

# **Anthion Management, LLC**

## **Part 2A of Form ADV**

### **The Brochure**

**160 Mercer St, 2nd Floor  
New York, NY 10012  
Telephone: (212) 404-6670  
Fax: (212) 404-6676  
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This brochure provides information about the qualifications and business practices of **Anthion Management, LLC** ("Anthion" or "Adviser"). If you have any questions regarding the contents of this Brochure, please contact us at (212)-404-6670 and/or via electronic mail at [info@anthioncap.com](mailto:info@anthioncap.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Anthion is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information with which you may determine to hire or retain advisory services. Additional information about Anthion is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **Item 4 – Advisory Business**

Anthion Management, LLC is an investment adviser with its principal place of business in New York, New York. The Adviser commenced operations in 2008. The Adviser provides investment advisory services on a discretionary basis to private pooled investment vehicles (the “Private Funds”). Interests in the Private Funds are offered to institutional and high net-worth, financially sophisticated investors. As used herein, the term “client” refers to each of the Private Funds.

David Moradi, the Adviser’s founder, Portfolio Manager and Managing Member, is the principal owner of the Adviser. As of December 31, 2011, the Adviser managed discretionary client assets valued at approximately \$716,000,000. The Adviser does not manage assets on a non-discretionary basis.

The Adviser does not tailor its advisory services or investment objectives or strategies to the requests or needs of individual Private Fund investors. Investors in these Private Funds are not permitted to restrict a fund’s investments. For more detailed information regarding each Private Fund’s restrictions, refer to the Private Fund’s offering memorandum.

## **Item 5 – Fees and Compensation**

### **Asset Based Compensation**

The Adviser is paid a fixed management fee (the “Fixed Fee”), quarterly in advance, in an amount equal to 0.4375 percent (*i.e.*, 1.75 percent per annum) of the net assets of each Private Fund. The Fixed Fee is deducted in determining the net profit or net loss of the Private Fund. If contributions are made to the Private Funds during a calendar quarter, the Fixed Fee is prorated for the number of days remaining in the quarter. In limited circumstances, these fees may be waived or reduced for Private Fund investors that are employees of the Adviser or for certain large or strategic investors.

### **Performance-Based Compensation**

An affiliate of the Adviser may be paid an annual performance based allocation, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of the Private Funds (the “Incentive Allocation”). This Incentive Allocation is 20% and is subject to a loss carryforward. In limited circumstances, the Incentive Allocation may be waived or reduced for Private Fund investors that are employees of the Adviser or for certain large or strategic investors.

### **Expenses**

The Adviser renders its services to the Private Funds at its own expense, including the salaries of employees necessary to render such services and all general overhead expenses attributable to its employees. Operating expenses of the Private Funds are borne by the Private Funds, including the fees paid to the Adviser and to the Private Funds' administrator, legal, auditing, accounting, consulting and other professional expenses, research fees and expenses, and investment expenses such as commissions, interest on margin accounts and other indebtedness, custodial fees, bank service fees, other expenses related to the purchase, sale or transmittal of the Private Funds' assets.

For more detailed information and a complete description regarding each Private Fund's fees and expenses refer to the Private Fund's offering memorandum.

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

An affiliate of the Adviser may be entitled to receive an Incentive Allocation from the Private Funds managed by the Adviser. Performance-based fee arrangements may create an incentive for the Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying client accounts over other client accounts in the allocation of investment opportunities. The Adviser has procedures designed to ensure that all clients are treated fairly and equally, subject to their investment objectives and restrictions, and to prevent these conflicts from influencing the Adviser's allocation of investment opportunities among clients. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. In general, the Adviser's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities pro rata based on asset size and require that, to the extent orders are aggregated, the orders are price-averaged. Finally, the Adviser's procedures also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair and equitable allocation among accounts. These areas are monitored by the Adviser's Chief Compliance Officer.

## **Item 7 – Types of Clients**

The Adviser currently provides investment advice to Private Funds. Generally, the minimum initial investment in a Private Fund is \$5,000,000, however, each Private Fund reserves the right to require or allow a different amount. Furthermore, any initial and additional subscription minimums are disclosed in the offering memoranda for the Private Funds.

Investments in the Private Funds are designed for sophisticated investors who are able to bear the economic risk of loss of their investment.

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

### **Methods of Analysis and Investment Strategies**

The Adviser employs a strict bottom-up value approach primarily with respect to equities and debt securities of U.S. issuers within various sectors (including both long and short positions). While it is anticipated that the Private Funds will invest primarily in equities and debt securities of U.S. issuers, the Private Funds have broad and flexible investment authority.

The Adviser conducts deep fundamental research to seek out attractive risk/reward opportunities across all industries and sectors. This analytical approach is coupled with a contrarian investment style when possible designed to exploit inflection points and catalysts which may have been overlooked by the markets. This contrarian approach allows the Private Funds to capitalize on temporary extremes in investor sentiment. A key tenet of the Adviser's approach is the ability (or lack thereof) of a company to generate free cash flow and earn returns on invested cash flow in excess of its cost of capital. The Adviser believes that a value-based approach to long investing and short selling must be flexible and opportunistic across sectors, capital structures, market capitalizations and geographies.

Investing in securities and other financial instruments involves risk of loss that clients should be prepared to bear. Those risks will vary based on the nature and attributes of the relevant investment approach and the specific securities and other instruments held. For information on the risks associated with a particular investment approach, as well as the types of investments it may hold, please contact us at (212)-404-6670.

### ***Material Risks (including significant or unusual risks relating to investment strategies)***

#### ***Equities:***

Investments in equity markets are subject to many risk factors, including risks arising from economic conditions, government regulations, market sentiment, local and international political events, and environmental and technological issues. In addition, the market value of equity securities will fluctuate in response to changes in currency values. Short selling also poses additional risks, including losses exceeding the initial investment. Such losses can increase rapidly and without effective limit.

#### ***Fixed Income:***

The Adviser invests in a variety of fixed income instruments across the duration and credit spectrums including high yield and investment grade corporate debt. Investments in fixed income securities markets are subject to many risk factors, including risks arising from economic conditions, government regulations, market sentiment, and local and international political events. In addition, the market value of fixed income securities will fluctuate in response to changes in interest rates, currency values, and the creditworthiness of the issuer.

#### ***Options:***

The Adviser may purchase or write put and call options to express an investment thesis. Because option premiums are small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage. As a result, the leverage offered by trading in options could cause the value of an investment to be subject to more frequent and wider fluctuations than would be the case if the Adviser did not invest in options.

***Futures:***

The Adviser may invest in futures contracts in order to express an investment thesis or to hedge certain exposures in the portfolio. Trading in futures contracts is a highly specialized activity which may entail greater than ordinary investment risks.



**Item 9 – Disciplinary Information**

This Item is not applicable.

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

Each of the Private Funds for which the Adviser or its affiliates serves as general partner or investment manager has in the past, and may in the future, enter into agreements, or “side letters,” with certain prospective or existing investors whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the Private Fund. For example, such terms and conditions may provide for special rights to make future investments in the Private Funds; special redemption rights, relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the investor and/or other terms; rights to receive reports from the Private Fund on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Private Fund and such investors. The modifications are solely at the discretion of the Private Fund and may, among other things, be based on the size of the investor’s investment in the Private Fund or affiliated investment entity, an agreement by an investor to maintain such investment in the Private Fund for a significant period of time, or other similar commitment by an investor to the Private Fund.

## Item 11 – Code of Ethics

The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser and its related persons to put the interests of the Adviser’s clients before their own interests and to act honestly and fairly in all respects in dealing with clients. All of the Adviser’s personnel are also required to comply with applicable securities laws. Clients or investors may obtain the Code by contacting Brendan McHugh, Chief Financial Officer and Chief Compliance Officer, (212)-404-6675 and/or via electronic mail at [bm@anthioncap.com](mailto:bm@anthioncap.com).

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the client or using such information for a client’s benefit. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that the Adviser possesses such information), or not using such information for the client’s benefit, as a result of following the Adviser’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

As a general matter, the Adviser’s covered persons must pre-clear all transactions in reportable securities in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have an adverse impact on the Funds. In addition, the Code prohibits the Adviser and its covered persons from executing personal securities transactions of any kind in securities on a restricted list maintained by the Chief Compliance Officer. All of the Adviser’s covered persons are required to provide account statements and/or transaction reports periodically. The Adviser’s covered persons are also required to provide annual holdings reports. Trading in employee accounts will be reviewed by the Chief Compliance Officer and compared with transactions executed for the clients and reviewed against the restricted securities list.

The Adviser or its covered persons may invest in the same securities or other financial instruments in which the Adviser invests on behalf of the Funds. Such practices present a conflict when, because of the information the Adviser has, the Adviser or its covered persons are in a position to trade in a manner that could adversely affect the Funds (e.g., place their own trades before or after trades for the Private Funds are executed in order to benefit from any price movements due to such trades). The Adviser has adopted the Code, described above, which contains policies and procedures designed to minimize any actual or potential conflicts.

## Item 12 – Brokerage Practices

### Selection of Broker-Dealers

The Adviser is authorized to determine the broker or dealer to be used for each securities transaction for the Private Funds. In selecting brokers or dealers to execute transactions, the Adviser is not required to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus the Private Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

Section 28(e) of the Securities Exchange Act of 1934, as amended, is a "safe harbor" that permits an investment manager to use commissions or "soft dollars" to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Except for services that would be a Private Fund expense or as otherwise described below, the Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (*i.e.*, connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the Securities and Exchange Commission or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations. The use of commissions arising from the Private Funds' investment transactions for services other than research and brokerage will be limited to services that would otherwise be a Private Fund expense. The use of commissions to obtain such other services would be outside the parameters of Section 28(e).

It is the policy of the Adviser to limit the use of "soft dollars" to obtain broker-dealer supplied and third-party supplied research as well as data services. The Adviser believes that all research received falls within the safe harbor of Section 28(e). During the last fiscal year, the types of soft dollar research and execution services used by the Adviser included the following: real-time stock quotes; market data and research; a portion of the portfolio management system and trading system; and research provided by external firms. With respect to the portfolio management and trading system, only the portion attributable to execution and portfolio attribution and analysis is obtained through soft dollar commissions. Only those Bloomberg terminals used by investment management personnel are obtained through soft dollars.

In some instances, the Adviser may receive a product or service that may be used only partially for functions within Section 28(e) (*e.g.*, an order management system, trade analytical software or proxy services). In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources.

Research and brokerage services obtained by the use of commissions arising from a particular Private Fund's portfolio transactions may be used by the Adviser in its other investment activities and thus, a particular Private Fund may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided.

Although the Adviser will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker, commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. The receipt of such products or services and the determination of the appropriate allocation in the case of "mixed use" products or services creates a potential conflict of interest between the Adviser and its clients.

In selecting brokers and negotiating commission rates, the Adviser will take into account the financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers. The Adviser may place transactions with a broker or dealer that (i) provides the Adviser (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to the Private Funds or other products advised by the Adviser (or an affiliate), if otherwise consistent with seeking best execution; provided the Adviser is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

When appropriate, the Adviser may, but is not required to, aggregate client orders to achieve more efficient execution or to provide for equitable treatment among accounts. Clients participating in aggregated trades will generally be allocated securities based on the average price achieved for such trades.

The Private Funds will maintain accounts at Morgan Stanley & Co. LLC, Goldman, Sachs & Co., National Financial Services LLC and Barclays Capital Inc. (among others potentially) as its prime brokers, through which the Private Funds may execute trades, borrow securities and maintain custody of its securities.

The Private Funds reserve the right, in their sole discretion, to change their brokerage and custodial arrangements without further notice to their limited partners.

### **Item 13 – Review of Accounts**

The holdings in each Private Fund's accounts are reviewed each business day by the Managing Member and Portfolio Manager, David Moradi. These holdings are monitored in light of trading activity, significant corporate developments and other activities which may dictate a change in portfolio positions. In addition, client accounts are reviewed periodically from the standpoint of the specific investment objectives of the client and as specific conditions may dictate.

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

The Adviser does not engage the services of solicitors to assist the Adviser in securing advisory clients. Nor does the Adviser receive any economic benefits from non-clients in connection with the provision of investment advice to clients. The Adviser receives certain research or other products or services from broker-dealers through “soft-dollar” arrangements. These “soft-dollar” arrangements create an incentive for the Adviser to select broker-dealers based on the Adviser’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its clients. Please see Item 12 for further information on the Adviser’s “soft-dollar” practices.

**Item 15 – Custody**

This Item is not applicable.



## **Item 16 – Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to its clients. Prior to assuming discretion in managing a client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion. The Adviser has the authority to determine (i) the securities or other financial instruments to be purchased or sold for the client and (ii) the amount of securities or other financial instruments to be purchased or sold for the client.

## Item 17 – Voting Client Securities

The Adviser has adopted Proxy Voting Policies and Procedures (the "Procedures") that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of its clients. The Procedures also require that the Adviser identify and address conflicts of interest between the Adviser and its clients. If a material conflict of interest exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the Procedures is in the best interests of the client or take some other appropriate action. It is the Adviser's general policy not to vote proxies for securities which are not held in a client's account at the time such proxy is received by the Adviser. The Adviser has engaged a proxy voting service provider whose recommendations the Adviser will generally follow in determining the manner in which proxies are voted on behalf of client accounts.

Clients or investors may obtain information from the Adviser regarding how Anthion voted client proxies and may also request a copy of these procedures by contacting Brendan McHugh, Chief Financial Officer and Chief Compliance Officer, (212)-404-6675 and/or via electronic mail at [bm@anthioncap.com](mailto:bm@anthioncap.com).

## **Item 18 – Financial Information**

This Item is not applicable.