



FIRM BROCHURE AND BROCHURE SUPPLEMENT

DRAKE CAPITAL ADVISORS LLC

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This brochure provides information about the qualifications and business practices of Drake Capital Advisors LLC, an investment advisor registered with the United States Securities and Exchange Commission (SEC). If you have any questions about the contents of this brochure, please contact Ray Gustin IV by telephone at 203.861.7500 or by electronic mail at rgustin@drakeadvisors.com. The information in this brochure has not been approved or verified by the SEC or any state securities authority. Registration with the SEC does not imply a certain level of skill or training.

Additional information about Drake Capital Advisors LLC is available on the website maintained by the SEC at www.adviserinfo.sec.gov.

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Advisory Business

General Description of Advisory Firm

Drake Capital Advisors LLC (Drake Capital) was organized as a limited liability company under the laws of the State of Delaware in 2001 and has offices in Greenwich, Connecticut. Drake Capital is wholly owned by David B. MacFarlane, the managing member, Ray Gustin IV and Catherine Lai.

Description of Advisory Services

Drake Capital provides discretionary investment portfolio management services for client accounts, including collective investment vehicles of which Drake Capital is the general partner. Drake Capital provides discretionary portfolio management services to Drake Capital Partners, L.P. and Drake Capital Offshore Partners, L.P., which are private investment funds offered to institutional investors and high net-worth, financially sophisticated individual investors. Each of these investment funds is called a Fund, and together they are called the Funds. Drake Capital Offshore Partners, L.P. is a feeder fund that invests substantially all of its assets in Drake Capital Partners, L.P., the master fund. Drake Capital Partners, L.P. is sometimes referred to as the Master Fund in this brochure. Drake Capital also provides portfolio management services to separately managed accounts, which are called the Accounts.

In general, the assets of the Master Fund and the Accounts are invested in portfolio funds and separate accounts managed by investment managers selected by but not affiliated with Drake Capital. Each of these investment managers is called a Portfolio Manager in this brochure.

Drake Capital generally manages the assets of its clients on a fully discretionary basis. Drake Capital does not call any of the services that it provides financial planning or some similar term.

Availability of Tailored Services for Individual Clients

Drake Capital manages the Funds in an effort to meet the broad investment objectives of Fund clients. As well, Drake Capital tailors its investment advice to meet the particular needs, investment objectives, and investment guidelines of each of its Account clients. Drake Capital will work with an Account client to evaluate its investment objectives so that customized investment advice may be rendered.

Client Assets Under Management

As of January 3, 2012, Drake Capital managed approximately \$630 million of client assets on a discretionary basis and \$30 million of client assets on a non-discretionary basis.

Fees and Compensation

Drake Capital charges Fund investors an investment management fee, which is called the Administrative Allocation. The Administrative Allocation is based on the value of the assets under management attributable to each limited partner in one of the Funds in accordance with the following schedule:

Assets Under Management	Administrative Allocation as a Percentage of Assets
Under \$10,000,000	1.25% per annum
\$10,000,000 or more	1.00% per annum

The Administrative Allocation is allocated at the end of the quarter, based on the net assets of the investor as of the first business day of the quarter. The Administrative Allocation attributable to any limited partner in a Fund who is invested for less than a full quarter or who changes the amount of his investment is adjusted based on the number of days that the limited partner is invested and the varying amount of his investment. If a new account is established during a quarter or a client makes an addition to its account during a quarter, the Administrative Allocation will be prorated for the number of days remaining in the quarter.

In addition to the Administrative Allocation, Drake Capital receives annual performance compensation called the Incentive Allocation. The Incentive Allocation is equal to 5% of the investor's profits, if any, after deducting the Administrative Allocation, and is subject to a 5% non-cumulative hurdle rate for the calendar year, prorated for a partial-year investment.

In its sole discretion, Drake Capital may waive or reduce the Administrative Allocation or the Incentive Allocation, or both, for limited partners that are employees or affiliates of Drake Capital, the relatives of these persons, and some strategic investors. The compensation payable to Drake Capital by the Funds is not otherwise negotiable.

The fees payable by a client with respect to an Account are similar to the fees payable by Fund investors but may vary based on the size of the Account. Account clients often request special account structures or have atypical objectives.

By investing in portfolio funds indirectly through the Funds or an Account, a limited partner or a client bears asset-based and performance-based allocations at both the Drake Capital or the Account level and at the portfolio fund level. In addition, a limited partner in a Fund and an Account client bears a proportionate share of the fees and expenses of the Fund (including operating costs) and, indirectly, similar expenses of the portfolio funds.

Performance-Based Fees and Side-by-Side Management

As more fully described in the section entitled “Fees and Compensation,” in its capacity as general partner of the Funds, Drake Capital is entitled to receive an Incentive Allocation equal to 5% of the investor’s profits, if any, after deducting the Administrative Allocation once a non-cumulative annual hurdle rate of return is achieved. The Incentive Allocation is a performance-based fee. Account clients typically pay similar performance-based compensation, but different Account clients may pay different aggregate fees as a result of Account size and other considerations.

Types of Clients

Drake Capital furnishes investment management services to individuals, trusts, estates, charitable organizations, pension and profit-sharing plans, corporations and other business entities, and pooled investment vehicles. Several clients are persons and entities controlled or influenced by Drake Capital personnel or members of their families.

Drake Capital generally requires a minimum investment of \$30 million to open a separately managed Account. The initial and additional subscription minimums for the Funds are disclosed in the offering memoranda for the Funds.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategy

Drake Capital develops and implements hedge fund investment programs for sophisticated clients. Drake Capital has the sole discretion to select the Portfolio Managers for the Master Fund and the Accounts, to determine which investment strategies are suitable for the Master Fund and the Accounts, and to allocate and reallocate the assets of the Master Fund and the Accounts among the Portfolio Managers.

The Portfolio Managers typically manage hedge funds that invest, on both a long and a short basis, in equities, options, warrants, futures, commodities, fixed income securities, currency forward contracts, and other financial instruments. The Portfolio Manager may use leverage, typically charges a performance-based fee, and generally has a significant portion of their personal net worth invested in the funds that they manage. Drake Capital may invest the cash balances of the Funds and the Accounts in any instruments that it deems appropriate, including hedging and portfolio overlay investments. Any income earned from these investments is reinvested by the Funds and the Accounts in accordance with their respective investment programs.

Drake Capital primarily focuses on researching and analyzing the Portfolio Managers rather than individual securities. The analytical process used by Drake Capital includes both quantitative and qualitative elements. Drake Capital analyzes the strategy, philosophy and

decision-making process of each Portfolio Manager, its proprietary models, research and portfolio management processes, the quality of its investment professionals, and its organizational structure. Drake Capital invests in Portfolio Managers that execute a broad range of strategies, including equity investing, credit and fixed income investing, and event-driven, distressed and macroeconomic strategies. The Portfolio Managers typically have broad investment parameters, and each Portfolio Manager may employ several strategies within its portfolio.

The following risks are among those associated with the investment strategy of Drake Capital and the common investment strategies used by the Portfolio Managers.

Dependence on Portfolio Managers. Drake Capital invests client assets through Portfolio Managers that are not affiliated with Drake Capital. The success of the Funds and the Accounts depends upon the ability of Drake Capital and these Portfolio Managers to develop and implement investment strategies that achieve client investment objectives, primarily by selecting and managing a group of Portfolio Managers that meet the objectives established by Drake Capital. The decisions made by Drake Capital or the Portfolio Managers, or both, may cause clients to incur losses and to miss profit opportunities. Overall client performance is dependent not only on the investment performance of individual Portfolio Managers but also on the ability of Drake Capital to select and allocate client assets among the Portfolio Managers effectively on an ongoing basis. There can be no assurance that the allocations made by Drake Capital will prove successful, or as successful as other allocations that might have been made, or superior to a static approach in which Portfolio Managers are not changed.

Equity Investing. Portfolio Managers use a broad range of equity investment styles, including growth, core and value, as well as portfolios designed to be neutral as to investment style. Some Portfolio Managers focus on specific ranges on the capitalization scale, including micro-cap, small-cap, mid-cap, large-cap and mega-cap. Other Portfolio Managers focus on investment opportunities in more than one capitalization category or across all capitalization levels. In addition, some Portfolio Managers emphasize a global or multi-national investment approach or concentrate on particular geographic regions or specific countries.

Fixed Income Investing. Several Portfolio Managers invest in a broad range of fixed income securities that may or may not be credit sensitive. Portfolio Managers may invest their portfolio funds in investment-grade, high-yield or distressed securities, as well as combinations of these types of securities, and structured securities instruments of United States and foreign issuers.

Short Selling. The Portfolio Managers typically engage in short-selling strategies. In a short sale transaction, an investor sells a security that he does not own in anticipation that the market price of the security will decline. The Portfolio Managers may make short sales for profit, as a form of hedging to offset potential declines in long positions in similar securities, and in order to maintain flexibility.

Leverage. The investment programs of the Portfolio Managers may utilize a significant amount of leverage. Leverage involves the borrowing of funds from brokerage firms, banks and other institutions to increase the amount of capital available for marketable securities investments.

Arbitrage Transactions. Some Portfolio Managers engage in one or more arbitrage strategies. Arbitrage strategies attempt to take advantage of perceived price discrepancies between identical or similar financial instruments on different markets or in other forms. Portfolio Managers may engage in a wide range of arbitrage strategies, including event-driven arbitrage, merger arbitrage, capital structure arbitrage, convertible arbitrage, fixed income or interest-rate arbitrage, statistical arbitrage and index arbitrage.

Global Macroeconomic Strategy. Some Portfolio Managers engage in a global macroeconomic investment strategy. These Portfolio Managers attempt to anticipate global macroeconomic events using discretionary selection, pre-determined mathematical trading models or a combination of both.

Option Trading. The Portfolio Managers may engage in various option-trading investment strategies. Options are investments whose ultimate value is determined from the value of the underlying investment.

Material Risks, Including Significant or Unusual Risks, Relating to Investment Strategies Executed by Portfolio Managers and Drake Capital

Issuer-Specific Changes. Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer and changes in general economic or political conditions may increase the risk of default by an issuer or counterparty, which may affect the value of a security or an instrument. The value of securities of smaller, less well-known issuers may be more volatile than the value of securities of larger issuers. Smaller issuers may have more limited product lines, markets or financial resources.

Short-Selling Risk. The investment program of some Portfolio Managers includes a significant amount of short selling. Short-selling transactions expose a portfolio fund to the risk of loss in an amount greater than the initial investment, and the losses may increase rapidly and without effective limit. There is the risk that the securities borrowed by a Portfolio Manager in connection with a short sale would need to be returned to the securities lender on short notice. If a request for return of a borrowed security occurs at a time when other short sellers of the same security are receiving similar requests, a “short squeeze” may occur. In the event of a short squeeze, a Portfolio Manager may be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with securities purchased on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Hedging. There can be no assurance that a particular hedge is appropriate or that risk is measured properly. Further, while a Portfolio Manager or Drake Capital may enter into hedging transactions to seek to reduce risk, these transactions may result in poorer overall performance

and increased (rather than reduced) risk for the portfolio fund or the Funds than if the Portfolio Manager or Drake Capital did not engage in hedging transactions.

Interest Rate Risk. Generally, the value of fixed income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. Interest rate risk is greater for fixed income securities with a longer maturity than for short-term securities.

Arbitrage-Transactions Risk. If the requisite elements of an arbitrage strategy are not properly analyzed, or if unexpected events or price movements intervene, losses may occur. These losses may be magnified to the extent that a Portfolio Manager is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable spreads. Favorable spreads may be identified, reduced or eliminated by other market participants.

Commodities. Commodity investments are affected by business, financial market or legal uncertainties. There can be no assurance that the Portfolio Managers will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on their commodity investments. Prices of commodity investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the portfolio investment results of the Portfolio Managers and the value of the portfolio funds. In addition, the value of the Funds and the Accounts and the portfolio funds managed by the Portfolio Managers may fluctuate as the general level of interest rates fluctuates.

Relative-Value Risk. In the event that the perceived pricing misalignments that underlie the relative-value trading positions that a Portfolio Manager places in its portfolio fund were to fail to converge toward, or were to diverge further from, the relative values that the Portfolio Manager expects, the portfolio fund may incur a loss.

Distressed-Situation Risk. Investment by a Portfolio Manager in distressed-situation securities exposes a portfolio fund to significant risks, including (1) the difficulty in obtaining information as to the true condition of the issuer, (2) regulatory risk, including the laws relating to fraudulent conveyances, voidable preferences, lender liability and bankruptcy, (3) litigation risk, (4) liquidity risk and (5) collection risk, especially in the context of sovereign debt. Moreover, to the extent that one or more portfolio funds invest in sovereign-debt obligations, those obligations are subject to additional risks and considerations that are not present in private distressed-situation securities, including the uncertainties involved in enforcing and collecting debt obligations against sovereign nations. These uncertainties may be additionally affected by world events, changes in U.S. foreign policy and other factors outside of the control of the Portfolio Managers.

Risks Associated with Types of Securities in Which Portfolio Managers and Drake Capital Invest

Equity Securities. The value of equity securities fluctuates in response to company-specific, political, market and economic developments. Fluctuations may be dramatic over the short term as well as the long term, and different parts of the market and different types of equity securities may react differently to these developments. For example, large-cap stocks may react differently than small-cap stocks, and growth stocks may react differently than value stocks. Company-specific, political or economic developments may affect a single company's equity, the equities of companies within an industry, economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single company may impact the market as a whole. Terrorism and related geopolitical risks have led, and in the future may lead, to increased short-term market volatility. Geopolitical risks may have adverse long-term effects on world economies and markets generally.

Fixed Income and Debt Securities. Investments in fixed income and debt securities, such as bonds, notes and asset-backed securities, subject a portfolio fund to the risk that the overall value of the securities will decline because of rising interest rates. Similarly, portfolio funds that hold fixed income and debt securities are subject to the risk that portfolio income will decline because of falling interest rates. Investments in these types of securities are also subject to the credit risk that is created when a debt issuer fails to pay interest and principal in a timely manner. An additional type of credit risk results when negative perceptions about the ability of an issuer to pay principal and interest cause the price of debt securities to decline. Lastly, fixed income and debt securities may fluctuate more in price than equity securities, and this risk may impact the price volatility of a portfolio fund. Fixed income and debt securities that have lower ratings are generally less liquid than higher-rated securities, because issuers of lower-rated debt securities are not as strong financially, are more likely to encounter financial difficulties and are more vulnerable to adverse changes in the economy.

Non-United States Securities. Foreign securities, foreign currencies and securities issued by United States entities with substantial foreign operations may involve additional risks relating to political, economic or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors may make foreign investments, especially those in less-developed countries (sometimes referred to as emerging markets), more volatile and potentially less liquid than U.S. investments. In addition, foreign markets may perform differently from U.S. markets.

Emerging Markets. The risks of foreign investments typically are greater in emerging markets. For example, political and economic structures in less-developed countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation or currency devaluation, which may harm their economies and securities markets and may increase volatility. Restrictions on currency trading that may be

imposed in emerging markets will have an adverse effect on the value of the securities of companies that trade or operate in those countries.

Distressed Securities. Unrated or lower-rated debt securities of distressed companies are subject to greater risk of loss of principal and interest than higher-rated debt securities. In addition, the securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies. Evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, which complicates comparison.

Derivatives. Swaps, options traded over the counter and other customized derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty of the instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments may involve a high degree of leverage, meaning that the overall contract value (and, accordingly, the potential for profits or losses in that value) may be much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities may also be highly volatile. The prices of derivative instruments and the investments underlying derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by a Portfolio Manager. Further, many transactions in derivative instruments are not undertaken on recognized securities exchanges and thus expose a portfolio fund to greater risks than regulated exchange transactions. Exchange transactions generally provide greater liquidity and more accurate valuation of securities.

Mortgage-Backed Securities. Mortgage-backed securities are subject to credit risk associated with the performance of the underlying mortgage properties. Factors such as consumer spending habits, local economic and competitive conditions, tenant occupancy rates, regulatory or zoning restrictions, and the loss of a major tenant may adversely affect the economic viability of a mortgaged property. In addition, mortgage-backed securities are subject to prepayment risk. Some securities have a structure that makes their reaction to interest rates and other factors difficult to predict, which causes their value to be highly volatile.

Asset-Backed Securities. Asset-backed securities are subject to interest rate risk and, to a lesser degree, prepayment risk. Asset-backed securities are subject to additional risks in that, unlike mortgage-backed securities, asset-backed securities generally do not have the benefit of a security interest in the related collateral. Each type of asset-backed security entails unique risks, depending on the type of assets involved and the legal structure used. In addition, asset-backed securities experience credit risk. There is also the possibility that recoveries on repossessed collateral may not be available to support payments on asset-backed securities because of the inability to perfect a security interest in the collateral.

Security Futures and Options. In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options held by a portfolio fund. In addition, a Portfolio Manager that invests in security futures and options may encounter the lack of a liquid

secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

Commodity Futures and Options. Commodity futures markets are highly volatile. They are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, employing a high degree of leverage may be typical for a Portfolio Manager that engages in commodity futures trading. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses for a portfolio fund. Like commodity futures contracts, commodity options are speculative and involve risk. Specific market movements of the cash commodity or futures contract underlying an option may not be predictable or accurately predicted. No assurance can be given that a liquid offset market will exist for any particular futures option at any particular time.

Illiquid Investments. Some securities and instruments may have no readily available market or independent pricing. Reduced liquidity may have an adverse impact on market prices and the ability of a Portfolio Manager or Drake Capital to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for a Portfolio Manager to obtain market quotations based on actual trades for the purpose of valuing a portfolio fund.

Disciplinary Information

This item is not applicable.

Other Financial Industry Activities and Affiliations

Drake Capital is not registered nor does it have an application pending to register as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, a commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Drake Capital recognizes and believes that (1) high ethical standards are essential for its success and to maintain the confidence of its clients, (2) its long-term business interests are best served by adherence to the principle that the interests of clients come first, and (3) it has a fiduciary

duty to its clients to act solely for their benefit. All personnel of Drake Capital are required to put the interests of the clients of Drake Capital before their own personal interests and to act honestly and fairly in all respects in dealings with clients. All personnel of Drake Capital are also required to comply with all federal securities laws. Drake Capital seeks to avoid conflicts of interest with its clients and will take appropriate steps consistent with the Code of Ethics to resolve any conflicts of interest that may arise.

Drake Capital has adopted a Code of Ethics that governs personal trading by its personnel. This Code of Ethics requires Drake Capital and its personnel to comply fully with all applicable laws, including applicable federal securities laws, in conducting investment advisory services and related activities. Among other requirements, the Code of Ethics requires personnel to report their personal securities transactions and holdings to Drake Capital, and Drake Capital is required to review such reports. Current and prospective clients and Fund investors may obtain a copy of the Code of Ethics by contacting Mr. Gustin, the chief compliance officer, by email at rgustin@drakeadvisors.com or by telephone at 203.861.7500.

Mr. Gustin is responsible for overseeing adherence to the Code of Ethics. He has engaged an independent outside compliance consultant to assist in providing oversight and to conduct periodic testing and reviews. The Code of Ethics and other compliance procedures establish policies and procedures in a number of areas, including the treatment of confidential proprietary information, recordkeeping, conflicts of interest and personal securities transactions.

The transactions of all personnel in their personal securities accounts are reviewed on a regular basis by the compliance consultant and compared with transactions for clients. Any transactions that are believed to be a violation of this Code of Ethics are reported promptly to the chief compliance officer.

The chief compliance officer, with the advice of legal counsel if appropriate, will consider reports made to him. Upon determining that a violation of the Code of Ethics has occurred, he may impose sanctions or remedial action as he deems appropriate or to the extent required by law. These sanctions may include, among other things, disgorgement of profits and suspension or termination of employment.

Drake Capital has a written insider trading policy that is designed to prevent the improper use of material nonpublic information.

Transactions in Securities Recommended to Clients

Drake Capital and its related persons may invest their personal funds in the Funds, in their own personal securities accounts, and in accounts held by persons and entities related to them. As a result, these persons may hold, directly or indirectly, the same securities as the Funds and the Accounts. Drake Capital is the general partner of the Funds. Drake Capital has established procedures intended to limit conflicts of interest in cases in which Drake Capital, a related person or an employee buys or sells securities recommended by Drake Capital to its clients.

Potential conflicts are addressed directly, and their resolution is documented. In an effort to minimize conflicts, the chief compliance officer is required to preclear all transactions involving limited offerings (such as initial public offerings and private placements). The chief compliance officer may deny permission to execute the transaction if the transaction would appear to have an adverse economic impact on a client.

Brokerage Practices

Considerations in Selecting Broker-Dealers for Client Transactions

Except for the general investment guidelines set forth in the offering memorandum of a Fund, there are no limitations on the authority of Drake Capital with respect to investment or brokerage discretion. Drake Capital does not intend to enter into agreements with broker-dealers regarding specific amounts of brokerage, nor does Drake Capital intend to enter into soft-dollar arrangements. Drake Capital is authorized to designate the banks, broker-dealers and other counterparties to be used for transactions by clients. Drake Capital selects broker-dealers based on the overall benefit and quality of the services that they provide and not solely based on the amount of their fees. Generally, however, Drake Capital does not engage broker-dealers to effect transactions on behalf of the Funds or the Accounts. In some cases, federal and state laws (such as the Employee Retirement Income Security Act of 1974) may limit or restrict the selection of broker-dealers.

In the rare instances in which Drake Capital chooses broker-dealers for client transactions, Drake Capital endeavors to select financially responsible broker-dealers that provide best execution. Drake Capital has established general criteria to determine which broker-dealers are qualified to provide brokerage services to its clients. Drake Capital considers, among other relevant factors, (1) the financial stability of the broker-dealer, (2) the actual executed price of the security and the commission rates of the broker-dealer, (3) the value of the research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis) and custodial and other services provided by the broker-dealer that are expected to enhance the general portfolio management capabilities of Drake Capital, (4) the size and type of the transaction, (5) the difficulty of execution and the ability to handle difficult trades, (6) the operational facilities of the broker-dealer, including back-office efficiency, and (7) the ability to handle a block order for securities and distribution capabilities. In selecting a broker-dealer to execute a transaction or a series of transactions, and in determining the reasonableness of broker-dealer compensation, Drake Capital is not required to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not Drake Capital's practice to negotiate execution-only commission rates. As a result, a client may be paying for research, brokerage or other services provided by a broker-dealer that are included in the commission rate.

On occasion, Drake Capital may have the opportunity to purchase for clients securities in an initial public offering or other limited investment opportunity. Subject to suitability

considerations, Drake Capital would seek to allocate these so-called scarce securities ratably among clients that have capital available to invest.

Order Aggregation

Drake Capital may be considered to aggregate orders to the extent that a Fund and one or more Accounts invest in portfolio funds or accounts managed by the same Portfolio Manager. In such cases, a separate subscription agreement is submitted by the Fund and each Account. Subject to any minimum account size imposed by a Portfolio Manager, the Fund and each Account will receive the same economic terms when making a simultaneous investment through a Portfolio Manager.

Drake Capital will generally follow the guidelines set forth below in aggregating client orders for securities, including any orders placed for portfolio funds or accounts managed by the same Portfolio Manager:

No client will be favored over any other client.

Each client that participates in an aggregated order will participate at the average price for all transactions of Drake Capital in that security on a given business day.

If the aggregated order is filled in its entirety, it will be allocated among clients that Drake Capital has determined to be suitable for the transaction in accordance with the general policy described here.

If the aggregated order is partially filled, it will be allocated among suitable clients pro rata.

Notwithstanding the foregoing, an aggregated order may be allocated on a basis different from that specified in the allocation statement, if the reason for the different allocation is explained in writing and approved by the chief compliance officer no later than the close of trading on the day on which the order was executed. Reasons for allocation on a basis different from that specified in the allocation statement may include client investment guidelines and restrictions, available cash, liquidity requirements, and legal regulatory reasons. The chief compliance officer is responsible for monitoring the trading of supervised persons and its client trading for compliance with this policy.

Review of Accounts

All investment portfolios are closely monitored by Messrs. MacFarlane and Gustin at least quarterly to ensure adherence to investment and risk objectives. Messrs. MacFarlane and Gustin are generally aware of the holdings in the Funds and the Accounts on a continuous basis. Before deciding whether to purchase or sell a particular security on behalf of a client, the client portfolio holding the security is reviewed. In addition, client portfolios are reviewed

periodically from the standpoint of the specific investment objectives of the client and as particular situations may dictate.

Portfolio holdings are monitored in light of significant investment developments and other activities that may dictate a change in portfolio positions. Client inquiries, changes in the general market outlook, changes in the tax laws, new investment information, changes in the financial situation of a client, and changes in the opinions of Messrs. MacFarlane and Gustin on specific issues may prompt periodic reviews of some or all client accounts.

Regular Reports

Limited partners in the Funds receive reports from Drake Capital pursuant to the terms of the offering memoranda. Account clients receive reports from Drake Capital as described in the investment management agreement of the client.

Client Referrals and Other Compensation

This item is not applicable.

Custody

Where applicable, custodians for the Accounts provide information to clients. Account clients are urged to review those statements carefully.

Investment Discretion

Drake Capital generally requires discretionary authority to manage assets on behalf of clients. Unless otherwise instructed or directed by a discretionary client, Drake Capital has the authority to determine, without obtaining specific client consent, (1) the securities to be bought or sold and the amount of the securities to be bought or sold (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (2) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there are differences among the Funds and the Accounts in invested positions and securities held. Drake Capital may consider the following factors, among others, in allocating securities among the Funds and the Accounts:

- The investment objectives and strategies of the Fund or the Account;
- The risk profile of the Fund or the Account;
- Tax status and any portfolio or legal restrictions imposed on the Fund or the Account;
- The size of the Fund or the Account;
- The nature and liquidity of the security to be allocated;
- The size of the available position;

Current market conditions;
Liquidity and requirements for liquidity; and
The timing of cash flows from the security or within the Fund or the Account.

In the rare event in which discretionary authority has not been granted, Drake Capital consults with the client prior to each investment transaction to obtain concurrence. Discretionary trading authority facilitates making investments on behalf of the Funds or the Accounts so that Drake Capital may promptly implement its investment strategies on behalf of clients. Prior to assuming full discretion in managing the assets of a client, Drake Capital enters into an investment management agreement or other agreement that sets forth the scope of the discretionary authority.

Each Fund and most Account clients grant Drake Capital a limited power of attorney, which is a trading authorization that gives Drake Capital discretionary authority over the client assets.

Voting Client Securities

From time to time, Drake Capital may have the right to vote by proxy on matters regarding the portfolio funds or other securities in which the Funds and the Accounts invest. Drake Capital has adopted proxy-voting policies and procedures that are designed to ensure that, in cases in which Drake Capital votes proxies with respect to client securities, the proxies are voted in the best interests of clients. These policies and procedures also require Drake Capital to identify and address conflicts of interest between Drake Capital and its clients. If a material conflict of interest exists, Drake Capital will determine whether voting in accordance with the guidelines set forth in the policies and procedures is in the best interests of the client or will take other appropriate action.

A client may obtain a copy of these policies and procedures and information about how Drake Capital has voted the proxies of the client by contacting Mr. Gustin by email at rgustin@drakeadvisors.com or by telephone at 203.861.7500.

Mr. Gustin, as chief compliance officer, is responsible for determining whether a potential conflict exists with respect to the subject matter of proxy materials. If Mr. Gustin determines that a matter to be voted upon involves a potential conflict of interest, he may consult with outside counsel to determine whether the matter to be voted on presents a material conflict of interest. If it is determined that a material conflict of interest exists, Mr. Gustin (1) will promptly contact the client to describe the conflict presented, and then will vote the proxy in accordance with the instructions of the client, or (2) will vote the proxy in the manner that he believes is in the best interest of the client, so long as the vote is against the interest of Drake Capital or the interest of the relevant interested party, or (3) in extraordinary circumstances, will abstain from voting the proxy.

Financial Information

This item is not applicable.

Appendix: Material Changes

This firm brochure and brochure supplement were initially prepared in March 2011. This version is the 2012 annual update. It updates assets under management and the biographical information in the brochure supplement.

Brochure Supplement

David B. MacFarlane
Ray Gustin IV
Catherine Lai

Educational Background and Business Experience

David B. MacFarlane

Born 1962

MBA with Distinction, Harvard Business School, Harvard University

BA with Distinction, University of Virginia

CFA Charterholder

Mr. MacFarlane, managing director and the managing member of Drake Capital, founded the firm in 2001 to manage global hedge fund portfolios for institutional investors and other sophisticated investors. Mr. MacFarlane has over 15 years of experience in managing hedge fund portfolios and has longstanding involvement with leading hedge fund managers across virtually all hedge fund strategies. From 1993 through 2001, Mr. MacFarlane was president and managing director of Kemnay Services USA Inc., a firm providing investment advisory services to a group of related private investment companies and charitable foundations, where he oversaw hedge fund investments well in excess of \$1 billion. Mr. MacFarlane has served on the boards of a variety of funds, including funds managed by Tiger Management LLC, Marshall Wace Asset Management Ltd., Oechsle International Advisors Ltd., and Adelphi Capital LLP. Prior to Kemnay, Mr. MacFarlane served as a director of J O Hambro Magan & Co. Limited, a specialist advisory firm in London specializing in mergers and acquisitions. Mr. MacFarlane is currently a director of the University of Virginia Investment Management Company and a member of the boards of trustees and the investment committees of the Westminster Schools, Brunswick School, and The Boys and Girls Club of Greenwich.

Ray Gustin IV

Born 1961

MBA, University of Chicago

BS with Honors, Pennsylvania State University

Mr. Gustin, managing director and a member of Drake Capital, as well as its chief compliance officer, has over 15 years of senior investment management experience managing hedge fund and private equity portfolios and investments. Prior to joining Drake Capital in 2003, Mr. Gustin was managing director and a general partner at Cornerstone Equity Investors, where he invested in companies in the business and information services, technology, and communications sectors. Prior to joining Cornerstone in 2000, Mr. Gustin was managing director and a co-founder in 1991 of the United States mergers and acquisitions practice of TD

Securities Inc., where he advised clients and invested the bank's proprietary capital in a wide range of private equity and debt investments. Mr. Gustin joined Toronto Dominion Bank in 1989 in the restructuring advisory practice, where he completed restructurings in the retail/consumer, media/communications, and cyclical industries. Mr. Gustin has been a member of the education committee of the Greenwich Roundtable since 2007 and is co-author of *Best Practices in Alternative Investing: Managing Complexity* (2011), *Best Practices in Alternative Investments: Due Diligence* (2010), and *Best Practices in Alternative Investing: Portfolio Construction* (2009). Other publications include "Overcoming Challenges in Investment Approach of the Endowment Model," published in 2010 in *Pensions & Investments*. Mr. Gustin has served on the boards of numerous non-profit and for-profit entities, including current roles as a trustee of the Indian Harbor Yacht Club Pension Plan and president of the Indian Harbor Yacht Club Foundation.

Catherine Lai

Born 1963
MBA, Bernard Baruch College
MA, St. John's University
BA, Tamkang University (Taiwan)
Certified Public Accountant

Ms. Lai, a member of Drake Capital and its chief financial officer, is responsible for managing all financial and tax matters for the Funds and all financial matters for the Accounts. Prior to joining Drake Capital in 2006, Ms. Lai was a managing director and the controller at FrontPoint Partners LLC, a \$5 billion multi-strategy investment management firm. In that role, she oversaw the financial and administrative functions for the FrontPoint hedge funds, the management company, and its international subsidiaries. Prior to joining FrontPoint in 2003, she was a senior fund administration analyst at SAC Capital, where she was responsible for the financial and administrative functions for its hedge funds.

Disciplinary Information

This item is not applicable.

Other Business Activities

This item is not applicable.

Additional Compensation

This item is not applicable.

Supervision

Messrs. MacFarlane and Gustin supervise all supervised persons of Drake Capital. Mr. MacFarlane, managing director, and Mr. Gustin, managing director, may be reached by telephone at 203.861.7500.