

**ITEM 1  
COVER PAGE**

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**PART 2A OF FORM ADV: FIRM BROCHURE**

**PERSHING SQUARE CAPITAL MANAGEMENT, L.P.**

**March 30, 2012**

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*This brochure provides information about the qualifications and business practices of Pershing Square Capital Management, L.P. (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at 212-813-3700 or [compliance@persq.com](mailto:compliance@persq.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.*

*The Adviser is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply any level of skill or training.*

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

## **ITEM 2**

### **MATERIAL CHANGES**

The Adviser is required to identify and discuss any material changes made to its brochure since the last annual update. There are no material changes to report. If the Adviser makes any material changes to its brochure, this section will be revised to include a summary of these changes.

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## **ITEM 4**

### **ADVISORY BUSINESS**

#### **A. General Description of Advisory Firm.**

The Adviser, Pershing Square Capital Management, L.P., a Delaware limited partnership, commenced operations in 2004 and has its office in New York, New York. William A. Ackman (the “Principal Owner”), as a limited partner of the Adviser and as the managing member of the general partner of the Adviser, PS Management GP, LLC, a Delaware limited liability company, is the principal owner of the Adviser and controls the Adviser. The general partner of the Adviser has ultimate responsibility for the management, the operations and the investment decisions made by the Adviser.

#### **B. Description of Advisory Services.**

##### **1. Advisory Services.**

The Adviser serves as the management company for a number of investment funds including, without limitation, Pershing Square, L.P. (“PS LP”) and Pershing Square II, L.P. (“PS II”), two investment partnerships that are organized under the laws of Delaware (collectively, the “PS Partnerships”). Pershing Square GP, LLC, a Delaware limited liability company affiliated with the Adviser and controlled by Mr. Ackman, serves as the general partner (the “GP”) of the PS Partnerships. The interests in PS LP and PS II are offered on a private placement basis, in compliance with the exemptions provided by Section 3(c)(7) and Section 3(c)(1) of the Investment Company Act of 1940, as amended (the “Company Act”), respectively, to persons who are “accredited investors” as defined under the Securities Act of 1933, as amended (the “Securities Act”), and, in the case of PS LP, “qualified purchasers” (or “knowledgeable employees”) as defined under the Company Act, and subject to other conditions that are set forth in the offering documents for the PS Partnerships.

The Adviser is also the investment adviser to Pershing Square International, Ltd., an investment fund organized under the laws of the Cayman Islands (“PS Ltd” and together with the PS Partnerships, each, a “Fund” and collectively, the “Funds”). The Funds generally implement substantially similar investment objectives, policies and strategies. Shares in PS Ltd are offered on a private placement basis to investors who are not “U.S. Persons,” as defined under Regulation S of the Securities Act, and U.S. tax-exempt entities (or entities substantially comprised of U.S. tax-exempt entities) that are “accredited investors” as defined under the Securities Act and “qualified purchasers,” and subject to other conditions that are set forth in the offering documents for PS Ltd.

The Adviser may, from time to time, serve as the investment adviser or management company for additional funds or products, which may invest alongside the Funds (the “Other Products”). The Adviser expects to launch a new fund, Pershing Square Holdings, Ltd. (“PSH”) in the middle of 2012, which will generally implement substantially similar investment objectives, policies and strategies as the Funds.

As used herein, the term “client” generally refers to each of the Funds.

*This brochure generally includes information about the Adviser and its relationships with its clients and affiliates. While much of this brochure applies to all of*

*those clients and affiliates, there is information included herein that only applies to specific clients or affiliates.*

## **2. Investment Strategies and Types of Investments.**

*The descriptions set forth in this brochure of specific advisory services that the Adviser offers to clients, and investment strategies pursued and investments made by the Adviser on behalf of its clients, should not be understood to limit in any way the Adviser's investment activities. The Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure, that the Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

In seeking to achieve the Funds' objectives, the Adviser may use any investment strategy, long or short, in the global marketplace that it believes will enhance overall performance and, except as described in the Funds' offering documents, there are no restrictions on the securities or other financial instruments that may be used by the Funds. The Funds are authorized and are expected to invest in long and short positions in equity or debt securities of U.S. and non-U.S. issuers (including securities convertible into equity or debt securities); distressed securities, rights, options and warrants; bonds, notes and equity and debt indices; swaps, (including equity, foreign exchange, interest rate, commodity and credit-default swaps), swaptions, and other derivatives; instruments such as futures contracts, foreign currency, forward contracts on stock indices and structured equity or fixed-income products (including without limitation, asset-backed securities, mortgage-backed securities, mezzanine loans, commercial loans, mortgages and bank debt); exchange-traded funds; and any other financial instruments that the Adviser believes will achieve the Funds' investment objectives. The Funds' investments may include both publicly traded and privately-placed securities of public issuers, as well as publicly traded securities of private issuers. The Funds also may invest in securities sold pursuant to initial public offerings. Investments in options on financial indices may be used to establish or increase long or short positions or to hedge the Funds' investments.

The Adviser generally does not believe in the use of a material amount of margin leverage by the Funds because of the potential risk of forced sales at inferior prices in the event of short-term declines in security prices in a margined portfolio. In certain circumstances, the Funds may use derivatives, including equity options, in order to obtain security-specific, non-recourse leverage in an effort to reduce the capital commitment to a specific investment while potentially enhancing the returns on the capital invested in that investment. The Funds may also use derivatives such as equity and credit derivatives and put options to achieve a synthetic short position in a company without exposing the Funds to some of the typical risks of short selling which include the possibility of unlimited losses and the risks associated with maintaining a stock borrow.

The Funds will not make an initial investment in the equity of companies whose securities are not publicly traded (*i.e.*, private equity), but may invest in privately-placed securities of public issuers and publicly traded securities of private issuers. Notwithstanding the foregoing, it is possible that, in limited circumstances, public companies in which the Funds have invested may later be taken private and the Funds may make

additional investments in the equity of such companies. In addition, the Funds may make investments in the debt securities of a private company, *provided* that there is an observable market price for such debt securities.

C. Availability of Customized Services for Individual Clients.

The Adviser intends for the Funds to generally hold, to the extent practicable, similar securities and financial instruments relative to each Fund's respective net asset value, although, due to tax, regulatory and other considerations, the Fund's investments may differ.

D. Regulatory Assets Under Management.

The Adviser managed approximately \$11,287,035,042 as of February 29, 2012 on a discretionary basis. As of February 29, 2012 the Adviser does not manage any assets on a non-discretionary basis.

## **ITEM 5**

### **FEES AND COMPENSATION**

#### **A. Advisory Fees and Compensation.**

The fees applicable to each Fund are set forth in detail in each Fund's offering documents. A brief summary of these fees is provided below.

##### **1. PS Partnerships**

###### **Management Fee**

The Adviser generally is paid quarterly a management fee equal to 0.375% (1.5% on an annual basis) of the net asset value of the capital accounts relating to each limited partner, payable in advance at the beginning of each quarter. The Adviser may waive the management fee with respect to the capital accounts of members, partners, officers, managers, employees or affiliates of the GP or the Adviser or other limited partners in the Adviser's sole discretion.

###### **Incentive Allocation**

The GP is generally entitled to a performance allocation equal to 20% of the annual increase, if any, in the net asset value of each limited partner's capital account in the PS Partnerships. The performance allocation is calculated based on both realized gains and losses and unrealized appreciation and depreciation of securities held in a PS Partnership's portfolio. Generally, any decrease in the net asset value in a fiscal year allocated to any limited partner's capital account is carried forward in a "loss recovery account" so that no performance allocation is charged to that capital account unless the losses have been recouped, subject to various adjustments. For instance, the GP has agreed to increase the loss recovery account of each investor in the PS Partnership that was also an investor in Pershing Square IV, L.P., Pershing Square IV-I, L.P., Pershing Square International IV, Ltd. or Pershing Square International IV-I, Ltd., investment vehicles previously managed by the Adviser (collectively, "PS IV"), as of February 27, 2009, by an amount equal to the decline in dollar value as of that date of that investor's original investment in PS IV. The GP may waive the performance allocation with respect to the capital accounts of members, partners, officers, managers, employees or affiliates of the GP or the Adviser or other limited partners in the GP's sole discretion.

##### **2. Offshore Fund**

###### **Management Fee**

The Adviser generally is paid quarterly a management fee equal to 0.375% (1.5% on an annual basis) of the net asset value of each series of shares of PS Ltd, payable quarterly in advance at the beginning of each quarter.

###### **Incentive Fee**

The Adviser generally receives a performance allocation from PS Ltd equal to 20% of the increase, if any, in the net asset value of each series of each class of shares, during



each fiscal year, above the net asset value thereof for the fiscal year with respect to which a performance allocation was most recently payable (the “Prior High NAV”). The performance allocation is calculated based on both realized gains and losses and unrealized appreciation and depreciation of securities held in a PS Ltd’s portfolio. The Adviser and PS Ltd’s Board of Directors have agreed to increase the Prior High NAV of each investor in PS Ltd that was also an investor in PS IV as of February 27, 2009, by an amount equal to the decline in dollar value as of that date of that investor’s original investment in PS IV.

PS Ltd’s Board of Directors may issue shares subject to a lower or no management fee or performance allocation for members, partners, officers, managers, employees or affiliates of the Adviser or other investors in the Board of Directors’ sole discretion.

The Adviser may charge Other Products (including PSH) higher or lower management fees or performance allocations.

**B. Payment of Fees.**

Fees and compensation paid to the Adviser or its affiliates by the Funds are generally deducted from the assets of the Funds. As discussed above, management fees are generally deducted on a quarterly basis and performance compensation is generally deducted on an annual basis.

**C. Additional Fees and Expenses.**

Each client bears its own expenses, including, without limitation, accounting, auditing, entity-level taxes and tax preparation expenses, legal fees and expenses (including indemnification expenses and expenses relating to regulatory or similar investigations, inquiries and “sweeps”), professional fees and expenses (including fees and expenses of investment bankers, appraisers, public and government relations firms and other consultants and experts), investment-related expenses (including research and expenses (including travel and lodging expenses) associated with activist campaigns such as proxy contests, solicitations and tender offers and compensation, indemnification and expenses of any nominees proposed by the GP or the Adviser as directors or executives of portfolio companies), printing and postage expenses, brokerage fees and commissions, expenses relating to short sales (including dividend and stock borrowing expenses), clearing and settlement charges, custodial fees, bank service fees, margin and other interest expense and transaction fees, blue sky and corporate filing fees and expenses, insurance expenses, initial offering and organizational expenses, the management fee, performance allocation, on-going offering expenses (subject to any different arrangement with the Adviser) and payments for custody of each client’s assets and for the performance of administrative services, and other client expenses.

**D. Additional Compensation and Conflicts of Interest.**

Neither the Adviser nor any of its supervised persons accepts compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.

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

The Adviser and its affiliates accept performance-based fees from every client. As a result, the Adviser and its affiliates do not face the conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients. However, the Adviser may charge higher or lower management fees or performance allocations to its different clients. As a result, the Adviser and its affiliates may have an incentive to allocate limited investment opportunities to the clients from whom the greatest performance-based fees may be earned. The Adviser has an allocation policy that addresses these conflicts of interest and it is described in Item 11 herein.

**ITEM 7**  
**TYPES OF CLIENTS**

As noted above, the Adviser provides advice to the Funds, which are private investment funds. Investors in the Funds may include high net worth individuals, pension funds and profit sharing plans, trusts, estates, charitable organizations, corporations, business entities, endowments and foreign sovereign wealth funds.

## ITEM 8

### METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

#### A. Methods of Analysis and Investment Strategies.

*The descriptions set forth in this brochure of specific advisory services that the Adviser offers to clients, and investment strategies pursued and investments made by the Adviser on behalf of its clients, should not be understood to limit in any way the Adviser's investment activities. The Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure, that the Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

The Adviser is a concentrated, research-intensive, fundamental value investor in the public markets. The Funds' investment objectives are to preserve capital and to seek maximum, long-term capital appreciation commensurate with reasonable risk. The Adviser defines risk as the probability of permanent loss of capital, rather than price volatility. As noted above, the Adviser seeks to achieve the Funds' investment objectives through long and short positions in equity and/or debt securities of U.S. and non-U.S. issuers (including securities convertible into equity or debt securities), derivative instruments and any other financial instruments that the Adviser believes shall achieve the Funds' investment objectives.

In its value approach to investing, the Adviser seeks to identify and invest in long and short investment opportunities that the Adviser believes exhibit significant valuation discrepancies between current trading prices and intrinsic business (or net asset) value, often with a catalyst for value recognition.

As part of the Funds' investment program, the Adviser typically concentrates the Funds' assets in a relatively limited number of investments.

The Adviser generally seeks to make investments in three broad categories of opportunities: (1) great businesses at fair prices, where a great business is generally understood by the Adviser as one which generates relatively predictable, growing, free-cash-flow streams; (2) good businesses or assets at what the Adviser believes are significantly cheap prices often with a catalyst to realize value; and (3) mispriced probabilistic investments where the Adviser believes that the market price of a security or other investment under- or over-estimates the probability of a favorable outcome of a legal decision, contract or patent award or a move in interest rates, exchange rates or commodity prices, or another event that is expected to lead to a significant change in the valuation of such security or investment.

The Adviser also seeks short sale investments that offer absolute return opportunities. In addition, the Adviser may short individual securities to hedge or reduce the Funds' long exposure. In order to mitigate market-related downside risk, the Funds may acquire put options and short market indices, baskets of securities, and/or purchase credit-default swaps, but the Adviser is not committed to maintaining market hedges at any time.

The Adviser has no overarching strategy or asset allocation model that specifies what percentage of the portfolio should be invested in each investment category. Rather, cash, cash equivalents, and/or securities issued by the U.S. Department of the Treasury (“U.S. Treasuries”) are generally the default investment choices in the absence of better alternatives and the allocation among different investment categories is a function of their potential risk and reward compared with available opportunities in the marketplace. Accordingly, the Funds may hold significant cash balances on an ongoing basis.

In certain situations, if the Adviser believes the commitment of time, energy and capital is justified in light of the potential for reward, the Adviser may seek to be a catalyst to realize value from an investment by taking an active role in effectuating corporate change either working alone or in conjunction with other investors. These activist techniques may include working with management or other more aggressive steps such as acquiring substantial publicly disclosed stakes in issuers, proposing a restructuring, recapitalization, sale, or other change in strategic direction, seeking potential acquirers, engaging in proxy contests, making tender offers, changing management and other related activities. The Adviser believes that these activist techniques can both accelerate and maximize the realization of value from an investment.

The Adviser expects to use various investment strategies that are consistent with the Funds’ governing documents. These investment strategies may include (but are not limited to) the use of derivative instruments for hedging, managing risk or attempting to enhance returns. In addition, the Adviser may engage in leverage transactions, including writing uncovered options, entering into futures transactions or other permitted derivative transactions whereby the Funds may have a future obligation to pay funds to another party to a transaction. The Adviser may engage in futures transactions in compliance with applicable rules of the Commodity Futures Trading Commission (the “CFTC”). The Adviser expects to use additional derivative instruments and other hedging, risk management and return enhancement techniques as new opportunities become available and as regulatory authorities broaden the range of permitted transactions.

The investment principals and analysts of the Adviser (“Investment Principals”) briefly review large numbers of possible investments, looking for smaller opportunity subsets on which to perform further research. The Investment Principals analyze and discuss these potential investments to further refine and limit the Adviser’s focus. The Investment Principals develop proprietary analyses for judging the quality of investments in particular industries. Once these Investment Principals decide that a potential investment looks sufficiently promising, the Investment Principals delve deeply into the historical record of the potential investment and look for sources of comparable data on both public and private companies. This process involves the analysis of public filings and extensive secondary sources. Often, new investment ideas are generated from existing investments in the portfolio, as the Investment Principals leverage lessons learned in earlier research to uncover additional opportunities.

Investments that meet the Funds’ investment objectives are often found in companies undergoing significant changes in strategy, capital structure, corporate governance, management, legal exposure, corporate form, shareholder composition and control, liquidity and financial condition, and in companies that are affected by external changes in the economic and political environment including changes in the relevant tax code. The Adviser believes that investment opportunities that meet the Funds’ investment

objectives may at times occur in distressed securities, companies in or exiting bankruptcy, spin-offs, rights offerings, liquidations, companies for which litigation is a major asset or liability, misunderstood large capitalization companies, under-followed small- and mid-capitalization companies, and other special situations.

B. Material, Significant or Unusual Risks Relating to Investment Strategies.

*The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by the Adviser. These risk factors include only those risks the Adviser believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Adviser. Please refer to the Funds' offering documents for a more complete description of the risk factors.*

*Investors may lose all, or substantially all, of their investment in the Funds*

Investments are exposed to the risk of the loss of capital. The business of the Funds is to invest in securities utilizing an investment strategy that may involve substantial risks. The prices of the Funds' investments are volatile and market movements are difficult to predict. No guarantee or representation is made that the Funds' investment strategy will be successful. In addition, the Funds may utilize such investment techniques as short sales, securities lending, investments in non-marketable securities, uncovered option transactions, forward transactions, futures and options on futures transactions, foreign currency transactions and a highly concentrated portfolio, among others, which could under certain circumstances magnify the impact of any adverse market or investment developments.

There can be no assurance that the securities purchased or investments made by the Funds will increase in value or that the Funds will not incur significant losses.

*The Funds are exposed to a concentration of investments, which could exacerbate volatility and investment risk*

In pursuit of the Funds' investment strategy, the Adviser may accumulate significant positions in particular investments and intends to invest a substantial proportion of each Fund's capital in typically 8 to 12 core investments. The investment technique of concentrating investment positions increases the volatility of investment results over time and may exacerbate the risk that a loss in any position could have a material adverse impact on a Fund's assets, and, in turn, the value of any investment in a Fund. Although it may at times choose to do so, the Adviser is under no obligation to hedge any Fund's positions to mitigate these risks.

*Activist investment strategies may not be successful. They may result in significant costs and expenses*

The Adviser may pursue an activist role and seek to effectuate corporate changes with respect to an investment. The costs in time, resources and capital involved in activist investments depend on circumstances that are only in part within the Adviser's control and may be significant, particularly if litigation against a Fund and/or the Adviser ensues. In addition, the expenses associated with an activist investment strategy, including potential litigation or other transactional costs, will be borne by the applicable Fund. These expenses may reduce returns or result in losses.

The success of the Funds' activist investment strategy may require, among other things: (i) that the Adviser properly identify portfolio companies whose equity prices can be improved through corporate and/or strategic action; (ii) that the Funds acquire sufficient securities of these portfolio companies at a sufficiently attractive price; (iii) a positive response by the management of portfolio companies to shareholder engagement; (iv) a positive response by other shareholders to shareholder activism and the Adviser's proposals; and (v) a positive response by the markets to any actions taken by portfolio companies in response to shareholder activism. None of the foregoing can be assured to succeed.

Activist strategies employed in respect of the Funds' investments may prove ineffective for a variety of reasons, including: (i) opposition of the management or shareholders of the subject company, which may result in litigation and may erode, rather than increase, shareholder value; (ii) intervention of one or more governmental agencies; (iii) efforts by the subject company to pursue a defensive strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) market conditions resulting in material changes in securities prices; (v) the presence of corporate governance mechanisms such as staggered boards, poison pills and classes of shares with increased voting rights; and (vi) the necessity for compliance with applicable securities laws. In addition, opponents of a proposed corporate governance change may seek to involve regulatory agencies in investigating the transaction or the Funds, and regulatory agencies may independently investigate the participants in a transaction, including the Funds, as to compliance with securities or other laws. Furthermore, successful execution of an activist strategy may depend on the active cooperation of shareholders and others with an interest in the subject company. Some shareholders may have interests which diverge significantly from those of the Funds and some of those parties may be indifferent to the proposed changes. Moreover, securities that the Adviser believes are fundamentally underpriced or incorrectly priced may not ultimately be valued in the capital markets at prices and/or within the timeframe the Adviser anticipates, even if an activist strategy is successfully implemented. Even if the prices for a portfolio company's securities increase, no guarantee can be made that there will be sufficient liquidity in the markets to allow the Funds to dispose of all or any of its securities therein or to realize any increase in the price of those securities.

*Regulatory restrictions on the beneficial ownership of securities may impair the Funds' ability to achieve their investment objective*

The investment strategies pursued by the Funds may be affected by applicable laws and regulations governing the beneficial ownership of public securities, which may inhibit the Funds' ability to freely acquire and dispose of certain securities. Should a Fund be affected by those rules and regulations, it may not be able to transact in ways that would realize value for that Fund. In addition, any changes to government regulations could make some or all forms of activist strategies unlawful or impractical. Accordingly, changes, if any, could have an adverse effect on the ability of a Fund to achieve its investment objective.

*The Funds' foreign investments may be subject to various risks*

The Funds may invest in securities trading in markets less mature than those of, for example, the United States and Europe. Investing in these securities involves particular risks, including:

- political and economic risks, such as expropriation and nationalization, the potential difficulty of repatriating funds and general social, political and economic instability;
- potential lack of liquidity and greater price volatility;
- the imposition of withholding or other taxes on interest, dividends, payments on certain derivative instruments, capital gain or other income or gross sale or disposition proceeds;
- fluctuations in the rate of exchange between currencies and costs associated with currency conversion;
- certain government policies that may restrict a Fund's investment opportunities;
- lower quality accounting and financial reporting standards;
- a less effective regulatory environment;
- higher transaction costs of investing; and
- absence of an independent judicial system and exposure to economic, political or nationalistic influences, resulting in difficulties in pursuing legal remedies or obtaining and enforcing judgments.

*The Adviser may fail to identify suitable investment opportunities*

Each Fund's investment strategy depends on the ability of the Adviser to successfully identify attractive investment opportunities. Any failure to identify and make appropriate investment opportunities would increase the amount of the Funds' assets invested in cash or low-return investments and, as a result, may reduce their overall rates of return. The Funds will face competition for investments, for example from public and private investment funds, strategic buyers or investment banks. Many of these competitors may be substantially larger and have greater financial resources than are available to the Funds. There can be no assurance that the Adviser will be able to identify and make investments that are consistent with the Funds' investment objectives or generate attractive returns for their investors or that the Funds will not be significantly affected by competitive pressures for investment opportunities.

*The due diligence performed by the Adviser before investing may not reveal all relevant facts in connection with an investment*

When assessing an investment opportunity, the Adviser will rely on resources that may provide limited or incomplete information. In particular, the Adviser may rely on publicly available information and data filed with various government regulators. Although the Adviser expects that it will evaluate information and data as it deems appropriate and seek independent corroboration when reasonably available, the Adviser may choose not to evaluate all publicly available information and data and will often not be in a position to confirm the completeness, genuineness or accuracy of such information and data that it does evaluate.



In addition, investment analyses and decisions by the Adviser may be undertaken on an expedited basis in order to take advantage of short-lived investment opportunities. In such cases, the available information at the time of an investment decision may be limited, inaccurate and/or incomplete.

As a result, there can be no assurance that due diligence investigations carried out by the Adviser will reveal or highlight all relevant facts that may be necessary or helpful in evaluating investment opportunities. Any failure to identify relevant facts may result in inappropriate investment decisions, which may have a material adverse effect on the Funds' results of operations and the value of any investment in the Funds.

*Adverse changes affecting the global financial markets and economy may have a material negative impact on the performance of the Funds' investments*

Global capital markets have been experiencing extreme volatility and disruption for more than three years as evidenced by the failure of major financial institutions, significant write-offs suffered by the financial services sector, the re-pricing of credit risk, the unavailability of credit or the downgrading and the possibility of default by sovereign issuers, forced exit or voluntary withdrawal of countries from a common currency and/or devaluation. Despite actions of government authorities, these events have contributed to a worsening of general economic conditions, high levels of unemployment in Western economies and the introduction of austerity measures by governments.

Such worsening of financial market and economic conditions may have a negative effect on valuations of, and the ability of the Funds to exit or partially divest from, investment positions. Adverse economic conditions may also decrease the value of collateral securing some of their positions, and require the Funds to contribute additional collateral.

Depending on market conditions, the Funds may incur substantial realized losses and may suffer unrealized losses in future periods, all of which may adversely affect their results of operations and the value of any investment in the Funds.

*Unexpected market disruptions may cause major losses*

The Funds may incur major losses in the event of disrupted markets and other extraordinary events in which market behavior diverges significantly from historically recognized patterns. The risk of loss in such events may be compounded by the fact that in disrupted markets, many positions become illiquid, making it difficult or impossible to close out positions against which markets are moving. Market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Funds, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. Any such disruptions and events may have a significant adverse effect on the value of any investment in the Funds.

*The Adviser may use litigation in pursuit of activist investment strategies or itself be the subject of litigation or regulatory investigation*

In pursuit of activist investment strategies, the Adviser may determine to use litigation as a course of action. In addition, one or more Funds may be a party to lawsuits initiated by third parties, including companies in which the Funds invest, other shareholders, or governmental bodies. There can be no assurance that any litigation, once begun, will be

resolved in favor of the Funds. As a result, the Funds may be exposed to the risk of monetary damages and other sanctions or remedies. In addition, as an activist investor, the Adviser is subject from time to time (and especially in the context of a proxy contest) to formal or informal investigations or inquiries by the SEC and other governmental and self-regulatory organizations in connection with its activities. Litigation and regulatory investigations may require significant amounts of the Adviser's time and result in significant expenses to a Fund.

*The Funds may participate substantially in the affairs of companies acquired by them, which may result in the Funds' inability to purchase or sell the securities of such companies*

One or more Funds may substantially participate in or influence the conduct of affairs or management of issuers of securities acquired by them. Members, partners, officers, managers, employees or affiliates of the Adviser and its affiliates or designees may serve as directors of, or in a similar capacity with, companies in which one or more Funds invest. In the event that material non-public information is obtained with respect to those companies or one or more Funds become subject to trading restrictions pursuant to the internal trading policies of those companies or as a result of applicable law or regulations, one or more Funds may be prohibited for periods of time from purchasing or selling the securities of those companies, and as a result be prevented from increasing its exposure to an investment position which appreciates or divesting from or exiting an investment position which decreases in value. Any such restrictions may have a significant adverse effect on a Fund and the value of any investment in a Fund.

*Control investments made by the Funds may pose various risks*

The Funds may take a controlling stake in certain investments. These investments may involve a number of risks, such as the risk of liability for environmental damage, product defect, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability characteristic of business operations may be ignored. In addition, in connection with the disposition of these investments, the Funds may make representations and warranties about such investments' business and financial affairs typical of those made in connection with the sale of any business, or may be responsible for the contents of disclosure documents under applicable securities law. The Funds may also be required to indemnify the purchasers of those investments or underwriters to the extent that any such representations and warranties or disclosure documents turn out to be incorrect, inaccurate or misleading. All of these risks may create contingent or actual liabilities and materially affect the Funds and any investment in the Funds.

*The Funds may invest through affiliates and their investment be subordinated to the claims of such affiliates' creditors*

The Funds may effect certain investments through limited partnerships, limited liability companies, corporations or other vehicles sponsored or managed by the Adviser or third parties. The Funds will bear their *pro rata* share of the costs of operating those vehicle(s) but will not allocate any additional performance allocation, or pay any additional management fee, to the GP, the Adviser or their affiliates. A creditor having a claim that relates to a particular investment held by any vehicle may be able to satisfy claims against all assets of that vehicle, without regard to the participation rights of the Funds and other investors of that vehicle in the assets of that vehicle.

*The Funds may carry significant leverage in relation to their capital, which has the potential to increase losses*

While the Funds expect that as a general matter they will operate without relying significantly on leverage, the Funds are not restricted from leveraging their investment returns. The Funds may seek to magnify their investment returns with options, short sales, swaps, forwards and other derivative instruments. The Funds may also pledge their securities in order to borrow additional funds for investment purposes through margin loans, which provide further leverage. As a result, the amount of leverage may be substantial in relation to their capital.

While leverage presents opportunities for increasing the Funds' total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by the Funds would be exacerbated to the extent the Funds are leveraged. The cumulative effect of the use of leverage by the Funds in a market that moves adversely to the Funds' investments could result in a substantial loss to the Funds that would be greater than if the Funds were not leveraged.

*Margin borrowings may subject the Funds to additional risks*

Whenever the Funds use financing extended by securities broker-dealers to leverage their portfolio, they may be subject to changes in the value that broker-dealers ascribe to a given security or position, the amount of margin required to support that security or position, the borrowing rate to finance that security or position and/or those broker-dealers' willingness to continue to provide any credit to the Funds. A Fund could be forced to liquidate its portfolio on short notice to meet its financing obligations. The forced liquidation of all or a portion of a Fund's portfolio at distressed prices could result in significant losses to that Fund.

In particular, a Fund could be subject to a "margin call," pursuant to which that Fund would either be required to deposit additional funds or securities with the broker-dealer or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of a Fund's assets, that Fund might not be able to liquidate assets quickly enough to satisfy its margin requirements.

*Short selling exposes the Funds to the risk of theoretically unlimited losses. In addition, regulatory actions may curtail the ability of the Funds to effect their short selling strategy*

Short selling involves selling securities that are not owned by the short seller and delivering borrowed securities to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent that decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Funds engage in short sales will depend upon the Adviser's investment strategy and opportunities. In certain cases, a short sale creates the risk of a theoretically unlimited loss, because the price of the underlying security could theoretically increase without limit. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. The potential for unlimited losses may be due to general market forces, such as a lack of stock available for short sellers to borrow for delivery or increases in the price of a security sold short. For example, a Fund may be subject to a "short squeeze" resulting in significant increases in the market price of a

stock when the broker or other institution that lent the stock in question to that Fund demands the return of a borrowed security and other short sellers of the same security receive similar demands. As a result, that Fund may be required to replace securities previously sold short, with purchases on the open market at prices significantly greater than those at which the securities were sold short. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Until the security is replaced, that Fund is required to pay to the lender amounts equal to any dividends or interest that accrue during the period of the loan. In addition, to borrow the security, that Fund may be required to pay a premium, which would increase the cost of the security sold.

Following the economic crisis in 2008, a number of regulators issued emergency orders to temporarily ban short selling of any publicly traded securities, such as securities issued by financial firms or government securities, and required institutional investment managers, including hedge fund managers, to report short positions on publicly traded securities. Several regulators have augmented these emergency measures with permanent rules intended to deter market abuses perceived to be connected with short selling. For example, the SEC has made permanent its temporary close-out requirement for sales of equity securities, as well as the penalties for failure to do so. In 2010, it also adopted Rule 201 under the Exchange Act, which restricts short selling when a stock has experienced a price decline of at least 10% in one day. Similarly, the Financial Services Authority (the “FSA”) in the United Kingdom published updated short selling rules in 2010 requiring the disclosure of certain short positions in excess of specified thresholds. FSA rulemaking has occurred alongside international regulatory initiatives in the European Economic Area. The Committee of European Securities Regulators (“CESR,” now known as the European Securities and Markets Authority or “ESMA”) proposed a pan-European short selling disclosure regime in 2010, requiring private disclosure to the relevant regulator and public disclosure to the market as a whole if short positions exceeded specified thresholds. The European Parliament endorsed this approach in 2011, adopting a harmonized short selling framework proposed by the European Commission that was based on the CESR/ESMA disclosure regime and also imposed several additional rules. These include restrictions on naked short selling (including short sales in sovereign debt) and renewable emergency powers for regulators to restrict or prohibit short selling or impose additional disclosure obligations. Subject to certain amendments, this framework was adopted by the Council of the European Union in February 2012 and will apply from November 1, 2012. Although the amendments exclude specified sales of securities from the “short sale” definition (including sales under certain repurchase, securities lending, futures or derivative contracts), the new regulation substantially implements the European Parliament’s regime. These regulatory requirements may curtail the ability of the Funds to effect their short trading strategies.

*The Funds may invest in derivative instruments or maintain positions that carry particular risks*

*Market risk may significantly impact the performance of the Funds*

The Funds are exposed to market risk. Among other things, this means that the prices of financial and derivative instruments in which the Funds may invest can be highly volatile. Price movements of equity, debt and other securities and instruments in which the Funds’ assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national

and international political and economic events and policies. Moreover, war, political or economic crisis or other events may occur which can be highly disruptive to the markets, regardless of the strategies being employed. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instrument futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause those markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Funds also are subject to the risk of the failure of any exchanges on which its positions trade and of their clearinghouses. Sustained cyclical market declines and periods of unusual market volatility make it more difficult to produce positive trading results, and there can be no assurance that the Funds' strategies will be successful in those markets.

*Options, swaps and other instruments may involve substantial risks*

The Funds may buy or sell (write) both call options and put options, and when it writes options, it may do so on a "covered" or an "uncovered" basis. A call option is "covered" when the writer owns securities of the same class and amount as those to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount. The Funds' option transactions may be part of a hedging strategy (*i.e.*, offsetting the risk involved in another securities position) or a form of leverage, in which the Fund has the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial.

When a Fund buys an option, a decrease (or insufficient increase) in the price of the underlying security in the case of a call, or an increase (or insufficient decrease) in the price of the underlying security in the case of a put, could result in a total loss of that Fund's investment in the option (including commissions). When a Fund sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is "covered." If it is covered, that Fund would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty, market risk, liquidity risk and operations risk.

*Credit default swaps are characterized by volatile pricing, potentially illiquid markets, difficulty in predicting triggering events and various other risks*

The Funds may enter into credit default swaps. A credit default swap is a contract between two parties which transfers the risk of loss and/or default related to a particular entity (the "Reference Entity") if a "credit event" occurs with respect to the debt of such Reference Entity. The credit default swap provides for payments to be made by the protection seller which offset or reduce the losses sustained by the protection buyer as a result of the credit event. Generally, "credit events" include a

variety of typically adverse events that trigger payouts under these financial instruments and include, among other things, failure by the Reference Entity to pay the principal or interest related to its debt or bankruptcy of the Reference Entity. If a credit event occurs, the purchaser of protection would settle the credit default swap in one of three ways, as specified in the credit default swap: (i) through a standardized auction process where credit default swaps are cash settled and the seller of protection delivers to the purchaser of protection an amount equal to the face value of the credit default swap less the market value of specified debt, (ii) through a physical settlement process where the purchaser of credit protection delivers a debt instrument related to the Reference Entity to the counterparty and the counterparty pays to the purchaser a specified face value of the credit default swap, or (iii) through another method agreed upon by the parties. The first way is the most common form of credit default swap settlement. Credit default swaps can be used to obtain short exposure related to the debt of a Reference Entity. There are many credit default swap products, such as credit default swaps on an index of Reference Entities or customized credit default swaps that reference specific corporate bonds.

The Funds may purchase credit default swap protection as a hedge against particular assets or other events. Credit default swaps can also be utilized to implement the Adviser's view that a particular credit, or group of credits, will experience credit deterioration or improvement. The Funds may enter into credit default swap transactions, even if the credit outlook is positive, if it believes that participants in the marketplace have incorrectly valued the components which determine the value of that credit default swap. The Funds may purchase credit default protection even in the case in which it does not own the debt of the Reference Entity if the Adviser believes that the issuer's credit will deteriorate. The Funds may also purchase the credit default swap protection as a hedge against particular assets or other events. The Funds may also sell protection by underwriting default risk to entities that would like to purchase that protection. If a Fund sells protection and if the Reference Entity does not experience a credit event, that Fund will have received premium payments for the term of the credit default swap. However, if the Reference Entity experiences a credit event, that Fund would be obligated to pay to the purchaser of protection the face amount of the credit default swap, which amount may be significantly greater than any premiums that it had received during the term of the credit default swap.

The credit default swap market in high yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced by incorporating many variables, including, among other things, the pricing and volatility of the common stock, potential loss upon default and the shape of the yield curve of U.S. Treasuries. As such, there are many factors upon which market participants may have divergent views, which increases the risk of entering into these credit default swaps.

The market for credit derivatives may be relatively illiquid, and there are considerable risks that may make it difficult either to buy or sell the contracts as needed or at reasonable prices. Sellers and buyers of credit derivatives are subject to the inherent price, credit spread and default risks of the debt instruments covered by the derivative instruments, as well as the risk of non-performance by the other party.

There are also risks with respect to credit derivatives in determining whether an event will trigger payment under the contract and whether that payment will offset the loss or payment due under another instrument. In the past, buyers and sellers of credit derivatives have found that a triggering event in one contract may not match the triggering event in another contract, exposing the buyer or the seller to further risk. Furthermore, notwithstanding any right to a payout upon the occurrence of a credit event, there is some risk that a counterparty to a credit default swap may have insufficient capital to fund a payout.

Given the increases in volume of credit derivatives trading in the marketplace, settlement of these contracts may also be delayed beyond the time frame originally anticipated by counterparties. Delays may adversely affect the each Fund's ability to otherwise productively deploy any capital that is committed with respect to these contracts.

*The Funds may not hedge their exposure, and if they do, hedging transactions may reduce the Funds' overall performance*

Although the Funds are not obligated to, and often times will not, hedge their respective exposure, they may utilize a variety of financial instruments and derivatives, such as options, interest rate swaps, caps and floors, and forward contracts, for risk management purposes, including in order to (i) protect against possible changes in the market value of the Funds' investment portfolios resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the Funds' unrealized gains in the value of the Funds' investment portfolios; (iii) facilitate the sale of any investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Funds' portfolios; (v) hedge the interest rate or currency exchange rate on any of the Funds' liabilities or assets; (vi) protect against any increase in the price of any securities the Fund anticipates purchasing at a later date; or (vii) for any other reason that the Adviser deems appropriate. The success of any hedging activities by the Funds will depend, in part, upon the Adviser's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Funds' hedging strategy will also be subject to the Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. In addition, while the Funds may enter into hedging transactions to seek to reduce risk, these transactions may result in a poorer overall performance for the Funds than if it had not engaged in hedging transactions.

*Counterparties to derivative transactions may not be subject to credit evaluation, regulatory oversight, financial responsibility requirements or the requirement to segregate customer funds or positions*

Some of the markets in which the Funds will effect their respective derivative transactions are over-the-counter or interdealer markets. The participants in these markets are typically not subject to credit evaluation and regulatory oversight as are members of exchange-based markets. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a credit or liquidity problem with the counterparty. Delays in settlement

may also result from disputes (whether or not in good faith) over the terms of the contract since these markets may lack the established rules and procedures for swift settlement of disputes among market participants as in exchange-based markets. These factors may cause the Funds to suffer a loss due to adverse market movements while replacement transactions are executed or otherwise. Counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement or where the Funds have concentrated its transactions with a single or small group of counterparties.

Similarly, contracts in some markets may not be guaranteed by an exchange or its clearinghouse, and there may be no requirements imposed on a counterparty with respect to financial responsibility or segregation of customer funds or positions. Trading in these contracts may be subject to more risks than futures or options trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which a Fund has a forward contract. Although each Fund will attempt to limit its derivative transactions to those with well-known and well-capitalized firms, the Funds are not restricted from dealing with any particular counterparty or from concentrating any or all of its derivative transactions with one counterparty. Moreover, the Funds' internal credit function which evaluates the creditworthiness of their counterparties may prove insufficient. The lack of a complete and foolproof evaluation of the financial capabilities of each Fund's counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

*Forward trading may expose the Funds to the risk of bank failure or non-performance, as well as other risks*

Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward trading (to the extent forward contracts are not traded on exchanges) and cash trading are substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Funds due to unusually high trading volume, political intervention or other factors.

In connection with its possible trading in non-U.S. currency forward contracts, the Funds may contract with a non-U.S. or a U.S. bank to make or take future delivery of a specified lot of a particular currency for the Funds' account. Banks and futures commission merchants with which the Funds may maintain accounts may require the Funds to deposit margin with respect to this type of trading. Banks are not required to continue to make markets in these contracts. Arrangements to trade forward contracts may be made with only one or a few banks, and liquidity problems therefore might be greater than if these types of arrangements were made



with numerous banks. The imposition of credit controls by governmental authorities might limit forward trading to less than that which the Adviser would otherwise recommend, to the possible detriment of the Funds. With respect to its trading of forward contracts with banks, if any, the Funds will be subject to the risk of bank failure and the inability of, or refusal by, a bank to perform with respect to these types of forward contracts. Any default would deprive the Funds of any profit potential or force the Funds to cover their commitments for resale, if any, at the current market price, and could result in a loss to the Funds.

*Portfolio turnover rates may be high, resulting in greater expenses*

Portfolio turnover will not be a limiting factor in making investment decisions for the Funds and may vary from year to year, as well as within a year. Although not expected, turnover rates may be high, which will likely result in higher brokerage and other transaction expenses than funds with lower portfolio turnover. Higher turnover rates will negatively affect the results of operations of the Funds and, in turn, any investment in the Funds.

*If the Funds lend their portfolio securities, they may experience losses or delays in the event of bankruptcy of the counterparty to the loan*

The Funds may lend their respective portfolio securities. By doing so, the Funds attempt to increase income through the receipt of interest on the loan. In the event of the bankruptcy of the borrower of the securities, the Funds could experience delays in recovering the loaned securities. To the extent that the value of the securities a Fund lent has increased, that Fund could experience a loss if those securities are not recovered.

*The Funds' trading orders may not be timely executed*

Each Fund's investment and trading strategies depend on its ability to establish and maintain an overall market position in a combination of financial instruments selected by the Adviser. A Fund's trading orders may not be executed in a timely and efficient manner due to various circumstances, including, for example, trading volume surges or systems failures attributable to that Fund, the Adviser, that Fund's counterparties, brokers, dealers, agents or other service providers. In that event, the Fund might only be able to acquire or dispose of some, but not all, of the components of its position, or if the overall position were to need adjustment, that Fund might not be able to make an adjustment. As a result, that Fund would not be able to achieve the market position selected by the Adviser, which may result in a loss. In addition, that Fund relies heavily on electronic execution systems (and may rely on new systems and technology in the future), and these systems may be subject to certain systemic limitations or mistakes, causing the interruption of trading orders made by the Funds.

*The Funds' non-U.S. currency investments may be affected by fluctuations in currency exchange rates*

The Funds may invest in instruments denominated in currencies other than the U.S. Dollar. Each Fund, however, values its securities and other assets in U.S. Dollars. To the extent that a Fund's assets are not hedged, fluctuations in the

U.S. Dollar exchange rates will affect the value of those investments and the effects of price changes of assets in the various local markets and currencies.

Currency exchange rates may fluctuate significantly over short periods of time. Currency exchange rates generally are determined by the forces of supply and demand in the foreign exchange markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors. Currency exchange rates also can be affected unpredictably by intervention by the United States or non-U.S. governments or central banks, by the failure to so intervene or by currency controls or political developments in the United States or other countries.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Adviser's advisory business or the integrity of the Adviser's management.

**ITEM 10**  
**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

A. Broker-Dealer Registration Status.

The Adviser and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status.

The Adviser and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

C. Material Relationships or Arrangements with Industry Participants.

The Adviser may recommend from time to time for clients to make investments in Other Products. In addition, the GP is registered as an investment adviser with the SEC.

A member of the Adviser's Advisory Board is a senior partner at a law firm that, from time to time, provides services to the Adviser, its affiliates and the Funds.

D. Material Conflicts of Interest Relating to Other Investment Advisers.

The Adviser does not recommend or select other investment advisers for its clients.

**ITEM 11**  
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**  
**AND PERSONAL TRADING**

A. Code of Ethics.

The Adviser has adopted a code of ethics ("Code of Ethics"), which is designed to foster compliance with applicable federal statutes and regulatory requirements, minimize circumstances that may lead to or give the appearance of conflicts of interest with clients, insider trading, or unethical business conduct as well as promote a culture of high ethical standards. Among other things, the Code of Ethics governs personal securities trading by the Adviser's personnel. Generally, no employee of the Adviser may personally purchase or sell any security (with the exception of various securities such as shares issued by open-ended mutual funds, money market funds, U.S. Treasury bonds, commercial paper, etc.). If any employee has any direct or indirect beneficial ownership in any non-excepted security as of the date he or she joined the Adviser or at any other time, any sale of that security thereafter must be cleared, in advance and in writing, by the Adviser's Chief Compliance Officer or her designee. Employees must also pre-clear transactions in various types of limited offerings. In addition, the Code of Ethics requires employees to disclose their personal securities holdings and transactions to the Adviser on a periodic basis.

The Adviser also maintains insider trading policies and procedures (the "Insider Trading Policies") that are designed to prevent the misuse of material, non-public information.

The Adviser's personnel are required to certify their compliance with the Code of Ethics, and the Insider Trading Policies, on a periodic basis.

The Adviser's Insider Trading Policies prohibit the Adviser and its personnel from trading for the Funds or themselves, or recommend trading, in securities of a company while in possession of restricted material, non-public information about the relevant issuer in violation of the law ("Inside Information"). By reason of its various activities, the Adviser may become privy to Inside Information or be restricted from effecting transactions in investments that might otherwise have been initiated. The Adviser has designed and implemented policies in order to comply with the requirements of the federal securities laws relating to insider trading. Among other things, those policies and procedures seek to control and monitor the flow of Inside Information (if any) to and within the Adviser, as well as prevent trading on the basis of Inside Information in violation of the law.

Clients may request a copy of the Code of Ethics by contacting the Adviser at the address or telephone number listed on the first page of this document.

B. Securities in which the Adviser or a Related Person Has a Material Financial Interest.

1. **Cross Trades**

On occasion and to the extent permitted by law and as deemed advisable by the Adviser, the Adviser may effect rebalancing or internal "cross" transactions among the Funds and Other Products (as applicable). In that case, one Fund or Other Product will purchase securities or other financial instruments held by one or more of the other Funds or

Other Products or will sell securities or other financial instruments to one or more of the other Funds or Other Products. The Adviser effects these transactions at a predetermined time, generally as of the close of the market on the last business day of each month, pursuant to a methodology that is intended to result in the Funds and Other Products generally holding similar securities or other financial instruments relative to each Fund's or Other Product's respective net asset value. The Adviser effects these transactions based on the then current independent market prices and consistent with valuation procedures established by the Adviser. Neither the Adviser nor any of its affiliates receive any compensation in connection with "cross" transactions. These "cross" transactions generally will be effected without brokerage commissions being charged.

## **2. Principal Transactions**

To the extent that "cross" transactions may be viewed as principal transactions due to the ownership interest in a Fund or Other Product by the Adviser and its personnel, the Adviser will either not effect that transaction or comply with the requirements of Section 206(3) of the U.S. Investment Advisers Act of 1940, as amended, including that the Adviser will notify the relevant Fund or Other Product (or an independent representative of that Fund or Other Product) in writing of the transaction and obtain the consent of that Fund or Other Product (or an independent representative of that Fund or Other Product).

### **C. Investing in Securities that the Adviser or a Related Person Recommends to Clients.**

See Item 11(A) for a description of the Adviser's personal trading policy.

### **D. Conflicts of Interest Created by Contemporaneous Trading.**

#### **1. Allocations of Trades and Investment Opportunities**

It is the policy of the Adviser to allocate investment opportunities fairly and equitably over time. This means that a proposed investment opportunity will generally be allocated among those funds for which participation in the respective opportunity is considered appropriate, taking into account, among other considerations, (a) the risk-return profile of the proposed investment opportunity in light of the fund's objectives (whether such objectives are considered solely in connection with the specific investment opportunity or in the context of such fund's overall holdings); (b) the potential for the proposed investment to create an imbalance in the fund's portfolio; (c) liquidity requirements of the fund or anticipated cash flows (including as a result of subscriptions and redemptions or withdrawals, as applicable); (d) tax considerations; (e) regulatory restrictions that would or could limit a fund's ability to participate in the proposed investment opportunity; and (f) any need to re-size risk in the fund's portfolio. In addition, the Adviser may also take into account a Fund's or Other Product's ramp-up or ramp-down period.

#### **2. Order Aggregation and Average Pricing**

The Adviser may, but is not obligated to, bunch orders for the purchase or sale of the same securities for the Funds and other clients of the Adviser and its affiliates, where the Adviser deems this to be appropriate, in the best interests of clients and consistent with applicable regulatory requirements. When a bunched order is filled in its entirety, each participating client, including a Fund, participates at the average price for the bunched order on the same business day, and transaction costs are shared *pro rata* based on each client's

participation in the bunched order. When a bunched order is only partially filled, the securities purchased are allocated on a *pro rata* basis to each client participating in the bunched order based upon the initial amount requested for the client, subject to certain exceptions, and each participating client participates at the average share price for the bunched order on the same business day.

## ITEM 12 BROKERAGE PRACTICES

### A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.

It is the Adviser's policy to place trades for the Funds with broker-dealers on the basis of seeking best execution and other relevant considerations, including, but not limited to: confidentiality, price quotes; the size of the transaction and ability to find liquidity; the broker-dealer's promptness of execution; the nature of the market for the financial instrument; the timing of the transaction; the difficulty of execution; the broker-dealer's expertise in the specific financial instrument or sector in which the Funds seek to trade; the extent to which the broker-dealer makes a market in the financial instrument involved or has access to those markets; the broker-dealer's skill in positioning the financial instruments involved; the broker-dealer's financial stability; the broker-dealer's reputation for diligence, fairness and integrity; the quality of service rendered by the broker-dealer in other transactions for the Adviser; the quality and usefulness of brokerage and research services and investment ideas presented by the broker-dealer or third parties; the broker-dealer's willingness to correct errors; the broker-dealer's ability to accommodate any special execution or order handling requirements that may surround the particular transaction; and other factors deemed appropriate by the Adviser. The Adviser may, but need not, solicit competitive bids and does not have an obligation to execute trades solely based on the lowest available commission cost or spread.

#### 1. **Research and Other Soft Dollar Benefits.**

The Adviser may cause its clients to pay a broker or dealer which provides eligible brokerage and research services that benefit the Adviser or its other clients, a commission for effecting a securities transaction in excess of the lowest available commission cost; *provided* that: (i) the Adviser determines in good faith that the amount is reasonable in relation to the services in terms of the particular transaction or in terms of the Adviser's overall responsibilities with respect to the accounts as to which it exercises investment discretion; (ii) that payment is made in compliance with the provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), other applicable state and federal laws and each Fund's respective governing documents; and (iii) in the opinion of the Adviser, the total commissions paid by each Fund will be reasonable in relation to the benefits to that Fund over the long term. The performance allocation and the management fee are not reduced as a result of the receipt by the Adviser of research services. The brokerage and research services provided are not used solely for the clients which generated the brokerage commissions but are used to service all of the Adviser's clients.

Generally, research services provided by brokers may include information on the economy, industries, sectors, individual companies, statistical information, accounting and tax interpretations, political developments, legal developments affecting portfolio securities, technical market activity, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Research services may be received in the form of written reports, telephone contacts, and meetings with security analysts. In addition, these research services may be provided in the form of access to various computer-generated data and computer software.



In some cases, research services are generated by third parties. In these circumstances, research prepared by a third party other than the broker who executed the transaction must be “provided by” a broker-dealer that is involved in “effecting” the trade for an account managed by the Adviser. For purposes of the Section 28(e) safe harbor, a broker-dealer is involved in “effecting” a trade where (i) it executes, clears or settles the trade, or (ii) performs at least one of the following four functions: (a) assumes financial responsibility for all customer trades until the clearing broker-dealer has received payment (or securities), *i.e.*, is at risk for the customer’s failure to pay; (b) makes and/or maintains records relating to customer trades required by the SEC and self-regulatory organizations; (c) monitors and responds to customer comments concerning the trading process; or (d) generally monitors trades and settlements. For purposes of the Section 28(e) safe harbor, a broker-dealer “provides” research where either: (a) it is legally obligated to pay for the research or (b) where a broker-dealer is not legally obligated to pay for the research, it (1) pays the research preparer directly, (2) reviews the description of the product or service for red flags that indicate the services are not within the safe harbor and agrees with the Adviser to use commissions only to pay for those items that reasonably fall within the safe harbor, and (3) implements procedures to ensure that research payments are documented and paid for promptly. Where a broker-dealer performs only one function, it must take steps to see that the other functions have been reasonably allocated to another broker-dealer in the arrangement in accordance with SEC or self-regulatory organization rules.

If less than 100% of a product or service is used for assistance in the Adviser’s decision-making process, the Adviser will consider the product as a “mixed-use” product. With mixed-use products, the Adviser will make a good faith allocation between the research and non-research benefits and will use commissions to pay for only that portion of the product used by the Adviser to formulate investment decisions and will use its own funds to pay for the portion of the product that is used for non-research purposes. With respect to “mixed-use” products, in making good faith allocations of costs between research and non-research benefits, a conflict of interest may exist by reason of the Adviser’s allocation of the costs of these benefits and services between those that primarily benefit the Adviser and those that primarily benefit its clients. The Adviser may share research with its affiliates, including the GP.

## **2. Brokerage for Client Referrals.**

Neither the Adviser nor any related person receives client referrals from any broker-dealer or third party in consideration for brokerage services. However, as discussed above, subject to best execution, the Adviser may consider, among other things, capital introduction and marketing assistance with respect to investors in the Funds in selecting or recommending broker-dealers for the Funds.

## **3. Directed Brokerage.**

The Adviser does not recommend, request or require that a client direct the Adviser to execute transactions through a specified broker-dealer.

### **B. Order Aggregation.**

Please see Item 11(D) for a description of the Adviser’s order aggregation procedures.

**ITEM 13**  
**REVIEW OF ACCOUNTS**

A. Frequency and Nature of Review of Client Accounts or Financial Plans.

The Adviser performs various daily, weekly, monthly, quarterly and periodic reviews of each client's portfolio. These reviews are conducted by the Adviser's Investment Principals.

B. Factors Prompting Review of Client Accounts Other than a Periodic Review.

A review of a client account may be triggered by any unusual activity or special circumstances.

C. Content and Frequency of Account Reports to Clients.

The Adviser generally provides annual audited financial statements within 120 days following the end of the applicable client's fiscal year end. In addition, the Adviser provides investors in each Fund with estimates of the Fund's performance and capital account statements on a monthly basis, and other information as the Adviser may, from time to time, deem advisable and desirable.

**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

A. Economic Benefits for Providing Services to Clients.

The Adviser does not receive economic benefits from non-clients for providing investment advice and other advisory services.

B. Compensation to Non-Supervised Persons for Client Referrals.

Except as described below, neither the Adviser nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals. As of October 2009, J.P. Morgan Securities Inc. and its private banking affiliates (together, “J.P. Morgan”) have been retained as a non-exclusive placement agent for introducing potential investors to PS LP and PS Ltd. J.P. Morgan receives a portion of the management fees otherwise paid to the Adviser in connection with investors introduced to these funds by J.P. Morgan. Investors introduced to PS LP or PS Ltd through J.P. Morgan will receive detailed written disclosure describing J.P. Morgan’s compensation for its services. In addition, the Adviser may enter into arrangements with other placement agents for introducing potential investors to the Funds or the Other Products.

## **ITEM 15 CUSTODY**

The Adviser is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to the Adviser.

The Adviser is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with some requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception," which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

**ITEM 16**  
**INVESTMENT DISCRETION**

The Adviser or an affiliate of the Adviser entered into an investment management agreement, or similar agreement, with each Fund, pursuant to which the Adviser or an affiliate of the Adviser was granted discretionary trading authority.

The Adviser's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

In accordance with SEC requirements, the Adviser has adopted Proxy Voting Policies and Procedures (the “Proxy Policies”) to address how the Adviser shall vote proxies for the Funds’ portfolio investments. The Proxy Policies seek to ensure that the Adviser votes proxies (or similar instruments) in the best interest of the Funds, including when there may be conflicts of interest in voting proxies. The Adviser does not anticipate any conflicts of interest between the Adviser and the Funds in terms of proxy voting. If the Adviser, however, encounters an identifiable conflict of interest with respect to a particular vote, with sufficient time before a vote, the Adviser’s conflicts committee will determine how to vote the proxy consistent with the best interests of the Funds and in a manner not affected by the conflict of interest. The conflicts committee may opt for a voting procedure by which guidance is sought from the Adviser’s advisory board or outside legal counsel. Clients may obtain a copy of the Proxy Policies and/or information regarding how the Adviser voted proxies for particular portfolio companies by contacting the Adviser.

**ITEM 18**  
**FINANCIAL INFORMATION**

The Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.

**ITEM 19**  
**REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Not applicable.