loan. As a result, the participant is generally dependent upon the lender to enforce its rights and obligations under the loan agreement in the event of a default and may not have the right to object to amendments or modifications of the terms of such loan agreement. A participant in a syndicated loan generally does not have typical creditors' rights, which are retained by the lender. In addition, a loan participant is subject to the credit risk of the lender as well as the borrower, since a loan participant is dependent upon the lender to pay to it its percentage of payments of principal and interest received on the underlying loan.

#### *Futures and Options Trading*

Forum may trade commodity futures and options. Futures trading is very speculative, largely due to the traditional volatility of futures prices and the leverage inherent in futures trading. Futures prices are affected by and may respond rapidly to a variety of factors including, but not limited to market and news reports, interest rates, national and international political or economic events, and domestic or foreign trade, monetary or fiscal policies or programs. Such rapid response might include an opening price on an affected futures contract sharply higher or lower than the previous day's close. In such an instance, Forum might be unable to adjust its positions in time to avoid a loss. Moreover, commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day no trades may be executed at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can be neither taken nor liquidated unless traders are willing to effect trades at or within the limit. Commodity futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent Forum from promptly liquidating unfavorable positions which could create substantial losses.

#### *Asset-Backed Securities*

Forum invests in asset-backed securities, which are bonds or notes backed by financial assets. These securities are subject to many of the risks previously discussed with respect to other debt securities. Asset-backed securities are also subject to risk associated with pre-payment and non-payment of the underlying financial asset upon which these securities are based.

#### *Distressed Securities and Special Situation Positions*

Forum may engage in transactions in securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganizations and liquidation proceedings. Although such transactions may produce significant returns, they involve a high degree of risk over a potentially lengthy period of time, than positions in healthier companies, including adverse business, financial or economic conditions that can lead to defaulted principal and interest payments and insolvency proceedings. Trading in these types of securities requires sophisticated analysis (and often it is difficult to obtain information) and there can be no assurance that Forum will accurately predict various factors that could affect the prospects of a successful restructuring. Many of these positions ordinarily remain stagnant until the company reorganizes and/or emerges from bankruptcy proceedings, and, as a result, may have to be held for an extended period of time.

In liquidations, bankruptcies, recapitalizations and other forms of corporate reorganization, there exists

the risk that the reorganization either will be unsuccessful (for example, for failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Fund of the security in respect of which such distribution was made.

These types of securities require active monitoring and may, at times, require participation in bankruptcy or reorganization proceedings by Forum. To the extent that Forum becomes involved in such proceedings, Forum may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, Forum's participation in such proceedings may restrict or limit its ability to trade securities of the subject company.

Distressed securities are frequently illiquid, for example as a result of the suspension of trading in certain markets, delays in registering securities and uncertainties arising from litigation and uncertain valuations. Distressed positions may also be adversely affected by laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market price of such securities is subject to abrupt and erratic market movements and above average price volatility and the spread between the bid and asked prices of such instruments may be greater than normally expected.

#### *Structured Products*

Forum may invest in structured products such as collateralized bond obligations, collateralized debt obligations, collateralized loan obligations, and collateralized mortgaged-backed securities. These and other structured products may be subject to credit, liquidity and interest rate risk, in addition to the risk of default. The collateral pledged to secure the notes of any structured product may be high-yield debt obligations, emerging market debt obligations and/or loans or participation interests in loans, which may be rated below investment grade or unrated and therefore have greater credit and liquidity risk than investment grade bonds.

#### **Item 9: Disciplinary Information**

Prior to the date hereof, neither Forum nor any management person of Forum has been the subject of any material criminal, civil or administrative action, suit or proceeding within the last ten years.

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

The sole owner of Forum is Dr. Ray Bakhramov. Dr. Bakhramov is also sole owner of Forum Investment Partners (BVI), Ltd. and Forum Investment Partners, LLC, which serve as the general partner entities of Forum Global Opportunities Master Fund, LP (the "Master Fund") and Forum Global Opportunities Fund, LP (the "Feeder Fund"), respectively. The Feeder Fund invests substantially all of its assets in the Master Fund. All of the entities described above are jointly and severally engaged as a master-feeder fund structure with Forum as the investment advisor.

Dr. Bakhramov is a director of Forum Asset Based Investment Fund Ltd., a Cayman Islands company and Forum Absolute Return Fund Ltd., a British Virgin Islands company each of which is a hedge fund to which Forum provides investment advice.

Werner Graser is a managing director and the chief compliance officer of Forum. Mr. Graser is registered with the Financial Industry Regulatory Authority as a registered representative and principal of

Mann Mann Jensen Partners LP (“MMJ”), a registered broker-dealer. None of Forum’s other management persons are registered as a representative of a broker-dealer.

Forum compensates MMJ for soliciting investors for certain of the Forum hedge funds to which Forum provides investment advice. Forum pays MMJ a portion of the management fees and performance based fees and allocations it receives in connection with amounts invested by an investor introduced by MMJ to the Forum funds. Investors in the Forum funds are not charged the fees that Forum has agreed to pay MMJ for investor introductions.

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

Forum has adopted a Code of Ethics pursuant to SEC Rule 204A-1 of the Investment Advisers Act. Forum will provide a copy of its Code of Ethics to any client or prospective client upon request. Each of Forum’s employees is required to read, understand and comply with Forum’s Code of Ethics, which is designed to ensure that Forum complies with applicable laws and regulations in an ethical and professional manner. The Code of Ethics governs and restricts personal investment transactions by Forum’s employees. The Code of Ethics also addresses Forum’s policies with respect to gifts and entertainment, confidentiality obligations, the manner in which violations of the Code of Ethics are to be reported and resolved and restrictions of outside activities of Forum’s employees.

Forum’s clients have agreed that Forum can recommend and/or buy or sell the same securities/financial instruments at the same time or after one or more of its other clients already has established a position in a security/financial instrument subject to applicable law and Forum’s Code of Ethics.

Forum may at times determine that certain investments are suitable for more than one of its clients and attempt to purchase or sell short these investments at the same time for multiple clients. If Forum is not able to acquire the desired aggregate amount of such investments on terms and conditions which Forum deems advisable, it will endeavor to allocate in good faith the limited amount of such investments acquired among the various clients for which Forum considers them to be suitable. Forum makes such allocations among its clients based on the followings considerations: relative account sizes, funds available for investment, diversification considerations, the degree of risk involved in the investments acquired, and the extent to which a position in such investments is consistent with the investment policies and strategies of the various clients involved.

When Forum attempts to purchase or sell the same securities at or about the same time for more than one of its clients, Forum will typically use a “batching” procedure, meaning that Forum will place one aggregated order for execution for its clients. In some cases, it is possible that batching orders for different clients may affect adversely the price paid or received or the size of the position purchased or sold. In most cases, however, the practice of batching orders results in brokerage cost savings and block transactions effected at more favorable prices. Forum is not required to aggregate trades but will do so when it believes that it can obtain better prices and lower execution costs.

**Item 12: Brokerage Practices**

Forum is responsible for the placement of the portfolio transactions for its hedge fund clients and the negotiation of any commissions or spreads paid on such transactions. Portfolio investments normally will be purchased through brokers on securities exchanges or directly from the issuer or from an

underwriter or market maker for the investments. Purchases of portfolio investments through brokers may involve a commission to the broker. Purchases of portfolio investments from dealers serving as market makers include the spread between the bid and the asked price.

In placing portfolio transactions and negotiating commission rates, Forum seeks to obtain best execution, taking into account the following factors: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker; (iv) the reputation of the broker; (v) the firm's risk in positioning a block of securities; (vi) efficiency of execution and error resolution; (vii) the quality, comprehensiveness and frequency of available research services considered to be of value; and (viii) the competitiveness of commission rates in comparison with other brokers satisfying Forum's other selection criteria.

Forum is authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with such investment and research information or to pay higher commissions to such firms if Forum determines such prices or commissions are reasonable in relation to the overall services provided. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. Forum is not required to weigh any of these factors equally. Since commission rates in the United States are negotiable, Forum's selection of brokers on the basis of considerations which are not limited to applicable commission rates may at times result in Forum's clients being charged higher transaction costs than they could otherwise obtain.

Receipt by an investment adviser of products and services provided by brokers, without any cash payment by an investment adviser, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment adviser's clients is commonly referred to as "soft dollars." Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a "safe harbor" to investment advisers with respect to potential liability for violating their duty to obtain best execution for a client's securities transactions in circumstances in which such advisers use soft dollars generated by their advised accounts only for purposes of obtaining investment research and brokerage services (i) that provide lawful and appropriate assistance to the investment adviser in the performance of investment decision making responsibilities and (ii) where the commissions paid are reasonable in relation to the value of the services provided.

Forum does not currently engage in any soft dollar transactions and does not intend to engage in any soft dollar transactions other than with respect to products and services which fall within the Section 28(e) safe harbor or where such products or services would otherwise be properly chargeable to Forum's clients.

Forum is not required to allocate either a stated dollar or stated percentage of its brokerage business to any broker for any minimum time period, and will review such relationships from time to time.

### **Item 13:        Review of Accounts**

Forum's client's portfolios are reviewed daily by Forum's portfolio managers and director of risk management. Such reviews include the assessment of daily profit and loss reports with respect to investment positions in a client account. Client investments are evaluated based on performance, company fundamentals, analyst reports, general market conditions, technical analysis and domestic and international events that may affect the investments. Forum's chief compliance officer reviews client portfolios at least quarterly.

Forum receives from the administrator of the Forum hedge funds discussed in Item 10 above written periodic unaudited performance reports monthly and provides them to these clients. The reports contain information used to calculate changes in the Forum managed hedge funds' net asset values. Forum also provides these clients with annual audited financial statements.

Forum provides to its investment adviser client written monthly unaudited reports containing information used to calculate the change in the net asset value of the assets under Forum's management.

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

Forum does not compensate any person for client referrals but does compensate MMJ for referrals of investors who make investments in Forum's hedge fund clients. *See* Item 10.C. Forum is aware of the special requirements relating to marketers under SEC Rule 206(4)-3 under the Investment Advisers Act. Forum has procedures in place to comply with the requirements of Rule 206(4)-3 and to insure that prospective investors in the Forum hedge funds are made aware of the relationship between any marketer (or employee) and Forum and the fees being paid by Forum to such marketer (or employee).

**Item 15: Custody**

Forum may be deemed to have constructive custody of its hedge fund clients' assets because it is authorized to cause a portion of these clients' assets to be withdrawn to pay management and performance fees owed to Forum. Actual custody of Forum's hedge fund clients' assets, however, will be held at a broker-dealer, bank or trust company, not at Forum. Currently, Forum hedge fund clients' assets are custodied at (and transactions cleared and settled by) Citigroup Global Markets, Inc. ("Citi"). Forum is not committed to continue its clearing, brokerage and custodial relationship with Citi for any minimum period, and may enter into custody and clearing relationships with other agents.

**Item 16: Investment Discretion**

Forum has discretionary authority to make investments on behalf of all of its hedge fund clients. Forum is granted such authority in written investment advisory agreements that it has with these clients. Pursuant to these agreements, these clients have not placed limitations on the discretionary investment authority they have granted to Forum.

**Item 17: Voting Client Securities**

Forum generally has authority to vote client securities. Forum has written policies and procedures that are designed so that Forum votes client securities in the best interest of its clients. Forum's

proxy coordinator is generally responsible for determining how to vote client securities. Forum's current proxy coordinator is Americo Da Corte.

Some considerations considered by the proxy coordinator in determining whether a vote is in the best interest of Forum's clients include: the issuer's recommendation on the proposal subject to a vote; whether the proposal may have the effect of entrenching existing management and/or making it less responsive to shareholder concerns; and whether he believes that the issue being voted upon will fairly compensate management for its and/or the issuer's performance. If the proxy coordinator determines that the issue being voted upon is not material then Forum will not be obligated to vote upon on such matter.

The proxy coordinator will attempt to identify any conflicts of interest between Forum and its clients with respect to any proxy statements received. This examination will include a review of the relationships, if any, between Forum and its principals, affiliates and clients, on the one hand, and the issuer of the subject security and such issuer's affiliates, on the other hand. If the proxy coordinator believes that a material conflict exists between the Firm and any of its clients, he will disclose the conflict to the affected clients and give such clients the opportunity to vote their securities themselves, or rely exclusively in making his voting decision on the recommendation of an independent third party who is experienced in advising investment managers regarding proxy voting decisions. Special considerations may apply in cases of conflicts of interest involving ERISA clients. The proxy coordinator will confer with appropriate ERISA counsel in such cases.

Forum's clients may obtain information how Forum voted with respect to their securities upon written request and Forum will provide a written response to the client that lists the name of the issuer; the proposal voted upon; and how Forum voted. Clients may also obtain a copy of Forum's policy for voting proxies upon written request.

**Item 18: Financial Information**

This Item is not applicable to Forum.

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

This Item is not applicable to Forum.