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**FORM ADV BROCHURE
FEBRUARY 14, 2012**

This brochure provides information about the qualifications and business practices of Expo Capital Management, LLC (“Adviser”). If you have any questions about the content of this brochure, please contact us at (310) 201-7907 or at abzura@expolc.com. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about Adviser is also available on the SEC’s website at www.adviserinfo.sec.gov.

Adviser may refer to itself as a “registered investment adviser” in materials distributed to current and prospective clients. As a registered investment adviser with the SEC, Adviser is subject to the rules and regulations adopted by the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration as an investment adviser is not an indication that Adviser or its directors, officers, employees, or representatives have attained a particular level of skill or ability.

ITEM 2: MATERIAL CHANGES TO ADV BROCHURE SINCE LAST ANNUAL AMENDMENT

Not applicable.

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ITEM 4: ADVISORY BUSINESS

A. Advisory Firm

Adviser is a Delaware limited liability company that was organized in October 2006 and commenced operation shortly thereafter, and is majority owned and controlled by Paul A. Sinclair.

B. Specialization

Adviser has experience and a strong background in providing investment advisory services with respect to healthcare and healthcare-related securities that are publicly traded in U.S. and foreign markets. The universe of companies that Adviser specializes in is inclusive of Biotechnology, Pharmaceutical, Medical Technology and Supply, Healthcare Service and Provider, and other healthcare-related companies.

C. Advisory Services

Adviser provides investment advisory services with respect to one or more private investment funds (each, a “Fund”) and individually managed accounts for institutional investors (collectively, “Accounts”).

Adviser intends to manage each Fund pursuant to the investment strategy described in the confidential offering memorandum of the Fund (the “Memorandum”). Under the investment management agreement with each Fund, Adviser has wide latitude to act upon any investment strategy or to change any investment strategy to achieve the investment objective of the Fund without obtaining the consent of Fund investors. Prospective investors should carefully read the Fund’s Memorandum and consult with their own counsel and advisers as to all matters concerning an investment in the Fund.

Adviser will manage Accounts independently pursuant to an investment management agreement with each client, which may include certain investment restrictions imposed by clients.

Adviser intends to manage each Fund and Account, in the same manner, utilizing the same investment strategy, and with similar holdings and positions.

D. Wrap Fee Programs

Adviser does not participate in any wrap fee programs.

E. Assets Under Management (as of February 1, 2012)

Discretionary: \$604.8 million

Non-Discretionary: \$0

ITEM 5: FEES AND COMPENSATION

Private Investment Funds

A. Types of Fees

Under Adviser’s investment management agreement with each Fund, Adviser will receive an annual management fee equal to a percentage of the account balance of each Fund investor. Adviser, in its discretion, may waive or reduce the management fee as to all or any of the investors in the Fund or agree with an investor to waive or alter the management fee as to that investor.

Under Adviser's investment management agreement with each Fund or the Fund's charter documents, as applicable, Adviser will also receive annual performance-based compensation in arrears equal to a percentage of the net capital appreciation (i.e., capital appreciation less capital depreciation) of each investor's account in the Fund. The performance-based compensation is payable only if, and to the extent that, the net capital appreciation of the investor's account exceeds any net capital depreciation accumulated in prior years (as adjusted for withdrawals of capital). Adviser, in its discretion, may waive or reduce the performance-based compensation as to all or any of the investors in the Fund or agree with an investor to waive or alter the performance-based compensation as to that investor.

B. Payment Method

The management fee will be paid by each Fund quarterly in advance by deduction from each investor's account in the Fund on the first business day of the calendar quarter. The performance-based compensation is also paid by deduction from each investor's account in the Fund on December 31 (or the closest business day prior to December 31) for the 12-month performance period ending on the prior calendar year for each year in which performance-based compensation is earned. If an investor withdraws all or a portion of its account in a Fund on a date other than December 31, payment of performance-based compensation, if applicable, will be made on the amount withdrawn for the period since the prior January 1.

C. Costs and Expenses

Each Fund bears all expenses of its organization and operation, expenses incurred in the purchase and sale of investments, and accounting fees, as determined by Adviser. Such expenses include but are not limited to: (i) investment-related expenses, including brokerage and execution charges, commissions, custodial charges, and fees for quotation and other data services; (ii) fees related to accounting, trading, portfolio management, and risk management systems; (iii) research subscriptions and expenses; (iv) broken trade and broken deal fees; (v) expenses to register securities and transfer taxes; (vi) costs and expenses incurred for the purpose of protecting and enhancing the value of the Fund's investments (including the costs of instituting and defending litigation); (vii) taxes, filing, and registration fees of the Fund; (viii) all costs, fees, and expenses relating to investor communications, relations, accounting, and the preparation and mailing of financial, tax, and performance information to investors; (ix) fees, costs, and expenses incurred in connection with borrowings; (x) administration fees, costs, and expenses; and (xi) fees for attorneys, accountants, consultants, and other professionals or experts. Adviser may, at its discretion, choose to pay or reimburse the Fund for all or any portion of such expenses. In such event, Adviser may be reimbursed at a later date by the Fund for such expenses borne by Adviser. For additional information regarding brokerage and execution fees, see Item 12 below.

D. Refunds

If an investor withdraws all or a portion of its account in a Fund on a date other than the end of a calendar quarter, any unearned portion of the management fee (calculated from the date of withdrawal to the last day of the calendar quarter) paid at the beginning of the calendar quarter will be refunded by Adviser to the investor at the same time as the payment of withdrawal proceeds.

E. Sales Compensation

Adviser will not receive sales commissions in connection with sales of interests in a Fund.

Individually Managed Accounts

A. Types of Fees.

Fees paid to Adviser by Account clients are negotiable and will vary. Fees will be set forth in Adviser's investment management agreement with each Account client.

Under Adviser's investment management agreement with an Account client, Adviser may receive an annual management fee from the Account client equal to a percentage of the fair market value of the assets under management in the Account. Adviser may also receive annual performance-based compensation in arrears equal to a percentage of the net capital appreciation (i.e., capital appreciation less capital depreciation) of the assets held in the Account of a client that is eligible to enter into a performance compensation arrangement under the Investment Advisers Act. The performance-based compensation is payable only if, and to the extent that, the net capital appreciation of Account assets exceeds any net capital depreciation accumulated in prior years.

B. Payment Method

The management fee, if any, typically will be paid quarterly in arrears by invoicing the Account client on either the last business day of the calendar quarter or the first business day of the following calendar quarter. The performance-based compensation, if any, typically will be paid by invoicing the Account client on the last day of each annual period in which the performance-based compensation is earned. If a client terminates its investment management agreement on a date other than the end of a calendar quarter, any management fee will be prorated for assets held in the Account for less than a full quarter. If a client terminates its investment management agreement on a date other than on the last day of the Account's annual period, any performance-based compensation will be made on the net capital appreciation of Account assets for the period from the beginning of the annual period to the date of termination.

C. Costs and Expenses

In addition to the management fee and performance-based compensation, if any, an Account client is responsible for any fees, expenses, or charges incurred by or on behalf of the Account related to (i) custodial services provided for the Account, (ii) transactions effected for the Account, including brokerage and execution charges, markups, and commissions, and (iii) any other service provided for the Account by any person other than Adviser. For additional information regarding brokerage and execution charges, see Item 12 below.

D. Refunds

Not applicable.

E. Sales Compensation

Adviser will not receive sales commission in connection with sales of interests in a client Account.

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

Adviser receives performance-based compensation from each Fund and Accounts that it manages. Fees based on performance will only be charged in accordance with the provisions of Rule 205-3 under the Advisers Act. Performance-based compensation may create an incentive for Adviser to cause a Fund or Account to make investments that are riskier than it would otherwise make. In addition, since Adviser's

performance-based compensation is calculated on a basis which includes unrealized appreciation of the assets held by the Fund or in an Account, it may be greater than if such compensation were based solely on realized gains.

In the event that some clients to which Adviser provides investment advisory services are charged a performance-based compensation but not others, a conflict may arise where Adviser has an incentive to treat some clients preferentially as compared to others because those clients pay a performance-based compensation or because Adviser or one of its portfolio managers or affiliates has an interest in the client account. Adviser has adopted a policy to allocate portfolio transactions and investment opportunities across multiple client accounts on a fair and equitable basis over time. All eligible clients that can participate in a transaction share the same price on a pro rata allocation basis in an attempt to mitigate any conflict of interest. Investment opportunities are allocated among similarly managed client portfolios to maintain consistency of portfolio strategy, taking into account cash availability, investment restrictions and guidelines, and portfolio composition.

Since management fees and performance-based compensation paid to Adviser are based on the net asset value of a Fund or Account, a conflict may also arise when Adviser or a related person is valuing the assets held by the Fund or in an Account. Assets will generally be valued at fair value by Adviser or its related person in accordance with U.S. generally accepted accounting practices.

ITEM 7: TYPES OF CLIENTS

Private Investment Funds

Adviser organized and serves as investment manager to the following Funds: Expo Health Sciences Fund, L.P., a Delaware limited partnership, Expo Health Sciences Fund, Ltd., a Cayman Islands exempted company, Expo Health Sciences Master Fund, L.P., a Cayman Islands exempted limited partnership, and Permal Expo Fund Ltd., a British Virgin Islands business company.

Adviser generally requires investors in a Fund to make a minimum initial investment of at least \$1,000,000 and to maintain a minimum account balance of \$1,000,000 in the Fund. Investors generally must be “accredited investors” under Regulation D who are also “qualified purchasers” under Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended. Adviser generally requires Fund investors to make representations concerning their financial sophistication and ability to bear the risk of loss of their entire investment in the Fund. The minimum contribution and investor requirements may be waived by Adviser in its sole discretion.

Individually Managed Accounts

Adviser generally requires individually managed account clients to initially provide and maintain a minimum of \$25,000,000 in assets under management. Those clients generally must be eligible to enter into a performance-based compensation arrangement under the Advisers Act. The account minimum and investor requirements may be waived by Adviser in its sole discretion.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies

Investment Analysis

Investments for each Fund and any Accounts are identified and selected by Adviser. Adviser evaluates investments by taking a fundamental bottom-up approach, coupled with a macroeconomic view of the healthcare sector. Following an investment by a Fund or by Adviser for and on behalf of an Account, Adviser will continue to monitor the progress and suitability of portfolio investments, as well as the market and economic outlook.

As part of its fundamental approach to individual stock selection, Adviser may perform a number of tasks, including: a review of a company's products and services; meetings with a company's management team; discussions with a company's suppliers, customers, and competitors; and attendance at industry trade shows, conferences, clinical symposia, and other medical meetings. Furthermore, Adviser reviews corporate releases and SEC filings, and participates in quarterly company earnings conference calls. This investigation and analysis is typically used to develop a multi-year financial model forecasting a company's earnings and cash flows and projected growth rates. The financial model is then utilized to arrive at a valuation and price target for each investment opportunity being evaluated. Adviser's proprietary in-house earnings and valuation models are essential to its investment process.

Adviser may also obtain information to help develop its investment recommendations by using commercially available information services and financial publications dealing with investment research. Such information may be obtainable in print, via the internet, or by some other means. Issuer-prepared materials (particularly prospectuses) and research releases prepared by third parties are also utilized. Adviser also may use research materials prepared by various investment product vendors or custodians, as well as, in-house analysts.

Investment in securities involves risk of loss that investors in a Fund and Account clients must be prepared to bear.

Investment Strategies

The investment strategy of each Fund and Account is to generate superior absolute risk-adjusted returns through the purchase and sale of healthcare and healthcare-related securities. The Funds and Accounts invest primarily in securities consisting principally, but not solely, of healthcare-related equity securities that are traded publicly in U.S. and foreign markets. The Funds and Accounts may also invest in preferred stocks, convertible securities, warrants, rights, exchange-traded funds, options (including covered and uncovered puts and calls and over-the-counter options), swaps, and other derivative instruments, bonds and other fixed income securities, currency forward contracts, swaps, money market instruments, futures, options on futures, and other commodity interests. The Funds and Accounts also may engage in short selling, margin trading, hedging, and other investment strategies.

B. Investment Strategy Risks

Acquiring interests in a Fund and/or opening an Account with Adviser is intended for sophisticated investors who can accept a high degree of risk in their portfolio, do not need regular current income from their investment with Adviser, and can accept a potential loss of their entire investment. Investment risks specific to the investment strategy of each Fund are described in the Memorandum of the Fund, and risks

specific to any investment strategy employed by Adviser in managing an Account will be disclosed to the client prior to the opening of the Account. Such risks may include (but are not limited to):

- *Concentration.* Client accounts may hold a relatively small number of securities. Losses incurred in such securities could have a disproportionate effect on the account's overall financial condition.
- *Portfolio Management.* The performance of a client account depends on the skill of Adviser and its portfolio manager in making appropriate investment decisions.
- *Leverage.* The use of leverage by buying securities on margin or use of certain derivatives is a speculative technique that involves special risk considerations. Interest costs on borrowings may fluctuate with changing market rates of interest and may partially offset or exceed the return earned on borrowed funds. Interest on borrowings will be an expense of a client account and will affect the investment performance of the account. To the extent a client account is leveraged, the value of its assets will tend to increase more when its portfolio securities increase in value, and to decrease more when its portfolio securities decrease in value, than if its assets were not leveraged.
- *Short Selling.* Short sales that are not part of a hedging strategy are speculative and involve special risk considerations. Since a short seller in effect profits from a decline in the price of the securities sold short without the need to invest the full purchase price of the securities on the date of the short sale, returns will tend to increase more when the securities sold short decrease in value, and to decrease more when the securities sold short increase in value, than would otherwise be the case if the short seller had not engaged in such short sales. Short sales theoretically involve unlimited loss potential as the market price of securities sold short may continuously increase.
- *Portfolio Turnover.* Buying and selling securities generally involves some expense to a client account, such as commissions and other transaction costs. Generally, the higher an account's portfolio turnover, the greater its brokerage costs and the greater the likelihood that it will realize taxable capital gains. Increased brokerage costs may adversely affect an account's performance. The advisory activities of each Fund and the Accounts, absent an express investment restriction, will involve a high level of trading, and the portfolio turnover is expected to generate substantial transaction costs.
- *Highly Volatile Markets.* The prices of investments held by a client account can be highly volatile. Price movements of forward contracts, futures contracts, and other derivative contracts in which Adviser may invest client assets are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies.
- *Dependence on Paul A. Sinclair.* Paul A. Sinclair is the Managing Member and Portfolio Manager of Adviser. As Portfolio Manager, Paul A. Sinclair is integral to the management of the Funds' and Accounts' investment portfolios. No assurance exists that a suitable replacement could be found if Paul A. Sinclair becomes unavailable for any reason.

C. Portfolio Investment Risks

The Fund and one or more Accounts managed by Adviser invest primarily in companies providing products and services in the healthcare and healthcare-related industry. Risks specific to this type of investment may include (but are not limited to):

- *Equity Securities.* By investing in stocks, Adviser may expose a client account to a sudden decline in the share price or to an overall decline in the stock market. The value of investments held in a client account will fluctuate daily and cyclically based on changes in the issuer's financial condition and prospects, and on overall market and economic conditions.
- *Small-Cap Companies.* Investments in small-cap companies may involve greater risks than investments in larger, more established companies, such as limited product lines, distribution channels, and financial and managerial resources. The securities of small-cap companies may have greater price volatility and less liquidity than the securities of larger capitalized companies, and may be more difficult to value.
- *Foreign Securities.* Foreign investments tend to be more volatile than U.S. securities, and are subject to risks that are not typically associated with U.S. securities. For example, such investments may be adversely affected by changes in currency rates and exchange control regulations, unfavorable political, social, and economic developments, and the possibility of seizure or nationalization of companies, or imposition of withholding taxes on income. Moreover, less information may be publicly available concerning certain foreign issuers than is available concerning U.S. companies. Foreign markets tend to be more volatile than the U.S. market due to economic and political instability, social unrest, and regulatory conditions in some countries.
- *Exchange-Traded Funds.* The risks of owning an exchange-traded fund ("ETF") generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile, and ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (a) the risk that their prices may not correlate perfectly with changes in the underlying index; and (b) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable. An exchange traded sector fund may also be adversely affected by the performance of that specific sector or group of industries on which it is based.
- *Options.* The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.
- *Healthcare Companies.* Healthcare companies are generally subject to greater governmental regulation than other industries at both the state and federal level. Changes in governmental policies may have a material effect on the demand for or costs of certain products and services. A healthcare company must receive governmental approval before introducing new drugs and medical devices or procedures. This process may delay the introduction of these products and

services to the marketplace, resulting in increased development costs, delayed cost-recovery, and loss of competitive advantage to the extent that rival companies have developed competing products or procedures, adversely affecting the company's revenues and profitability. Certain healthcare companies depend on the exclusive right or patents for the products they develop and distribute. Patents have a limited duration and upon expiration, other companies may market substantially similar generic products which cost less to develop and may cause the original developer of the product to lose market share and/or reduce the price charged for the product, resulting in lower profits for the original developer. Finally, because the products and services of healthcare companies affect the health and well-being of many individuals, these companies are especially susceptible to product liability lawsuits. The share price of a healthcare company can drop dramatically not only as a reaction to an adverse judicial ruling, but also from the adverse publicity accompanying threatened litigation.

ITEM 9: DISCIPLINARY INFORMATION

Adviser does not have any legal, financial, or other disciplinary items to report.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS

A. Registration as a Broker-Dealer or Registered Representative

Adviser is not registered as a broker-dealer and its employees are not registered representatives of any broker-dealer.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser, or Associated Person

Neither Adviser nor its employees hold any of the above registrations.

C. Material Relationships with Affiliates

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)

See Item 7 above. Investors in a Fund must understand that each Fund was formed as an investment product to be managed by Adviser, and that Adviser does not intend to cause any Fund to terminate its investment management relationship with Adviser absent Adviser's liquidation or bankruptcy. However, Adviser has a fiduciary duty to act in the best interest of each Fund that it manages, and investors in each Fund have the right to withdraw from the Fund at any time subject to any notice requirement, lock-up period, or other withdrawal limitations described in the Fund's Memorandum. Adviser may from time to time enter into a side letter agreement with one or more investors in a Fund which may, among other terms, provide for (i) withdrawal rights that are more favorable than the rights granted to all other Fund investors, (ii) a reduced management fee and/or performance-based compensation, or (iii) greater or more frequent transparency with respect to the Fund.

In addition, neither Adviser nor its related persons are obligated to allocate any specific amount of time or investment opportunities to a particular Fund. Adviser and its related persons intend to devote as much time as they deem necessary for the conduct of each Fund's operation and portfolio management, and will allocate investment opportunities in accordance with Adviser's trade allocation policy described in Item 6 above.

3. *other investment adviser or financial planner*

Not applicable.

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

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. Recommendation of Other Investment Advisers

Not applicable.

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

A. Code of Ethics

In order to address conflicts of interest, Adviser has adopted a code of ethics (the “Code”) which is applicable to all of Adviser’s officers, manager, members, and employees (collectively, “Employees”). Adviser’s Code generally sets the standard of ethical and professional business conduct that Adviser requires of its Employees, requires Employees to comply with applicable federal securities laws and regulations, and sets forth provisions regarding personal securities transactions by Employees. Additionally, the Code sets forth Adviser’s policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary obligations that Adviser and each of its Employees owes to each advisory client. The Code is circulated at least annually to all Employees, and each Employee at least annually must certify in writing that he or she has received and followed the Code and any amendments thereto. Adviser will provide a copy of the Code to any client or prospective client upon request.

B. Participation or Interest in Client Transactions

Not applicable.

C. Personal Trading

Under Adviser’s Code, Employees are generally prohibited from trading in any security that the Funds or Accounts can trade in, other than unwinding transactions effected prior to employment with Adviser, or investing in registered open-end investment companies (i.e., mutual funds), direct obligations of the U.S. government, bankers’ acceptances, bank certificates of deposit, commercial paper, short-term high-quality debt securities, including repurchase agreements, and such other money market or investment instruments as may be authorized by Adviser from time to time. The Code establishes certain written trade pre-clearance procedures and a quarterly securities transaction reporting system that is designed to monitor transactions in Employees’ personal accounts and prevent any conflicts that may arise between Employees’ personal securities transactions and transactions for clients of Adviser. For purposes of the policy, an Employee’s “personal account” generally includes any account (i) in the name of the Employee, his/her spouse, his/her minor children, or other dependents residing in the same household, (ii) for which the Employee is a trustee or executor, or (iii) which the Employee controls, and in which the Employee or a member of his/her household has a direct or indirect beneficial interest.

D. Concurrent Trading Activity

Under Adviser’s Code, Employees are generally prohibited from trading in any security that the Funds or Accounts can trade in, other than unwinding transactions effected prior to employment with Adviser. Any unwinding transaction by an Employee will be subject to the Code’s written trade pre-clearance procedures.

Transactions for client accounts generally will be effected at the same time for all accounts, as all client accounts have the same investment objectives. Adviser generally combines or “blocks” such orders. When combined orders occur, Adviser will seek to allocate the execution in a manner that is deemed equitable to the accounts involved. Generally, transactions will be averaged as to price and transaction costs and, thereafter, will be allocated among the accounts involved proportionally based upon relative net assets.

ITEM 12: BROKERAGE PRACTICES

A. Selection of Broker-Dealers

Execution Quality. Adviser will generally seek “best execution” in light of the circumstances involved in transactions. In selecting a broker for any transactions, Adviser may consider a number of factors, including, for example, net price, availability, reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction, and the market for the security. Adviser will not obligate itself to obtain the lowest commission or best net price for an account on any particular transaction.

During the last fiscal year, Adviser directed client transactions to particular brokers based on each broker’s reputation, financial strength and stability, efficiency of execution, the size of the transaction and the market for the security, and the comprehensiveness and frequency of available research services and products provided by the broker. Adviser monitors transaction results as orders are executed to evaluate the quality of execution provided by the various brokers and dealers it uses, to determine that compensation rates are competitive, and otherwise to evaluate the reasonableness of the compensation paid to those brokers and dealers in light of all the factors described above.

Research and Other Soft Dollars. In addition to execution quality, Adviser may consider the value of various research services or products, beyond execution, that a broker-dealer provides to Adviser or its clients. Selecting a broker-dealer in recognition of such other services or products is known as paying for those services or products with “soft dollars.” Because many of those services could benefit Adviser, it may have a conflict of interest in allocating client brokerage business. In other words, Adviser could have an incentive to execute client transactions through a broker or dealer that provides valuable services or products and pay transaction commissions charged by that broker or dealer which may be higher than Adviser might otherwise be able to negotiate. Adviser could also have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate soft dollars with which to acquire research products and services.

Adviser will make decisions involving “soft dollars” in a manner that satisfies the requirements of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. That is, Adviser will generally determine, considering all appropriate factors (including those described here), that commissions paid are reasonable in relation to the value of all the brokerage and research products and services provided by the broker-dealer. In making that determination, Adviser may consider not only the particular transaction, and not only the value of brokerage and research services and products to a particular client, but also the value of those services in Adviser’s performance of its overall responsibilities to all of its clients. In some cases, the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge. Additionally, in some cases, a client’s transaction may be executed by a broker in recognition of services or products that are not used in managing that client’s account. Broker-dealers are not excluded from a client’s business simply because they have not provided research services or products, although Adviser may not be willing to pay the same commission to such broker as Adviser might have been willing to pay had the broker provided research products and services.

For these purposes, “research” means advice, analysis, and reports used to provide lawful and appropriate assistance to Adviser in making investment decisions for its clients. During the last fiscal year, Adviser may have acquired the following types of research: reports on or other information about particular companies or industries; economic data such as unemployment reports, inflation rates, or gross domestic product figures; recommendations as to specific securities; financial publications relating to the value,

availability or advisability of investing in securities, and issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of the accounts; and portfolio evaluation services and financial database software and services. In addition, the types of brokerage services that Adviser may have obtained during the last fiscal year include: execution clearing and settlement services, exchange of messages among brokers, custodians, and institutions; and communication services related to the execution, clearing, and settlement of securities transactions and other incidental services. Where a particular service or product that a broker or dealer is willing to provide for soft dollars has not only a “research” application, but is also useful to Adviser for non-“research” purposes, Adviser will allocate the cost of the product or service between its research and non-research uses and pay only the “research” portion with soft dollars. Adviser’s interest in making such an allocation may differ from clients’ interests in that Adviser has an incentive to designate as great a portion of the cost as “research” as possible in order to permit payment with soft dollars.

When a broker-dealer provides research or other products or services in expectation of brokerage business, it generally suggests the level of business it would like to receive as compensation. Actual transactional business received by a particular broker or dealer during any period may be less than the suggested level, but may and typically will exceed that level. In other cases, a broker or dealer may establish “credits” based on brokerage commissions paid in the past, which may be used to pay, or reimburse Adviser, for specified expenses. In making its brokerage selections, Adviser considers those suggestions as part of its evaluation of the factors described above.

Brokerage for Client Referrals. Subject to applicable law and regulation, in selecting brokers for any securities transactions, Adviser may direct a portion of a client’s brokerage business to brokers who introduce the client to Adviser. Because referrals could benefit Adviser, selecting a broker based on client referrals may give rise to a conflict of interest in allocating client brokerage business. Adviser will not allocate client brokerage business to a referring broker unless Adviser determines in good faith that the commissions and transaction costs payable to such broker are not materially higher than those available from other non-referring brokers offering services of similar execution quality.

Directed Brokerage. Not applicable.

B. Aggregation of Orders

See Item 11(D) above.

ITEM 13: REVIEW OF ACCOUNTS

A. Periodic Account Review

All accounts are under continuous review by Paul A. Sinclair, Portfolio Manager. Account reviews may focus on changes in company fundamentals, industry outlook, market situation, general economic trends, and relative/absolute valuation levels. Such reviews may also include a review of investment policy, the suitability of the investments used to meet policy objectives, cash availability, and investment objectives. Additionally, the Portfolio Manager may consider investment performance, the portfolio’s sensitivity to market changes, and whether anything has changed subsequent to the initial investment decision that impacts the risk or potential return.

Adviser also generally performs weekly account reviews by holding a weekly research meeting, which is led by Paul A. Sinclair, Portfolio Manager, and includes all other research analysts. The weekly account review focuses on many of the same factors highlighted above during the continuous account review process.

Further, Adviser's Chief Operating Officer, Andrew Bzura, reviews client accounts on a daily basis to ensure compliance with investment policy, risk management guidelines, and applicable laws and regulations.

B. Non-Periodic Account Review

See Item 13(A) above. All accounts are under continuous review.

C. Client Reports

The independent administrator of each Fund will transmit unaudited monthly performance and attribution reports and unaudited monthly account statements to Fund investors. Each investor in a Fund will also receive annual audited financial statements and, if necessary, annual tax information for completion of its tax returns. Adviser also prepares a quarterly newsletter for Fund investors. Adviser may make these reports available in hardcopy, or solely via electronic transmission, or in electronic form on its administrator's website unless otherwise requested by a Fund investor. Adviser, in its discretion, may provide more frequent reports and/or more detailed information to all or any of the investors in the Fund.

Adviser does not provide Account clients with any regular reports, unless agreed to differently with an Account client. Adviser reserves the right, however, to distribute, whether in hardcopy or via electronic transmission, monthly Fund level reports and the quarterly newsletter to Account clients, at its discretion.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

A. Compensation By Non-Clients

There is no one who is not a client that provides an economic benefit to Adviser for providing investment advice or other advisory services to Adviser's clients.

B. Compensation for Client Referrals

Adviser does not directly or indirectly compensate any person for client referrals.

ITEM 15: CUSTODY

Private Investment Funds

Custody of the assets of the Fund will be maintained with a qualified custodian selected by Adviser in its exclusive discretion, which selection may change from time to time without the consent of investors in the Fund. While Adviser will not maintain physical possession of the funds or securities of any private investment fund, Adviser, as the general partner of the Funds, has authority to direct the qualified custodian to transfer funds and securities in a Fund's portfolio and pay out the management fees and performance-based compensation, subject to approval from the independent administrator of the Fund.

In accordance with the custody requirements contained in Rule 206(4)-2 under the Advisers Act, Adviser has entered into an arrangement with an independent public accountant pursuant to which each Fund will be subject to an annual audit. In addition, as described in Item 13(C) above, Adviser will provide a copy of the audited financial statements to investors for each Fund in which they are invested.

Individually Managed Accounts

Adviser will not maintain possession or custody of the funds or securities placed in an Account. The assets transferred by an Account client will typically be deposited with a qualified custodian selected in accordance with Adviser's investment management agreement with the Account client. Under the investment management agreement, the Account client may cause management fees and performance-based compensation to be paid out of the Account by the qualified custodian to Adviser. When it does so, Adviser will invoice the client beforehand, showing the amount of the fees, the value of the assets on which they are based, and the computation. In addition, the qualified custodian will provide Account clients with monthly performance reports and account statements. Account clients should carefully read these reports and account statements, and compare any information received from Adviser against reports and account statements received from the qualified custodian.

ITEM 16: INVESTMENT DISCRETION

Adviser has discretionary authority to make the following determinations without obtaining the consent of any Fund or any Account client before the transactions are effected:

- the securities that are to be bought or sold;
- the total amount of the securities to be bought or sold;
- the brokers through which securities are to be bought or sold; and
- the commission rates at which securities transactions for client accounts are effected.

Adviser's discretionary authority is derived from an express grant of authority under an investment management agreement that Adviser enters into with each Fund and with each Account client.

ITEM 17: VOTING CLIENT SECURITIES

Generally, and except to the extent that an Account client otherwise instructs Adviser in writing, Adviser will vote (by proxy or otherwise) in all matters for which a shareholder vote is solicited by, or with respect to, issuers of securities beneficially held by a Fund or in an Account, in accordance with Adviser's proxy voting policies and procedures (the "Policies").

The Policies require Adviser to vote proxies received in a manner consistent with the best interests of its clients. The Policies also require Adviser to vote proxies in a prudent and diligent manner intended to enhance the economic value of the assets of the client that beneficially owns the voting securities. However, the Policies permit Adviser to abstain from voting proxies in the event that the client's economic interest in the matter being voted upon is limited relative to its overall portfolio or the impact of the vote will not have an effect on the outcome of the matter up for vote or on the client's economic interests.

Although many proxy proposals can be voted in accordance with Adviser's proxy voting guidelines, some proposals will require special consideration, and Adviser will make a decision on a case-by-case basis in these situations.

Where a proxy proposal raises a material conflict between Adviser's interests and the interests of a client, Adviser will seek to resolve the conflict.

Upon request to Adviser, investors in a Fund or Account clients may receive information on how Adviser voted shares on behalf of the Fund or Account, as applicable.

ITEM 18: FINANCIAL INFORMATION

Not applicable.

ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISORS

Not applicable.