

**ITEM 1  
COVER PAGE**

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

**BIRCH RUN CAPITAL, LLC**

**March 29, 2012**

Birch Run Capital, LLC  
1350 Broadway, Suite 2412  
New York, NY 10018  
Tel: (212) 433 – 1980  
Fax: (212) 656 – 1095

*This brochure provides information about the qualifications and business practices of Birch Run Capital, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 433 – 1980 or [cabramovich@birchruncapital.com](mailto:cabramovich@birchruncapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Registration with the SEC does not imply a certain level of skill or training.*

*Additional information about Birch Run Capital, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

**ITEM 2**  
**MATERIAL CHANGES**

There are no material changes to report.

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## **ITEM 4**

### **ADVISORY BUSINESS**

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

The Adviser, Birch Run Capital, LLC, a Delaware limited liability company, was formed in May 2006 and has its office in New York, New York. Daniel Beltzman and Gregory H. Smith are the co-founders and managing members of the Adviser.

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

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

The Adviser serves as the management company for a number of funds and managed accounts. Throughout this brochure, Birch Run Capital Partners, LP, Orchard I BRC, LP, Orchard II BRC, LP and Walnut BRC, LP are each referred to individually as the “Private Fund” and collectively as the “Private Funds.” The Adviser is delegated authority to serve as the investment manager for the Private Funds through separate investment management agreements with the general partners for each Private Fund. The investors in the Private Funds are primarily high net worth individuals and families or trusts formed by these families that share the Adviser’s philosophies on investment and incentives. The interests in the Private Funds are offered on a private placement basis, in compliance with the exemption provided by Section 3(c)(7) of the Investment Company Act of 1940, respectively, to persons who are “qualified purchasers” (or “knowledgeable employees”) as defined under the Investment Company Act of 1940 and subject to other conditions, that are set forth in the subscription documents for each Private Fund. As used throughout this brochure, the term “client” generally refers to each of the Private Funds or managed accounts.

##### **Birch Run Capital Partners, LP**

The General Partner of Birch Run Capital Partners, LP (“Burch Run Capital”) is Birch Run Capital GP, LLC, a Delaware limited liability company, affiliated with the Adviser and controlled by Mr. Beltzman and Mr. Smith.

##### **Orchard I BRC, LP and Orchard II BRC, LP**

The General Partner of Orchard I BRC, LP (“Orchard I”) and Orchard II BRC, LP (“Orchard II”) is Orchard BRC GP, LLC, a Delaware limited liability company, affiliated with the Adviser and controlled by Mr. Beltzman and Mr. Smith.

##### **Walnut BRC, LP**

The General Partner of Walnut BRC, LP (“Walnut”) is Walnut BRC GP, LLC, a Delaware limited liability company, affiliated with the Adviser and controlled by Mr. Beltzman and Mr. Smith.

### Managed Accounts

The Adviser is delegated discretionary authority to provide investment management services for two managed accounts (collectively the “Managed Accounts”) through an investment management agreement with each account.

Throughout this brochure, “the Funds” refers to, collectively, the Private Funds and the Managed Accounts.

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

*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 Advisor is a value investor whose primary objective is to earn an attractive return for its clients without taking undue risk of permanent capital impairment.

In seeking to achieve the Funds’ objectives, the Adviser may employ any investment strategy that it believes will enhance overall performance. Except as described in the Funds’ partnership agreements, subscription documents, and/or investment management agreement, there are no restrictions on the securities or other financial instruments that may be used by the Funds. While the Adviser might find opportunities in any asset class and in any part of the world, the Adviser currently primarily invests in long and short positions in equity or debt securities of public U.S. and non-U.S. issuers; options and warrants; bonds and notes; bank loans; swaptions; and instruments such as forward contracts on foreign currencies.

The Adviser generally does not employ net leverage in the execution of its investment strategies. Gross leverage has been used in the past, generally as a currency hedge. Notwithstanding the foregoing, the Adviser may consider use of limited leverage in the future under certain circumstances.

### **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 Funds’ investments may differ.

### **D. Wrap Fee Programs**

The Adviser does not participate in a wrap fee program.

### **E. Assets Under Management**

As of December 31, 2011, the Adviser managed approximately \$246,744,489.78 on a discretionary basis.

## **ITEM 5**

### **FEES AND COMPENSATION**

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

This brochure will only be delivered to qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 and therefore the fee schedule is not included. The fees applicable to each of the Funds are set forth in detail in each funds' partnership agreement or in the investment management agreement with the Adviser, as applicable.

#### **B. Payment of Fees**

Management fees for investment advisory services provided to Birch Run Capital and Walnut are deducted quarterly in advance from the capital accounts of the limited partners of each fund. Performance compensation for both of the aforementioned funds is deducted from the capital accounts of the limited partners on an annual basis.

Management fees for Orchard I and Orchard II are deducted semi-annually from the capital accounts of the limited partners of each fund. Performance compensation for both Orchard I and Orchard II is accrued and paid only when there is a realization event on the investments that generates cash for the fund (i.e., sale or redemption, maturity of the security, receipt of interest coupons or dividends, etc.).

The Adviser bills the Managed Accounts for performance compensation, which is paid only when there is a realization event on the investments that generates cash for the account (i.e., sale or redemption, maturity of the security, receipt of interest coupons or dividends, etc.).

#### **C. Other Fees and Expenses**

Each client bears its own expenses, including, without limitation, brokerage commissions and other transaction costs, expenses related to proxies, underwriting and private placements, investment-related expenses (including research), withholding and transfer taxes, accounting, auditing, legal fees and costs, professional fees and expenses, governmental and regulatory fees and expenses, custodial fees, bank service fees, corporate filing fees and expenses and insurance expenses. See Item 12 for additional information on the Adviser's brokerage practices.

#### **D. Additional Compensation**

Neither the Adviser nor any of its supervised persons accepts compensation for the sale of securities or other investment portfolios.



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

The Adviser charges performance-based fees from every client. As a result, the Adviser does 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.

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

As set forth above, the Adviser provides advice to the Funds. Investors in all of the Funds may include high net worth individuals, trusts, corporations or other business entities. The Funds have different minimum required investments as set forth below. The minimum required investment may be modified by the Private Funds' general partners, in their sole discretion.

Birch Run Capital Partners, LP:	\$5,000,000.00
Walnut BRC, LP:	\$5,000,000.00
Orchard I BRC, LP & Orchard II BRC, LP:	\$500,000.00

## ITEM 8

### METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK

#### 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 the risk of loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

The Adviser adheres to an investment philosophy commonly known as value investing. This philosophy is based primarily on the concept of paying substantially less for a security or other financial instrument than the Adviser's estimate of the security or financial instrument's true worth, or intrinsic value. Investments are generally sold when they approach the Adviser's estimate of intrinsic value (or when the Adviser believes there are better opportunities to invest the capital). Central to the investment discipline is a rigorous and thorough research process during which time the Adviser attempts to assess the potential risks and rewards associated with each investment.

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

#### 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 Funds 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' subscription documents for a more complete description of the risk factors.*

The Adviser has a wide charter to use various investment strategies so long as they are consistent with the Funds' governing documents. However, the profitability of a significant portion of the Funds' investment program depends to a great extent upon correctly assessing the true value of securities and other investments and the likelihood of the markets ultimately reflecting that value. There can be no assurance that the Adviser will be able to accurately assess that value or that the markets will reflect that value. With respect to the investment strategy utilized by the Funds, there is always some, and occasionally a significant, degree of market risk. While it generally follows a philosophy of conducting extensive due diligence in acquiring securities, assets or other financial instruments for

less than it believes they are worth, it attempts to adapt its specific strategies to market circumstances and the available opportunity set. Investing entails many potential risks, as set forth in further detail below.

### **Illiquid Investments**

The investments made by the Adviser may be very illiquid, and consequently the Adviser may not be able to sell such investments at prices that reflect the Adviser's assessment of their value or the amount paid for such investments by the Funds. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by the Funds and other factors. Furthermore, the nature of the Funds' investments, especially those in financially distressed companies, may require a long holding period prior to profitability.

### **Short Sales**

The Adviser may enter into transactions, known as "short sales," in which it sells a security it does not own in anticipation of a decline in the market value of the security. Short sales by the Adviser that are not made "against the box" theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. The Funds may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, the Funds might have difficulty purchasing securities to meet their short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

### **Derivatives**

Derivative instruments, or "derivatives," include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are "leveraged," and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Funds to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to counterparty risk. The counterparty risk lies with each party with whom the Adviser (on behalf of the Funds) contracts for the purpose of making derivative investments (the "Counterparty"). In the event of the Counterparty's default, the corresponding Fund will only rank as an unsecured creditor and risks the loss of all or a portion of the amounts it is contractually entitled to receive.

## **Foreign Investments**

Investments in foreign securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the books of the Funds are maintained) and the various foreign currencies in which the Funds' portfolio securities will be denominated and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (iii) political, social or economic instability; (iv) imposition of foreign income, withholding or other taxes; and (v) the extension of credit, especially in the case of sovereign debt.

## **Leverage**

Subject to applicable margin and other limitations, the Funds may borrow funds in order to make additional investments and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the Funds' portfolio would be amplified. Interest on borrowings will be a portfolio expense of the Funds and will affect the operating results of the Funds. Also, the Funds could potentially create leverage via the use of instruments such as options and other derivative instruments.

## **Options**

Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value.

## **Commodities and Futures**

The Funds may trade on a limited basis in commodities and futures. Such trading activity is regulated by the Commodity Futures Trading Commission (the "CFTC"). Pursuant to an exemption from registration under CFTC regulations, the General Partner is not required to register, and is not registered, with the CFTC or the National Futures Association ("NFA") as a Commodity Pool Operator (a "CPO") or as a Commodity Trading Advisor ("CTA"). To comply with the exemption, the Adviser is subject to specific limitations on the amount of commodities and futures that it can trade on behalf of the Funds. Should the Funds' investments in commodities or futures instruments exceed the limits provided by the applicable exemption from registration, the Adviser will either have to register with the NFA or cease providing commodity interest trading advice to the Funds and

liquidate the Funds' holdings of commodities and futures which could result in losses and additional costs to the Funds.

### **Concentration**

Since the Funds' portfolio will not necessarily be widely diversified, the investment portfolio of the Funds may be subject to more rapid changes in value than would be the case if the Funds were required to maintain a wide diversification among companies, securities and types of securities.

### **Reliability of Valuations**

From time to time, certain situations affecting the valuation of the Funds' investments (such as limited liquidity, unavailability or unreliability of third-party pricing information and acts or omissions of service providers to the Funds) could have an impact on the net asset value of the Funds, particularly if prior judgments as to the appropriate valuation of an investment should later prove to be incorrect after a net asset value-related calculation or transaction is completed.

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

There are no legal or disciplinary events to report.

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

A. Broker-Dealer Registration

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 provides investment advisory services to the Private Funds and is delegated authority to provide such services pursuant to investment management agreements with the general partners of each Private Fund. As previously noted, Mr. Beltzman and Mr. Smith are the only managing members of the three general partners. All of the general partners and the Adviser are under common ownership and control.

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, the general partners and all of their respective supervised persons have adopted a Code of Ethics, describing their high standards of business conduct and fiduciary duties. The Code of Ethics includes provisions relating to standards of conduct, personal trading, reporting obligations, use of confidential information, gift policy, confidentiality, conflicts of interest, prohibitions on insider trading, recordkeeping and disciplinary procedures, among other things. All supervised persons must acknowledge the terms of the Code of Ethics initially upon hire as well as annually, or as amended. A copy of the Code of Ethics is available to any client or prospective client upon request.

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

The Investment Adviser and its related persons do not have material financial interests in any securities recommended to the Funds.

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

The Adviser's managers and employees may invest in the Private Funds and therefore may have a financial interest in the underlying components of the Private Funds. Employees may maintain personal securities accounts but are subject to strict guidelines. In general, employees may transact in mutual funds, exchange traded funds or other non-reportable securities as defined in the Code. In certain circumstances, employees may be permitted to transact in a private placement or limited offering, but must first obtain pre-approval by the CCO and a Managing Member. Transactions are reported to the CCO in accordance with the reporting requirements outlined in the Code of Ethics and personal trading is continually monitored in order to prevent conflicts of interest between the Adviser, its related persons and its clients.

D. Conflicts of Interest Created by Contemporaneous Trading

It is the policy of the Adviser to allocate investment opportunities fairly and equitably over time. This means that these opportunities will be allocated among those clients for which participation in the respective opportunity is considered appropriate, taking into account, among other considerations whether the risk-return profile of the proposed investment is consistent with the funds' objectives.

The Adviser may aggregate orders for the purchase or sale of the same securities for clients, where the Adviser deems this to be appropriate, in the best interests of the clients and consistent with

applicable regulatory requirements. When an order is aggregated, each participating client participates at the average share price for the aggregated order on the same business day, and transaction costs are shared pro rata based on each client's participation in the aggregated order.

## **ITEM 12**

### **BROKERAGE PRACTICES**

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

The Adviser is granted the discretionary authority, through its investment management agreements, to determine which securities and the amounts of securities that are bought or sold, as well as the broker dealer to be used and the commission rates to be paid.

The Adviser utilizes a number of broker-dealers, in addition to its prime broker, to execute transactions (trades) for the Funds. Broker-dealers are selected based upon the amount of commission, quality of execution, expertise in particular markets, the reputations, experience and financial stability of the broker-dealer involved, quality of service, research and analytic services and clearing and settlement capabilities. At all times, broker-dealers are subjected to principles of best execution.

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

Through soft dollar arrangements (where a portion of the trade commission charged to the Adviser is used to obtain services other than trade execution), the Adviser may receive research, market data or other related services from a broker-dealer or third party. To that end, the Adviser may cause its clients to pay a broker or dealer which provides eligible brokerage and research services that benefit the Adviser, 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 its clients; (ii) payment is made in compliance with Section 28(e) of the Securities Exchange Act of 1934, as amended, other applicable state and federal laws and each of the Funds' respective governing documents and (iii) in the opinion of the Adviser, the total commissions paid by the Funds will be reasonable in relation to the benefits to that fund over the long term. Research paid for with soft dollars may be from a broker-dealer or third party. 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. Although it is not possible to assign an exact dollar value to these research services, they may, if and to the extent used, tend to reduce the expenses of the Adviser.

Generally, research services provided by broker-dealers or third parties 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 action, 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.

During the last fiscal year, the Adviser and its related persons did not acquire any products or services using client brokerage commissions.

## **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.

## **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**

As set forth in more detail below, the Adviser performs various daily, monthly, quarterly and annual reviews of each clients' portfolio.

The managers of the Adviser review all of the Funds regularly for investment strategy, style balance and exposure. On days where there is trading activity, the Chief Compliance Officer reviews the accounts daily for trade accuracy. On either a monthly or quarterly basis (depending on the Fund), the Funds are reviewed in detail for overall accuracy. The reviews involve ensuring that the statements from the prime broker, custodians and administrator all reconcile with the Adviser's internal records. These reviews are conducted by the Chief Compliance Officer and also reviewed periodically by one of the Adviser's managers. Annual reviews, which also involve reconciling statements generated by the prime broker, custodians and administrator, are also conducted by the Chief Compliance Officer and independently reviewed by one of the Adviser's managers.

#### **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, including material market, economic or political events.

#### **C. Content and Frequency of Account Reports to Clients**

The Adviser provides investors in each Private Fund with a written quarterly investor letter providing unaudited estimates of the respective fund's performance 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 has no arrangements in place to compensate anyone for client referrals. As discussed in Item 12, the Adviser may enter into soft dollar arrangements with broker-dealers or third parties providing the Adviser with research services in exchange for commissions being directed to the broker-dealer or third party. Use of soft dollars is monitored by the Chief Compliance Officer.

B. Compensation to Non-Supervised Persons for Client Referrals

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.

## **ITEM 15**

### **CUSTODY**

The Adviser is deemed to have custody of client funds and securities of the Private Funds under SEC regulations, because it has the authority to obtain client funds or securities, for example, by deducting expenses and other 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 the Private Funds 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 Account 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 entered into an investment management agreement with the general partners of the Private Funds and with the Managed Accounts directly, pursuant to which the Adviser is granted discretionary trading authority. The Adviser's investment decisions and advice with respect to the Funds are subject to each client's investment objectives and guidelines.



## **ITEM 17**

### **VOTING CLIENT SECURITIES**

In accordance with SEC Rule 206(4) - 6, the Adviser has adopted Proxy Voting Policies and Procedures (the Policies) to address how the Adviser shall vote proxies for the Private Funds' portfolio investments. The Policies seek to ensure that the Adviser votes proxies (or similar instruments) in the best interest of the Private Funds, looking at the proposal's expected impact on shareholder value, without considering any benefit to us, as the Adviser. Clients cannot direct the vote of the Adviser in any particular solicitation.

The Adviser considers the reputation, experience and competence of a company's management when evaluating the merits of investing in a particular company, and it generally invests in companies in which it believes management goals and shareholder goals are aligned. Therefore, on most issues, the Adviser casts votes in accordance with management's recommendations. This does not mean that the Adviser does not care about corporate governance. Rather, this confirms the Adviser's process of investing. However, if the Adviser believes management's position on a particular basis is not in the best interests of clients, it will vote contrary to management's recommendation.

The Adviser does not anticipate any conflicts of interest between the Adviser and the Private Funds in terms of proxy voting. Clients may obtain a copy of the Policies and/or information regarding how the Adviser voted proxies for particular portfolio companies by contacting the Adviser.

The Adviser does not have authority to vote client securities for the Managed Accounts.

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

A. Prepayment of Fees

The Adviser does not require or solicit prepayment from any of the Funds more than six months in advance and therefore does not need to include a balance sheet with this brochure.

B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments

The Adviser has no financial conditions that are likely to impair its ability to meet its contractual commitments to its clients.

C. Bankruptcy Petitions in Previous Ten Years

The Adviser has not been the subject of a bankruptcy petition in the last ten years.

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

The Adviser is not registered with any state security authorities.