

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

**Item 1 - Cover Page**

**Name:** D.C. Capital Advisors, Limited

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The date of this brochure is February 14, 2012.

**This brochure provides information about the qualifications and business practices of D.C. Capital Advisors, Limited. If you have any questions about the contents of this brochure, please contact us at (212) 446-9330. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about D.C. Capital Advisors, Limited also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Any reference to Capital Advisors, Limited as a “registered investment adviser” or as being “registered” does not imply a certain level of skill or training.**

**Item 2 - Material Changes***Not applicable.***Item 3 - Table of Contents**

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**Item 4 - Advisory Business**

- A. D.C. Capital Advisors, Limited (“Advisor,” “we” or “us”) is a Delaware corporation that was incorporated on March 4, 1992. We are owned by Douglas L. Dethy (“Douglas”). Our affiliate, D.C.R. Partners, L.P. (“D.C.R. Partners”), is a “Relying Advisers” as that term is described in the SEC Staff No-Action Letter dated January 18, 2012, to the American Bar Association, Business Law Section. D.C.R. Partners is principally owned by Douglas and Tinicum D.C.R., LP, a Delaware limited partnership. The description of our business and activities throughout this brochure includes the business and activities of D.C.R. Partners.
- B. We provide discretionary investment advice to a private investment fund (the “Fund”). We primarily invest and trade on behalf of the Fund in publicly traded equity securities. D.C.R. Partners is the general partner of Fund.
- C. We generally do not permit investors in the Fund to impose limitations on the investment activities described in the Fund’s offering documents.
- D. We do not participate in wrap fee programs.
- E. As of December 31, 2011, we managed approximately \$184,909,651 on a discretionary basis. We do not manage any assets on a non-discretionary basis.

**Item 5 - Fees and Compensation**

- A. Our fees and compensation are described in the advisory contracts we enter into with our clients. Investors in the Fund pay a quarterly management fee of 0.313% per quarter (approximately 1.25% per annum) and are subject to an annual performance based allocation of up to 20% of net capital appreciation after a preferred return, and subject to a high watermark.
- B. We generally deduct our management fees from the Fund’s account quarterly in advance. Generally, D.C.R. Partners receives performance-based allocations from the Fund on an annual basis in arrears and upon withdrawals by investors in the Fund.
- C. The Fund generally bears investment expenses (*i.e.*, expenses related to the investment of assets, including brokerage commissions, margin interest and travel related to investments), premiums for general partner liability insurance, legal expenses, accounting, auditing and tax preparation expenses, expenses incurred in connection with the offering and sale of the limited partnership interests, taxes and extraordinary expenses that we reasonably determine should not properly be considered administrative expenses of the Fund, which we bear. (*See Item 12 “Brokerage Practices” below for additional information regarding brokerage commissions.*)

We may also allocate a portion of the Fund’s capital to money market funds or exchange-traded funds. In addition to the fees and expenses discussed above, investors in the Fund will indirectly incur similar fees and expenses if we invest the Fund’s capital in such money market funds or exchange traded funds, as these funds in turn pay similar fees to their investment managers and other service providers.

D. Management fees are generally paid quarterly in advance, and are not refundable if the advisory contract is cancelled or an investor withdraws from the Fund prior to the end of a payment period.

E. *Not applicable.*

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

D.C.R. Partners receives annual performance-based allocations from the Fund, which are based on a percentage of the capital appreciation of the Fund's assets.

As the management fees and performance-based allocations are based directly on the net asset value of the Fund, we have a conflict of interest in valuing the Fund's assets. We will follow our documented valuation policies in order to mitigate this risk.

#### **Item 7 - Types of Clients**

We provide investment advice to a single private investment fund, the Fund. Investors in the Fund are generally high net worth individuals and institutional investors that qualify as "accredited investors" (as defined in Rule 501 under the Securities Act of 1933, as amended) and "qualified clients" (as defined under the Investment Advisers Act of 1940 as amended). The minimum investment in the Fund is generally \$1,000,000, though we have the discretion to waive this minimum.

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

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

The Fund endeavors to achieve superior long-term capital gains in the public markets by evaluating industries and companies that are either out-of-favor or misunderstood, determining key metrics for improved performance and investing in those companies that offer the most potential for capital gain. The Fund has an investment horizon of one to three years for core positions and has found that this time frame matches the time required for successful transition. In addition, we believe that this time frame, in and of itself, creates a competitive advantage for us over those portfolio managers seeking to maximize short-term performance as we are able to look past short term stock performance to the prospects of the underlying business. We may also engage in short term investing to capitalize on dislocations of stock prices that we believe are temporary.

In conducting our analysis, we utilize various tools including those grounded in microeconomics and industrial economics. We bring a broad and deep knowledge base to evaluate industries in transition. The framework is based on firm dynamics (at the company level) and industrial economics (at the industry level) and is combined with a thorough knowledge of law, finance, and accounting.

We attempt to integrate balance sheets with the income statements of companies to develop insight into the strength and resiliency of their operations. We believe that the balance sheet is a powerful validator of the income statement. We also believe that the balance sheet serves an essential role as a company's shock absorber, which is especially important for a company undergoing significant change.

We may also allocate a portion of the Fund's investment portfolio to be managed by a sub-adviser.

**Investing in securities involves risk of loss that clients and investors should be prepared to bear.**

**B. Certain Risks Associated with Methods of Analysis and Investment Strategies**

Our investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within our control nor predictable by us. Such factors include a wide range of economic, political, competitive and other conditions which may affect investments in general or specific industries or companies. In recent years, the securities markets have become increasingly volatile, which may adversely affect our ability to realize profits for the Fund. As a result of the nature of our investment activities, it is possible that the financial performance of the Fund may fluctuate substantially from period to period.

The following is a list of certain material risks associated with our primary methods of analysis and investment strategies.

Investment and Trading Risks. **Investors in the Fund should be aware that they may lose all or part of its investment in the Fund.** All securities investments risk the loss of capital. We believe that the Fund's investment program and research techniques moderate this risk through a careful selection of portfolio positions. However, no guarantee or representation is made that our investment program will be successful or that the Fund will not incur substantial losses.

Lack of Diversification. At times the Fund may hold a relatively large concentration in a particular security, industry or sector. Losses incurred in those investments could have a material adverse effect on the Fund's overall performance and financial condition. This is because the value of the Fund's portfolio will be more susceptible to any single occurrence affecting one or more of those issuers, industries or sectors than would be the case with a more diversified investment portfolio.

Leverage. Leverage is the use of borrowed funds for investment. Such borrowed funds would generally be obtained by using securities the Fund owns as collateral. Leverage may also be obtained through other means including the use of derivative instruments. To the extent that we purchase securities for the Fund with borrowed funds, the Fund's net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, our use of leverage for the Fund would result in a lower rate of return than if the Fund were not leveraged. If the amount of borrowings which the Fund may have outstanding at any one time is large in relation to its capital, fluctuations in the market value of the Fund's portfolio will have a disproportionately large effect in relation to its capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the value of the Fund's assets to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies fails to cover their cost to the Fund, the value of the Fund's assets will generally decline faster than would otherwise be the case.

The amount of any borrowing may also be limited by regulations imposed by the Federal Reserve Board or by the availability and cost of credit. If, due to market fluctuations or other reasons, the value of the Fund's assets should fall below required regulatory levels, the Fund will be required to reduce its debt by selling securities in its long portfolio.

Risk of Default or Bankruptcy of Third Parties. We may engage in transactions in securities and financial instruments that involve counterparties. Under certain conditions, the Fund could suffer losses if a counterparty to a transaction were to default or if the market for certain securities and/or financial instruments were to become illiquid. In addition, the Fund could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Fund does business, or to which securities have been entrusted for custodial purposes. For example, if one of the Fund's prime brokers or custodians were to become insolvent or file for bankruptcy, the Fund could suffer significant losses with respect to any securities held by such firm.

Hedging Transactions. We are not required to attempt to hedge portfolio positions in the Fund and generally do not intend to do so. Furthermore, we may not anticipate a particular risk so as to hedge against it. While the Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Fund than if it had not engaged in any such hedging transaction.

Short Sales. A short sale involves the sale of a security that the Fund does not own in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the Fund must borrow the security and the Fund is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the Fund. When the Fund makes a short sale in the United States, it must leave the proceeds thereof with the broker and it must also deposit with the broker an amount of cash or U.S. government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are effected on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security that would result in a theoretically unlimited loss to the Fund. The extent to which we engage in short sales on behalf of the Fund will depend upon our investment strategy and perception of market direction and the value of individual securities. We may engage in short sales on behalf of the Fund as a hedge against potential market declines and/or based on its fundamental analysis of the subject issuers.

Derivatives Generally. Derivative instruments, or "derivatives," include options, swaps, and other instruments and contracts that are derived from or the value of which is related to one or more underlying commodities, 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. There is no assurance that derivatives which we wish to acquire on behalf of the Fund will be available at any particular times upon satisfactory terms or at all.

The value of a derivative is frequently difficult to determine and depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to investing in the underlying asset are also applicable to derivatives of such asset.

However, there are a number of other risks associated with investing in derivatives. 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 Fund to the possibility of a loss exceeding the original amount invested. Over-the-counter derivatives generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for derivatives is relatively illiquid.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) enables the Commodity Futures Trading Commission (the “CFTC”) and the SEC to enact new regulations on certain over-the-counter derivatives. Under the Dodd-Frank Act, certain over-the-counter derivatives contracts will be regulated through regulated clearing houses and subject to regulation by the SEC and the CFTC. The type and number of derivatives contracts subject to the clearing requirement, the regulations governing swaps clearing organizations and exchanges, the scope of the swaps dealer and major swap participant definitions, and the capital and margin requirements imposed on such entities, await final regulatory action. To date, the SEC and the CFTC have submitted proposed rules. The SEC and CFTC have delayed the timing for promulgation of final rules. The Dodd-Frank Act creates a regulatory framework rather than a set of detailed requirements. The ultimate impact of the Dodd-Frank Act on the derivatives market is unclear and will depend in large part on the final regulations that the SEC and the CFTC promulgate.

Call Options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. If the seller of the call option owns a call option covering an equivalent number of shares with an exercise price equal to or less than the exercise price of the call written, the position is “fully hedged” if the option owned expires at the same time or later than the option written. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing his entire investment in the call option.

Put Options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is “fully hedged” if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Non-U.S. Investments. We may invest in securities of non-U.S. corporations and non-U.S. countries. Investing in the securities of companies (and, from time to time, governments) of non-U.S. countries involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. Government, including possible adverse political and economic developments, possible seizure or nationalization of non-U.S. deposits and possible adoption of governmental restrictions that might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. In addition, there may be less publicly available information about issuers in non-U.S. countries which are generally not subject to uniform accounting, auditing and financial reporting standards and other disclosure requirements comparable to those applicable to U.S. issuers. Furthermore, some of the securities may be subject to brokerage taxes levied by governments, which has the effect of increasing the cost of such position and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income received by the Fund from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by the Fund will reduce its net income or return from such positions. While we will take these factors into consideration in making investment decisions for the Fund, no assurance can be given that we will be able to fully avoid these risks.

Additional costs could be incurred in connection with the Fund's international activities. Non-U.S. brokerage commissions generally are higher than in the United States. Expenses also may be incurred on currency exchanges when we change positions from one country to another. Increased custodian costs as well as administrative difficulties (such as the applicability of non-U.S. laws to non-U.S. custodians in various circumstances, including bankruptcy, ability to recover lost assets, expropriation, nationalization and record access) may be associated with the maintenance of assets in non-U.S. jurisdictions. Positions in non-U.S. securities also involve risks relating to currency exchange matters.

Furthermore, the Fund may incur costs in connection with conversions between various currencies. Non-U.S. currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to the Fund at one rate, while offering a lesser rate of exchange should the Fund desire immediately to resell that currency to the dealer. We conduct currency exchange transactions on behalf of the Fund either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward, futures or commodity options contracts to purchase or sell non-U.S. currencies.

*C. Not applicable.*

#### **Item 9 - Disciplinary Information**

Although there are no legal or disciplinary events that we believe are material to the Fund or a prospective client's evaluation of our advisory business, the following is a summary of a pending claim related to Mr. Dethy.

Mr. Dethy served as a director of Standard Life Insurance Company of Indiana ("Standard Life") and its parent company, Capital Assurance Corporation ("CAC") for the benefit of a pooled investment vehicle that he managed. In the third quarter of 2008, as a result of losses suffered in



Standard Life's fixed income portfolio, Standard Life's capital base was reduced to a level that under Indiana Department of Insurance regulations required the Commissioner to take action. On December 17, 2008, after failing in efforts to raise additional capital, Standard Life entered into a consensual Order of Rehabilitation – effectively turning control of the Company over to the State. In late 2010, one week prior to the expiration of the insurance policy that provided directors and officers coverage, the Commissioner of the Department of Insurance of the State of Indiana (the "Department of Insurance") served the directors of Standard Life and CAC with a lawsuit alleging that the directors breached their fiduciary duties in their selection of the investment advisor to Standard Life, and breached their fiduciary duties in connection with their role in Standard Life's investment activities and offering of insurance policies. We believe that the allegations in the Department of Insurance's lawsuit are completely without merit, and Mr. Dethy denies all such allegations. Mr. Dethy is vigorously defending the lawsuit. Mr. Dethy believes that neither he nor the other directors failed to appropriately discharge their responsibilities as directors.

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

A. *Not applicable.*

B. *Not applicable.*

C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related *person* listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.

1. **broker-dealer, municipal securities dealer, or government securities dealer or broker**

*Not applicable.*

2. **investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)**

We and our related persons manage a single pooled investment vehicle, D.C. Capital Partners, L.P., which may be deemed to be our related person. Since we manage only one pooled investment vehicle, this does not present any conflicts of interest.

3. **other investment adviser or financial planner**

D.C.R. Partners serves as the general partner of the private investment fund managed by us.

We also serve as a consultant to an investment adviser (that is under common control with Tinicum D.C.R., LP) that advises a number of private equity funds. We receive a quarterly fee for such services. We do not believe that this arrangement presents a conflict of interest since the compensation for such consulting services is structured as a fixed quarterly fee and not as performance-based compensation, nor is it subject to any specific time commitment. We do not expect that these activities will interfere

with or conflict with our provision of advisory services to the Fund. Moreover, our relationship with this other investment adviser may help us develop and refine our investment ideas.

4. **futures commission merchant, commodity pool operator, or commodity trading advisor**

*Not applicable.*

5. **banking or thrift institution**

*Not applicable.*

6. **accountant or accounting firm**

*Not applicable.*

7. **lawyer or law firm**

*Not applicable.*

8. **insurance company or agency**

*Not applicable.*

9. **pension consultant**

*Not applicable.*

10. **real estate broker or dealer**

*Not applicable.*

11. **sponsor or syndicator of limited partnerships.**

*Not applicable.*

D. *Not applicable.*

**Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

- A. We have adopted a Code of Ethics (the "Code of Ethics") which provides that we are committed to conducting our business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, we recognize that we have a fiduciary duty to the investors in the Fund, and that all of our employees must conduct their business on our behalf in a manner that enables us to fulfill this fiduciary duty. In this regard, we have developed policies and procedures in our Code of Ethics that are premised on fundamental principles of openness, integrity, honesty and trust. In addition, among other things, our Code of Ethics governs all personal investment transactions by our employees, our policies with respect to gifts and entertainment, compliance with applicable federal securities laws, the manner in which violations of our

Code of Ethics are to be reported, and certain other outside activities of our employees. We will provide a copy of our Code of Ethics to the Fund or any prospective client upon request.

- B. Mr. Dethy has significant personal investments in the Fund. In addition, our affiliates receive performance-based allocations from the Fund.

Since we only manage a single account, we do not effect any cross trades or similar transactions between client accounts. Similarly, we do not currently expect to engage in principal transactions. Principal transactions could create a conflict of interest for us because we may put our or our control persons' interests before the interests of our clients. We will consult with counsel prior to engaging in any principal transaction, and will comply with the SEC's requirements and the requirements of Section 206(3) of the Advisers Act.

- C. Under the Code of Ethics, our personnel may, upon receiving the prior written approval of our Chief Compliance Officer, trade in securities, provided that such securities are not included on our "Restricted List." Our Restricted List may include companies about which our investment personnel may have acquired material, non-public information.

We and our related persons may, through other investments, including investments in other investment funds, have interests in the same securities in which the Fund invests as well as interests in investments in which the Fund does not invest.

The pre-clearance of our personnel's personal securities trading is intended to mitigate any conflicts that may arise from such personnel's personal securities trading. In general, our personnel will not be permitted to trade opposite our recommendations for the Fund (except in limited extraordinary circumstances) and personnel may not engage in "front running" the Fund by trading ahead of the Fund.

If there is limited availability to participate in an investment opportunity in which our personnel and the Fund wish (and are able) to participate, the Fund will be allocated the investment (subject to its investment mandates, risk and/or operating guidelines and available capacity) before our personnel will be permitted to participate in the investment. If any of our personnel requests to sell a security that the Fund intends to sell, such personnel will not be permitted to sell the security ahead of the Fund.

- D. Our principals and employees may also trade securities for their own accounts that are the same securities that we are trading on behalf of our clients (*see Item 11, Section C*).

## Item 12 - Brokerage Practices

### A. Selection of Brokers

In placing portfolio transactions for the Fund, we seek to obtain the best execution for the Fund, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the firm's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of

value; and the competitiveness of commission rates in comparison with other brokers satisfying our selection criteria.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. We will not commit to provide any level of brokerage business to any broker, and actual brokerage business received by any broker may be less than the suggested allocations, but can exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above.

We periodically evaluate the execution performance of the broker-dealers we use to execute client transactions. We also evaluate, and seek to resolve, any conflicts of interest that we may have in selecting brokers to execute client transactions.

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

We enter into soft dollar arrangements with brokers. Soft dollar arrangements arise when an investment adviser obtains products and services, other than securities execution, from a broker in return for directing client securities transactions to the broker. Soft dollar arrangements pose a conflict of interest for us in that such arrangements allow us to pay with client commissions expenses that would otherwise be borne by us. When we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products or services. We may have an incentive to select a broker based on our interest in receiving the research or other products or services offered by such broker, rather than on our clients' interests in receiving most favorable execution.

When engaging in soft dollar transactions, we comply with the safe harbor requirements of Section 28(e) of the Securities Exchange Act of 1934, as amended. Under this provision, in exercising our discretionary authority to select or arrange for the selection of brokers for execution of transactions for the Fund, and, subject to our duty to obtain best execution, we may consider the value of research and brokerage products and services (collectively, "Research") provided by such brokers. Research may include, among other things, proprietary research from brokers, which may be written or oral. Research products may include, among other things, databases and quotation services. Research services may include, among other things, research concerning market, economic and financial data, a particular aspect of economics or on the economy in general, statistical information, pricing data and availability of securities, financial publications, electronic market quotations, performance measurement services, analyses concerning specific securities, companies, industries or sectors, market, economic and financial studies and forecasts, appraisal services, and invitations to attend conferences or meetings with management or industry consultants. Accordingly, if we determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, the Fund may pay commissions to such broker in an amount greater than the amount another broker might charge.

Where a product or service obtained with client commission dollars provides both research and non-research assistance to us, we will make a reasonable allocation of the cost which may be paid for with client commission dollars.

Our prime broker provides us with front and back office services, including trading, securities lending, clearing, reporting, and settlement for equities, fixed income, foreign currency and options, among others. Our prime brokers may also provide us with capital introduction services.

During our last fiscal year, we acquired with client brokerage commissions (or markups or markdowns) (i) research, such as proprietary research from brokers, which may have been written and/or oral; (ii) research products, such as databases and quotation services; and (iii) research services, such as research concerning market, economic and financial data; a particular aspect of economics or on the economy in general; statistical information; pricing data and availability of securities; financial publications; electronic market quotations; performance measurement services; analyses concerning specific securities, companies, industries or sectors; market, economic and financial studies and forecasts; appraisal services; and invitations to attend conferences or meetings with management or industry consultants.

During our last fiscal year, we have taken into account the quality, comprehensiveness and frequency of available research services and products considered to be of value provided by brokers when directing client transactions to a particular broker. We directed transactions to such brokers only consistent with best execution. Brokers sometimes suggest a level of business they would like to receive in return for the research services and products they provide, however we have not committed to provide any level of brokerage business to any broker.

2. Brokerage for Client Referrals

Subject to applicable law, we may direct some client brokerage business to brokers who refer prospective investors to the Fund, consistent with best execution. Because such referrals, if any, are likely to benefit us but will provide an insignificant (if any) benefit to our clients, we have a conflict of interest with our clients when allocating client brokerage business to a broker who has referred investors to us. To prevent client brokerage commissions from being used to pay investor referral fees, we will not allocate client brokerage business to a referring broker unless we determine in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to the client account.

3. Directed Brokerage.

*Not applicable.*

4. Trade Error Policy

Subject to applicable law, we will not be liable for any trade errors that result from any action or inaction which we reasonably believed to be in the best

interests of the Fund, even if such trade errors result from our negligence, dishonesty or bad faith. Without limiting the foregoing, to the extent that we are liable for any trade errors, we will reimburse the Fund only for the net losses resulting from such trade errors.

**B. Aggregation of Orders**

We do not aggregate any client trades since we only manage one account for the Fund.

**Item 13 - Review of Accounts**

A. The Fund's portfolio is reviewed daily, and its performance analyzed, by our investment professionals, including, but not limited to, Mr. Dethy. The Fund's investments are evaluated based on performance, company fundamentals, news and press releases, analyst reports, general market conditions and such other considerations as we deem appropriate.

B. *Not applicable.*

C. We furnish investors in the Fund with periodic written unaudited performance reports on a quarterly basis. On an annual basis, investors receive a copy of the Fund's annual audited financial statements and, where applicable, a statement of taxable income (form K-1).

We may provide certain investors access to more frequent and/or more detailed information regarding the Fund's securities positions, performance, finances, and management and/or other information about the Funds or us (including, notification of the commencement of certain disciplinary actions, legal proceedings, investigations or similar matters against the Fund, us and/or our personnel, or of withdrawals from the Fund by us and/or our personnel), possibly enabling such investors to better assess the prospects and performance of the funds.

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

We enter into soft dollar arrangements with brokers pursuant to which we obtain certain research and brokerage products and services in return for directing client securities transactions to the broker (*see Item 12, Section A "Selection of Brokers"*).

**Item 15 - Custody**

*Not applicable.*

**Item 16 - Investment Discretion**

We have discretionary authority to manage securities accounts on behalf of the Fund. The investors in the Fund may not place any limits on our authority beyond the limitations set forth in the Fund's offering and governing documents.

**Item 17 - Voting Client Securities**

We generally have voting discretion over securities held in the Fund's account. The Fund is generally not able to direct its votes in a particular situation. We will exercise our discretion in

the best interests of the Fund. In fulfilling our obligations, we will act in a prudent and diligent manner intended to enhance the economic value of the securities held by the Fund. We have adopted a proxy voting policy which is summarized below.

Our “Proxy Coordinator” is responsible for determining how to vote all proxy statements received by us with respect to securities held in the Fund’s account. The Proxy Coordinator may designate other appropriate employees to assist him in reviewing proxy statements and preparing necessary records. The Proxy Coordinator may also retain a third party to assist him in coordinating and delivering proxies.

In the absence of conflicts of interest, we will vote all proxies in the manner that the Proxy Coordinator determines is in the best interests of the Fund’s account. In addition, the Proxy Coordinator may determine to abstain from voting a proxy if he believes that such action is in the best interests of the Fund. The Proxy Coordinator may take into account the following factors, among others, in determining if a specific proposal is in the best interests of the Fund:

- (a) management of the issuer’s views and recommendations on such proposal;
- (b) whether the proposal may have the effect of entrenching existing management and/or making management less responsive to shareholders’ concerns (*e.g.*, instituting or removing a poison pill, classified board of directors and/or other anti-takeover measure); and
- (c) whether he or she believes that the proposal will fairly compensate management for its and/or the issuer’s performance.

If the Proxy Coordinator deems that the issue being voted upon is not material for the Fund, we will not be obligated to vote on such matter.

We maintain a “Proxy Conflicts Watch List” containing the names of issuers with respect to which we have identified a conflict of interest. Such conflicts may arise, for example, from the following relationships: (i) the issuer is an investor in the Fund we manage; (ii) we have a material business relationship with the issuer; (iii) we have a business relationship with the proponent of a proxy proposal (*e.g.*, the proponent is a pension plan for which the we manage money); (iv) we have material business relationships with candidates for director in a proxy contest; or (v) one of our employees has a personal interest in the outcome of a particular matter. This list provides examples of possible conflicts of interest and is not meant to be comprehensive. Each employee must notify our Chief Compliance Officer of any potential conflicts of interest of which he or she is aware, and the Chief Compliance Officer should make a determination as to whether an item should be added to the Proxy Conflicts Watch List.

If the Chief Compliance Officer believes that a material conflict exists between us and the Fund, we will rely exclusively in making its voting decision on the recommendation of an independent third party who is experienced in advising investment managers regarding proxy voting decisions.

The Fund may obtain information about how we voted securities in the Fund’s account by contacting us at the address set forth on the cover page of this brochure. The Fund may also request a copy of our proxy voting policies and procedures.

**Item 18 - Financial Information**

*Not applicable.*

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

*Not applicable*