

BROCHURE OF
NOVEL CAPITAL MANAGEMENT LTD.

A Cayman Islands exempted company registered with the Securities and Exchange
Commission as an Investment Adviser (CRD #159111)

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THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF NOVEL CAPITAL MANAGEMENT LTD. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT 212-937-5921 OR CHRIS@NOVELCAP.COM.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION (“SEC”), NOR ANY STATE SECURITIES AUTHORITY HAS PASSED UPON THE ADEQUACY OR ACCURACY OF THIS BROCHURE. REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING. ADDITIONAL INFORMATION ABOUT NOVEL CAPITAL MANAGEMENT LTD. ALSO IS AVAILABLE ON THE SEC’S WEBSITE AT WWW.ADVISERINFO.SEC.GOV.

The date of this brochure (“Brochure”) is

February 29, 2012

The delivery of this Brochure at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above.

Item 2.

Material Changes

There are no material changes to report regarding our advisory business.

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I. Part 2A – DISCLOSURE ITEMS ABOUT THE FIRM

Item 4. Advisory Business:

- (A) **Operational and Organizational Information:** Novel Capital Management Ltd. (the “**Firm**”), a Cayman Islands exempted company, is a U.S. Securities and Exchange Commission (“SEC”) registered investment adviser. As stated on the cover page of this brochure, registration as an investment adviser does not imply a level of skill or training. The Firm has been in business since May, 2007. The principal owner of the Firm is Joseph M. Haykov.
- (B) **Types of Advisory Services Offered:** The Firm is the general partner of Vogue Capital Management Fund, LP (the “**Partnership**”) and Vogue Capital Management Master Fund, L.P., (the “**Master Fund**”). The Firm also serves as the investment manager for Vogue Capital Management Fund, Ltd. (the “**Offshore Fund**”). Unless the context otherwise requires, the Partnership, the Master Fund and the Offshore Fund shall be collectively referred to throughout this Brochure as the “**Partnership**.” The Partnership and Offshore Fund pool investment funds of investors to trade in a wide variety of securities and financial instruments, domestic and foreign, primarily focusing on publicly traded equity securities. Through a master-feeder fund structure, the Partnership and Offshore Fund invest substantially all of their assets in the Master Fund. The Firm has discretionary authority to invest the assets of the Partnership. The Firm also has full discretionary authority to invest the assets of the Master Fund and the Offshore Fund (subject, with respect to the offshore Fund, to the policies and control of the Offshore Fund’s board of directors).

The Firm also provides investment management services to separately managed accounts according to the terms of its investment management agreement with such clients. For a separately managed account, the Firm assists the client in determining its investment objectives and needs, and the account is managed in accordance with those objectives and needs. Advisory services include among other things, providing advice regarding asset allocation and the selection of investments. Note: for purposes of this brochure, “client” may include a pooled investment vehicle, investors in such a vehicle, and separate account clients.

The Firm does not hold itself out as specializing in a particular type of advisory service. Please review the Firm’s investment

guidelines, specified below under “Client Investment Guidelines and Parameters.”

- (C) **Client Investment Guidelines and Parameters:** Advisory services include among other things, providing advice regarding asset allocation and the selection of investments. Decisions relating to investment advice are based on an analysis of the merits of the investment involved and on the investment guidelines and restrictions of the client. Firm provides discretionary investment advisory services to all fee paying client accounts.

The following is a general description of the principal types of trades and investments which Firm currently contemplates engaging in, certain techniques that it may employ, the investment criteria that it plans to apply, and the guidelines that it has established regarding the composition of its investment portfolios. The following description is merely a summary and you should not assume that any descriptions of specific activities are intended in any way to limit the types of investment activities Firm may undertake. The Firm’s investment objective is to seek out and invest money in close to zero-investment portfolios with positive expected returns by maintaining comparable dollar amounts in long and short positions. The Firm applies a pure “black box” strategy, such that software licensed from Novel capital Management Software LLC (the “**Software**”) will make all investment decisions and automatically execute all trades on behalf of the Partnership. No assurance can be given that the Partnership will achieve its objective, and investment results may vary substantially over time and from period to period. The Firm reserves the right to create additional classes of interests with different investment objectives and strategies.

- (D) **Wrap Fee Programs:** Firm does not participate in wrap fee programs.

- (E) **Client Assets Under Management:** *(rounded to the nearest \$100,000)*

Discretionary: \$393,226,292.09 as of February 28, 2012.

Non-discretionary: \$0 as of February 28, 2012.

Item 5. Fees and Compensation:

- (A) **Generally:** All fees are individually negotiated. Circumstances considered when negotiating fees may include, without limitation,

customary market rates, specialized guidelines, and other performance/incentive fee/allocation arrangements with the client.

Management fees for separately managed or pooled investment accounts are calculated based on a periodic percentage of the value of the assets under management.

In consideration for its services to the Partnership, the Firm will receive a Management Fee (the “**Management Fee**”), payable quarterly in advance, calculated at 2.0% annually (0.50% per quarter) of the net assets of the Partnership and Offshore Fund.

In addition, the Firm may collect incentive fees and/or incentive allocations based on the performance of investments. Please refer to Item 6, below, for a more detailed description of incentive fees and/or incentive allocations, and related conflicts of interest.

- (B) **Payment of Fees:** Management Fees are billed quarterly in advance, as specified in the applicable confidential private placement memorandum and related offering documents (“**Offering Documents**”) of each pooled vehicle.
- (C) **Additional Fees and Expenses:** The Firm will be responsible for its organizational and operating expenses, including, but not limited to, all accounting, auditing, tax preparation, legal, administration, research and trading costs. The Firm will pay for its own administrative and overhead expenses incurred in connection with providing services to the Partnership. Nonetheless, the Partnership and any pooled vehicle which may be organized in the future will bear its own expenses as further described in the Offering Documents.

A Fund may amortize its organizational expenses over a period of up to 60 months from the date such Fund commences operations.

Separately managed account clients will also bear any agreed upon expenses as set forth in the relevant investment management agreement.

In addition, clients will incur brokerage and other transaction costs. Clients should review Item 12, which discusses conflicts of interest related to brokerage practices.

Withdrawal from the Partnership: An investor may withdraw all or any portion of its capital account(s) in a minimum amount of

\$1,000,000 on the last business day of each quarter and at such other times, with the consent of, and upon such terms of payment as may be approved by, the Firm in its sole discretion (such dates being referred to as “**Withdrawal Dates**”), upon at least sixty (60) days’ prior written notice to the Firm. Notwithstanding the foregoing, no partial withdrawal will be permitted if the value of the investor’s capital account(s) after such withdrawal is implemented will be less than \$5,000,000 (subject to the discretion of the Firm to waive such requirement). All withdrawals shall be deemed made prior to the commencement of the following quarter.

If the Firm in its discretion permits an investor to withdraw capital other than on a regularly scheduled Withdrawal Date, the General Partner may impose an additional administrative fee to cover the legal, accounting, administrative, brokerage, and any other costs and expenses associated with such withdrawal, which will be paid to the Partnership. The Partnership has the right to pay cash or securities, or a combination of both, to an investor that makes a withdrawal from such investor’s capital account.

Any separately managed account clients will also bear any agreed upon expenses as set forth in the relevant investment management agreement.

- (D) **Fees Paid in Advance:** Management Fees shall be calculated and payable to the Firm quarterly in advance.

Termination of Services:

Termination terms in connection with the Partnership are specified in the Offering Documents. Generally, services may be terminated upon thirty (30) days’ prior written notice.

- (E) **Additional Compensation of Supervised Persons:** No supervised person accepts compensation for the sale of securities or other investment products.

1. This practice presents a conflict of interest and gives the Firm or its supervised persons an incentive to recommend investment products based on the compensation received, rather than on a particular client’s needs. The Firm endeavors to disclose herein all conflicts of interest which could impair the rendering of unbiased and objective advice. Lower fees for comparable services may be available from other sources. **N/A**

2. All clients have the option to purchase investment products that the Firm recommends through other brokers or agents that are not affiliated with the Firm and/or not used by the Firm. **N/A**
3. If commissions provide more than 50% of the Firm's revenue or compensation, disclose: **N/A**
4. The Firm does/does not reduce advisory fees to offset the commissions and/or markups that it receives, as follows: **N/A**

Item 6. Performance Based Fees and Side-by-Side Management:

The Partnership: In addition to the Management Fee, the Firm is compensated for its investment management services through an incentive allocation and/or fee, also known as a performance based allocation and/or fee ("**Performance Allocation**"). The Firm will receive a Performance Allocation equal to 40% of the Partnership's net income (including net unrealized gains and losses and net of the Management Fee, but without regard to and before deduction of any withholding taxes), if any, during the relevant annual or other applicable period; provided that if such Performance Allocation would result in a net annualized return to a Limited Partner (after fees) of less than 20% (the "**Target Net Return**"), then such Performance Allocation shall be reduced such that the Limited Partner achieves the Target Net Return; and provided further that such Performance Allocation shall never be less than 20% of the Fund's net income (including net unrealized gains and losses and net of the Management Fee, but without regard to and before deduction of any withholding taxes).

Separate Accounts: The Firm may receive from Clients a mutually agreed upon Performance Allocation, as specified in the relevant investment management agreement. Clients who reside in the United States and who are charged Performance Allocations are required to be qualified clients as defined under the Investment Advisers Act of 1940 (the "**Advisers Act**").

Generally: In order for the Firm to receive a Performance Allocation, the Firm must achieve capital appreciation within the account. The Firm will charge Performance Allocations in adherence to a high water mark, which means that no Performance Allocation will be earned unless the performance exceeds the previously achieved high water mark where Performance Allocations were charged. The high water mark will be used in order to prevent a scenario whereby the Firm could receive a Performance Allocation merely for recouping prior losses. A full

description of the entire fee arrangement will be disclosed to the client or investor in any applicable investment management agreement. Fees generally are deducted directly from the client or investor's account, as specified in the relevant investment management agreement. The Firm's receipt of Performance Allocations is intended to align the Firm's interests with those of the Firm's clients and to provide the Firm with a greater incentive to manage assets well. The nature of the Performance Allocation, however, creates a potential conflict of interest among the Firm, its associated persons, and clients.

Such fees will be structured and charged in a manner consistent with the requirements of applicable law, including the Advisers Act and ERISA. An incentive fee arrangement may create an incentive for the Firm to make investments that are riskier or more speculative than would be the case in the absence of a Performance Allocation. Where any part of the Firm's compensation is based in part on the unrealized appreciation of securities or instruments for which market quotations are not readily available, the Firm shall disclose how such securities or instruments will be valued and the extent to which the valuation will be determined independently. To the extent the Firm values any such securities or instruments, it has a conflict of interest as the Firm will receive higher Management Fees and Performance Allocations if it gives such securities and instruments higher valuations. The Firm does not represent that the amount of the Performance Allocations or the manner of calculating the Performance Allocations is consistent with other performance-related fees charged by other investment advisers under the same or similar circumstances. The Performance Allocations charged by the Firm may be higher or lower than the Performance Allocations charged by other investment advisers for the same or similar services.

In addition, in the event that the Firm manages an account from which it collects Performance Allocations and also manages at the same time an account from which it does *not* collect Performance Allocations, the Firm has an incentive to favor accounts for which it receives Performance Allocations because it will receive a greater profit from the accounts that are charged Performance Allocations. Therefore, the Firm has an incentive to allocate investments that are expected to be more profitable to accounts from which it collects Performance Allocations, on the one hand, and that are riskier on the other hand, since in both scenarios, the Firm may receive greater fees if the investment generates a positive return.

Notwithstanding the foregoing, the Firm does not favor accounts that pay Performance Allocations.

Item 7. Types of Clients:

The Firm's clients are private investment funds and separately managed accounts whose investors are individuals and institutions. The minimum investment in the Partnership is \$5,000,000 and the minimum subsequent investment is \$1,000,000. The minimum investment for a separately managed account is typically \$20,000,000. In each case, however, the Firm has discretion to accept lesser amounts.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss:

(A) Methods of Analysis and Investment Strategies:

The Firm's investment objective on behalf of the Partnership is to seek out and invest money in close to zero-investment portfolios with positive expected returns by maintaining comparable dollar amounts in long and short positions. The Firm applies a pure "black box" strategy, using the Software that will make all investment decisions and automatically execute all trades on behalf of the Partnership. No assurance can be given that the Partnership will achieve its objective, and investment results may vary substantially over time and from period to period. The Firm reserves the right to create additional classes of interests with different investment objectives and strategies. **Investing in securities involves risk of loss that clients should be prepared to bear.**

(B) Risks Associated with the Firm's Investment Strategies:

Market Volatility: The profitability of the investments chosen by the Firm substantially depends upon the Firm correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities and the movements of interest rates. The Firm cannot guarantee that it will be successful in accurately predicting price and interest rate movements.

Dependence Upon Key Personnel: The Firm's success will depend on the skill and acumen of its key personnel. If any should die, become incompetent or disabled or otherwise cease to be involved in the affairs of the Firm, the Firm's ability to select attractive investments and manage its portfolio could be impaired.

Technology and Licensing Risk: The Firm's investment strategy

relies heavily on the use of software, data and intellectual property licensed to it on a non-exclusive basis by the Software provider. This reliance on technology is subject to a number of important risks. First, the Firm may be severely and adversely affected by the malfunction of the technology and/or data feed. For example, an unforeseeable software or hardware malfunction could occur, as a result of a virus or other outside force, or as result of a design flaw in the Firm's system or in its continued implementation. In the past, occurrences of this nature to other such funds have sometimes resulted in dramatically negative consequences for the portfolio of such other funds.

In addition, changes in the market for publicly available data or in regulatory reporting requirements could cause a severe diminution in the data available for the technology to operate as designed. Such events can also have dramatically negative consequences for the Partnership.

Furthermore, if any of the Partnership's software, hardware, data and/or other intellectual property is found to infringe on the rights of any third party, the Partnership could be severely and adversely affected.

Limited Liquidity of Interests: An investment in the Partnership involves substantial restrictions on liquidity and its interests and/or shares are not freely transferable. There is no market for the interests or the shares in the Partnership or the Offshore Fund, respectively, and no market is expected to develop. Additionally, transfers are subject to the consent of the Firm, which consent may be granted or withheld in the Firm's sole discretion. Consequently, investors in the Partnership or the Offshore Fund will be unable to liquidate their interests or shares except by withdrawing or redeeming from the Partnership or the Offshore Fund in accordance with the partnership agreement or the memorandum of association and articles of association. Clients may be unable to liquidate their investment promptly in the event of an emergency or for any other reason. Although a client/investor may attempt to increase its liquidity by borrowing from a bank or other institution, interests or shares may not readily be accepted as collateral for a loan. In addition, the transfer of an interests or shares as collateral or otherwise to achieve liquidity may result in adverse tax consequences to the transferor.

A portion of the Partnership's assets may from time to time be invested in securities and other financial instruments or obligations for which no market exists and/or which are restricted as to their

transferability under federal or state securities laws in the United States and elsewhere. Such investments may be segregated from other Fund assets and represented by separately managed accounts, which are subject to restrictions on withdrawal. Because of the absence of any trading market for these investments, the Partnership may take longer to liquidate these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized on these sales could be less than those originally paid by the Partnership. Further, companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

Lack of Registration: The interests have neither been registered under the Securities Act of 1933, as amended (“**Securities Act**”) nor under the securities or “blue sky” laws of any state and, therefore, are subject to transfer restrictions. In connection with your purchase of an interest, you must represent that you are purchasing the interest for investment purposes only and not with a view toward resale or distribution. Neither the Partnership nor the Firm has any plans or assumed any obligation to register the interests. Accordingly, the interests may not be transferred without documentation acceptable to the Firm, which may include an opinion of counsel to the Partnership that the transfer will not involve a violation of the registration requirements of the Securities Act. These restrictions on transfer are in addition to those found in the Partnership’s Offering Documents. Ordinarily, this means that transfers will be restricted to instances of death, gift or passage by operation of law.

Withdrawal of Capital: An investor’s ability to withdraw funds is restricted in accordance with the withdrawal provisions contained in the Partnership’s Offering Documents.

In addition, substantial withdrawals by investors within a short period of time could require the Partnership to liquidate securities positions and other investments more rapidly than would otherwise be desirable, possibly reducing the value of the Partnership’s assets and/or disrupting the investment strategy. Reduction in the size of the Partnership could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Partnership’s ability to take advantage of particular investment opportunities or decreases in the ratio of their income to their expenses.

The Partnership may, in its sole discretion at any time, require an investor to withdraw all or some of the interests held by such investor. Such mandatory withdrawal could result in adverse tax and/or economic consequences to such investor.

Impact of Side Letters: The Partnership may from time to time enter into letter agreements or other similar agreements (collectively, “**Side Letters**”) with one or more investors which provide such investor(s) with additional and/or different rights (including, without limitation, with respect to the Management Fee, the Performance Allocation, access to information, minimum investment amounts and liquidity terms) than such investor(s) have pursuant to the Partnership’s Offering Documents. The Partnership will not be required to notify any or all of the other clients of any such Side Letters or any of the rights and/or terms or provisions thereof, nor will the Partnership funds be required to offer such additional and/or different rights and/or terms to any or all of the other clients. The Partnership may enter into such Side Letters with any party as the Firm may determine in its absolute discretion at any time. The other clients will have no recourse against the Partnership, the Firm and/or any of their affiliates in the event that certain clients receive additional and/or different rights and/or terms as a result of such Side Letters. As a result, the Firm may face potential conflicts of interest if it manages the assets of the Partnership in accordance with such risk parameters in order to preserve the investments of such clients.

Master-Feeder Structure; Concentration of Investors: The Partnership and the Offshore Fund will invest substantially all of its assets through the Master Fund. From time to time, other persons or entities may also invest in the Master Fund. The “master-feeder” fund structure presents certain risks to investors in the Partnership or the Offshore Fund. For example, a smaller feeder fund investing in the Master Fund may be materially affected by the actions of a larger feeder fund investing in the Master Fund. If a larger feeder fund makes a withdrawal from the Master Fund, the remaining feeder funds may experience higher *pro rata* operating expenses, thereby producing lower returns. The Master Fund will be a single entity and creditors of the Master Fund may enforce claims against all assets of the Master Fund. It is not possible to isolate the assets attributable to each of the Partnership, the Offshore Fund, and any other funds or entities investing in the Master Fund to the extent that the liabilities of the Master Fund exceed its assets. Furthermore, a significant portion of a feeder fund may come from one or a few large investors and any significant withdrawals thereof could have a material adverse

effect on the other investors in the Master Fund.

The Firm does not intend to manage the Partnership to maximize tax benefits to investors. However, to the extent the Partnership's assets are invested in the Master Fund, certain conflicts of interest may exist relating to tax considerations applicable to one feeder fund that do not relate to others (if applicable). The Master Fund will be a single partnership and creditors of the Master Fund may enforce claims against all assets of the Master Fund.

Concentration of Investments: The Firm's investment program contemplates a focused investment portfolio which, in light of investment considerations, market risks and other factors, it believes will provide the best opportunity for attractive risk-adjusted returns in the value of the Partnership's assets. The Partnership's Offering Documents do not formally limit the amount of assets that may be invested in a single company, security, country, industry, sector or asset class, and the Firm does not subject the portfolio to any formal policies regarding diversification. The concentration of the Partnership's portfolios in any manner described above would subject the Fund to a greater degree of risk with respect to the failure of one or a few investments, or with respect to economic downturns in relation to an individual industry or sector.

Operating Deficits: The expenses of operating the Partnership (including the Management Fee) may exceed its income, thereby requiring that the difference be paid out of the Partnership's capital, reducing the Partnership's investments and potential for profitability.

No Distributions: The Firm does not intend to make distributions to investors, but intends instead to reinvest substantially all Partnership income and gain, if any. Cash that might otherwise be available for distribution will also be reduced by payment of the Partnership's obligations, payment of the Partnership's expenses (including fees payable and expense reimbursements to the Firm) and establishment of appropriate reserves. As a result, if the Partnership is profitable, investors in all likelihood will be credited with the Partnership's net income, and will incur the consequent income tax liability (to the extent that they are subject to income tax), even though investors receive little or none of the Partnership's distributions.

Investment Expenses: The investment expenses (e.g., expenses related to the investment and custody of the Partnership's assets,

such as brokerage commissions, custodial fees and other trading and investment charges and fees) as well as other Partnership fees may, in the aggregate, constitute a high percentage relative to other investment entities. Some of the strategies and techniques to be employed by the Firm will require frequent trades to take place and, as a consequence, portfolio turnover and brokerage commissions may be greater than for other investment entities of similar size. The Partnership will bear these costs regardless of its profitability.

Performance Allocation: The Performance Allocation creates an incentive for the Firm to effect transactions in investments that are riskier or more speculative than would be the case in the absence of such an allocation. Since the Performance Allocation is calculated on a basis that includes unrealized appreciation of the Partnership's assets, such allocation may be greater than if it were based solely on realized gains.

Supervision of Trading Operations: The Firm, with assistance from its brokerage and clearing firms, intends to supervise and monitor trading activity in the Partnership's accounts to ensure compliance with the Partnership's objectives. Despite the Firm's efforts, however, there is a risk that unauthorized or otherwise inappropriate trading activity may occur in the Partnership account.

Broad Discretionary Power to Choose Investments and Strategies: The Firm has broad discretionary power to decide what investments the Partnership will make and what strategies it will use. While the Firm currently intends to use the strategies described in Item 8.(A), it is not obligated to do so, and it may choose any other investments and strategies that it believes are advisable.

No Participation in Management: The management of the Partnership's operations is vested solely in the Firm. Clients have no right to take part in the conduct or control of the business of the Partnership. In connection with the management of the Partnership's business, the Firm and its principals will devote only such time to Partnership matters as it, in its sole discretion, deems appropriate.

Limitation of Liability and Indemnification of the Firm and its Affiliates: The Partnership's Offering Documents provide that the Firm (and its members, managers, officers, employees, agents and affiliates) shall be indemnified against, and shall not be liable for,

any loss or liability incurred in connection with the affairs of the Partnership, so long as such loss or liability was not found by a final, non-appealable court of competent jurisdiction to constitute gross negligence or willful misconduct. Therefore, a client may have a more limited right of action against the Firm (and certain of its affiliates) than a client would have had absent these provisions in the Partnership's Offering Documents. It is the policy of the SEC that indemnification for violations of securities laws is against public policy and therefore unenforceable.

No Minimum Size of the Partnership: At low asset levels, the Partnership may be unable to make its investments as fully as would otherwise be desirable or to take advantage of potential economies of scale, including the ability to obtain the most timely and valuable research and trading information from securities brokers. It is possible that even if the Partnership operates for a period with substantial capital, investors' withdrawals could diminish the Partnership's assets to a level that does not permit the most efficient and effective implementation of the Partnership's investment program. As a result of losses or withdrawals, the Partnership may not have sufficient capital to diversify its investments to the extent desired or currently contemplated by the Firm.

Limitation of Auditor Liability. The Partnership's auditors may severely limit their liability under the terms of their engagement, which will limit the Partnership's and the clients' rights of possible recourse against the auditors.

Delayed Schedules K-1. The Firm will endeavor to provide a Schedule K-1 to each investor of the Partnership for any given calendar year prior to April 15 of the following year. In the event that the Schedule K-1 is not available by such date, an investor may have to request an extension of time to file or may have to pay taxes based on an estimated amount.

Lack of Insurance. The assets of the Partnership are not insured by any government or private insurer except to the extent portions may be deposited in bank accounts insured by the United States Federal Deposit Insurance Corporation or with brokers insured by the United States Securities Investor Protection Corporation and such deposits and securities are subject to such insurance coverage (which, in any event, is limited in amount). Therefore, in the event of the insolvency of a depository or custodian, the Partnership may be unable to recover all of its funds or the value of its securities so deposited.

Short Selling: When deemed appropriate by the Firm, it will sell securities short on behalf of client accounts. Short selling involves the sale of a security that the client account does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the client account must borrow securities from a third party lender. The client account subsequently returns the borrowed securities to the lender by delivering to the lender the securities it receives in the transaction or by purchasing securities in the open market. The client account must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains its right to receive interest and dividends accruing to the securities.

Risks Associated with Non-Diversification: The Firm intends to hold diversified positions, however, the Firm is not subject to any formal policies regarding diversification. The Firm may sometimes concentrate holdings in industries, geographic regions or companies which, in light of investment considerations, market risks and other factors, the Firm believes will provide the best opportunity for attractive risk-adjusted returns. The concentration of assets in a small number of issuers, in any one industry or a small number of industries, or in a single industry would subject clients to a greater degree of risk with respect to the failure of one or a few investments or with respect to economic variations in relation to such industry or industries.

Investments in Undervalued Securities and Other Assets: The Firm's investment program contemplates that a portion of the Partnership's portfolios will be invested in securities and other assets that the Firm believes to be deeply undervalued. The identification of such investment opportunities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While such investments offer the opportunities for above-average capital appreciation, they also involve a high degree of financial risk and can result in substantial losses. Returns generated from the Partnership's investments may not adequately compensate for the business and financial risks assumed. Such investments include bonds and other fixed income

securities, including, without limitation, commercial paper and “higher yielding” (and, therefore, higher risk) debt securities. It is likely that a major economic recession could severely disrupt the market for such investments and severely impact on their value. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such obligations to repay principal and pay interest thereon and increase the incidence of default for such securities. Additionally, there can be no assurance that other investors will ever come to realize the value of some of these investments, and that they will ever increase in price. Furthermore, the Partnership may be forced to hold such investments for a substantial period of time before realizing their anticipated value. During this period, a portion of the funds would be committed to the investments made, thus possibly preventing the Partnership from investing in other opportunities.

Competition: The securities industry and the varied strategies and techniques to be engaged in by the Firm are extremely competitive and each involves a degree of risk. The Partnership will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

The Partnership’s Investment Activities: The Partnership’s investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by the Firm. Such factors include a wide range of economic, political, competitive and other conditions (including acts of terrorism and war) that may affect investments in general or specific industries or companies. In recent years, the securities markets have become increasingly volatile, which may adversely affect the ability of the Partnership to realize profits. As a result of the nature of the Partnership’s investing activities, it is possible that the Partnership’s financial performance may fluctuate substantially from period to period.

Material Non-Public Information: By reason of their responsibilities in connection with other activities of the Firm and/or its affiliates, certain principals or employees of the Firm and/or its affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain

securities. Clients will not be free to act upon any such information. Due to these restrictions, the Firm may not be able to initiate a transaction on behalf of a client that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Accuracy of Public Information: The Firm selects investments for clients, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Firm by the issuers or through sources other than the issuers. Although the Firm evaluates such information and data and may seek independent corroboration when the Firm considers it is appropriate and when it is reasonably available, the Firm is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. Investments may not perform as expected if information is inaccurate.

Volatility of Currency Prices: The profitability of a client's portfolio depends, in part, upon the Firm correctly assessing the future price movements of currencies. However, price movements of currencies are difficult to predict accurately because they are influenced by, among other things, changing supply and demand relationships; governmental, trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. Governments from time to time intervene in certain markets in order to influence prices directly. The Firm cannot guarantee that it will be successful in accurately predicting currency price and interest rate movements.

Leverage: The Firm may use leverage on behalf of certain clients, including the use of borrowed funds and investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the Firm purchases securities on behalf of certain clients with borrowed funds, the value of such clients' accounts will tend to increase or decrease at a greater rate than if borrowed funds are

not used. In connection with the Partnership, the level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of the Partnership. If the interest expense on borrowings were to exceed the net return on the investments made with borrowed funds, the Partnership's use of leverage would result in a lower rate of return than if the Partnership was not leveraged.

If the amount of borrowings which the Partnership may have outstanding at any one time is large in relation to their capital, fluctuations in the market value of the Partnership's portfolios will have disproportionately large effects in relation to the Partnership's 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 net asset value of the Partnership to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies borrowed fails to cover their cost to the Partnership, the net asset value of the Partnership will generally decline faster than would otherwise be the case.

Certain of the Partnership's trading and investment activities may be subject to U.S. Federal Reserve Board ("**FRB**") margin requirements, which are computed each day. At present, the FRB's Regulation T permits a broker to lend no more than 50% of the purchase price of "margin stock" bought by a customer. When the market value of a particular open position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a "margin call" on the customer is made. If the customer does not deposit additional funds with the broker to meet the margin call within a reasonable time, the customer's position may be closed out. In the event of a precipitous drop in the value of the assets managed by the Partnership, the Partnership might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring substantial losses. With respect to the Partnership's trading activities, the Partnership, and not the clients personally, will be subject to margin calls.

Short Sales: The Firm intends to sell securities short. Short selling involves the sale of a security that the Partnership does not

own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the Partnership must borrow securities from a third party lender. The Partnership subsequently return the borrowed securities to the lender by delivering to the lender the securities they receive in the transaction or by purchasing securities in the open market. The Partnership must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains its right to receive interest and dividends accruing to the securities. In exchange, in addition to lending the securities, the lender generally pays the Partnership a fee for the use of the Partnership's cash. This fee is based on prevailing interest rates, the availability of the particular security for borrowing and other market factors.

Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. The Partnership may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found.

Hedging Transactions. Hedging strategies in general are usually intended to limit or reduce investment risk, but can also be expected to limit or reduce the potential for profit. No assurance can be given that any particular hedging strategy will be successful. The Firm may utilize financial instruments on behalf of certain clients, including, but not limited to, forward contracts, options and interest rate swaps, caps and floors to seek to hedge against fluctuations in the relative values of its portfolio positions as a result of changes in currency exchange rates, certain changes in the equity markets and changes in interest rates. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio

positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible for the Firm to hedge against a fluctuation at a price sufficient to protect the Partnership's assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. For example, the cost of options is related, in part, to the degree of volatility of the underlying securities. Accordingly options on highly volatile securities may be more expensive than options on other securities and of limited utility in hedging against fluctuations in those securities.

The Firm is not obligated to establish hedges for portfolio positions and may not do so. To the extent that hedging transactions are effected, their success is dependent on the Firm's ability to correctly predict movements in the direction of currency and interest rates and the equity markets or sectors thereof.

Market or Interest Rate Risk. The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the prices of fixed income securities fall. If a client holds a fixed income security to maturity, the change in its price before maturity may have little impact on such client's account performance; however, if a client has to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to such client.

Call Option Risk. Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to "call" all or part of the issue before the bond's maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, a client is exposed to reinvestment rate risk – the client will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

Investments in Non-U.S. Investments. The Firm, on behalf of certain clients, may invest and trade a portion of its assets in non-U.S. securities and other assets (through ADRs and otherwise), which will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and non-U.S. issuers and markets are subject. Such risks may include:

- Political or social instability, the seizure by foreign governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels, and limitations on the use or transfer of portfolio assets.
- Enforcing legal rights in some foreign countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against foreign governments.
- Non-U.S. securities and other assets often trade in currencies other than the U.S. dollar, and a client may directly hold foreign currencies and purchase and sell foreign currencies through forward exchange contracts. Changes in currency exchange rates will affect the value of a client's account, the value of dividends and interest earned, and gains and losses realized on the sale of investments. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of a client's investments to decline. Some foreign currencies are particularly volatile. Foreign governments may intervene in the currency markets, causing a decline in value or liquidity of a client's foreign currency holdings. If a client enters into forward foreign currency exchange contracts for hedging purposes, it may lose the benefits of advantageous changes in exchange rates. On the other hand, if a client enters forward contracts for the purpose of increasing return, it may sustain losses.
- Non-U.S. securities, commodities and other markets may be less liquid, more volatile and less closely supervised by the government than in the United States. Foreign countries often lack uniform accounting, auditing and financial reporting standards, and there may be less public information about the operations of issuers in such markets.

Risk of Default or Bankruptcy of Third Parties. The Firm, on behalf of certain clients, may engage in transactions in securities and financial instruments that involve counterparties. Under certain conditions, a client 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, a client could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Partnership does business, or to which securities have been entrusted for custodial purposes. For example, if the Partnership's clearing broker and custodian were to become insolvent or file for bankruptcy, the Partnership could suffer significant losses with respect to any securities held by such firm.

Exchange Traded Funds. Because exchange-traded funds ("ETFs") are, by definition, portfolios of securities, the Firm believes that the unsystematic risk associated with investments in ETFs is generally very low relative to investments in ordinary securities of individual issuers. However, there are events that can trigger sharp and sometimes adverse price movements in ETFs that are not related to movements of the market in general. Not limited to, but among these, are surprise dividends, changes to regular dividend amounts, announcements of rights offerings and possible surprise revisions to net asset values.

- (C) **Security-Specific Risks:** Please see the response to Item 8(B), above.

Item 9. Disciplinary Information:

Legal and disciplinary events in which the Firm or any supervised persons have been involved that are material to a client's or prospective client's evaluation of the Firm's advisory business or management are listed below (see response after each event).

- (A) A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which the Firm or a management person:
- (i) Was convicted of, or pled guilty or nolo contendere ("no contest") to: (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or

extortion; or (c) a conspiracy to commit any of these offenses. **N/A**

(ii) Is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses. **N/A**

(iii) Was found to have been involved in a violation of an investment-related statute or regulation. **N/A**

(iv) Was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order. **N/A**

(B) An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which the Firm or a management person:

(i) Was found to have caused an investment-related business to lose its authorization to do business. **N/A**

(ii) Was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority:

a. Denying, suspending, or revoking the authorization of the Firm or a management person to act in an investment-related business. **N/A**

b. Barring or suspending the Firm's or a management person's association with an investment-related business. **N/A**

c. Otherwise significantly limiting the Firm's or a management person's investment-related activities. **N/A**

d. Imposing a civil money penalty of more than \$2,500 on the Firm or a management person. **N/A**

- (C) A self-regulatory organization (SRO) proceeding in which the Firm or a management person:
 - (i) Was found to have caused an investment-related business to lose its authorization to do business. **N/A**
 - (ii) Was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500. **N/A**

Item 10. Other Financial Industry Activities and Affiliations:

- (A) The Firm is affiliated with Vogue Capital Management LLC ("**VCM**"), a FINRA registered brokerage firm. In the future, the Firm may direct clients' brokerage transactions to VCM. Clients will not be charged any brokerage commissions or fees generated from such transactions. In general, portfolio transactions will be allocated to brokers on the basis of best execution and in consideration of certain other factors, including such brokers' ability to effect transactions, the brokers' facilities, reliability and financial responsibility and the provision or payment by such brokers of the costs of research and other services or property. Since the Firm is affiliated with VCM, it may have a conflict of interest with clients in this regard.
- (B) The Firm has no existing or pending affiliations with a Futures Commission Merchant (FCM), Commodity Pool Operator (CPO), or Commodity Trading Advisor (CTA).
- (C) The Firm and/or its management persons have a relationship or arrangement that is material to its advisory business or to its clients with the related persons as discussed below.
 - 1. Broker-dealer, municipal securities dealer, or government securities dealer or broker. *Please refer to Item 10.(A).*
 - 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). *N/A except as discussed in Item 4.*
 - 3. Other investment adviser or financial planner. **N/A**

4. Futures commission merchant, commodity pool operator, or commodity trading advisor. N/A
5. Banking or thrift institution. N/A
6. Accountant or accounting firm. N/A
7. Lawyer or law firm. N/A
8. Insurance company or agency. N/A
9. Pension consultant. N/A
10. Real estate broker or dealer. N/A
11. Sponsor or syndicator of limited partnerships. N/A

(D) The Firm recommends or selects other investment advisers for clients: N/A

Item 11. Code of Ethics, Participation or Interest in Client Transactions, Personal Trading, and Privacy Policy:

- (A) **Code of Ethics:** A copy of the code of ethics (the “**Code of Ethics**”) is available upon request to the Partnership’s investors or the Firm’s clients (collectively in this section, “**Clients**”).

The Code of Ethics is based upon the premise that all the Firm personnel have a fiduciary responsibility to render professional, continuous and unbiased investment advisory service. The Code of Ethics requires all personnel to: (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put Client interests ahead of those of the Firm; (3) observe the Firm's personal trading policies so as to avoid “front-running” and other conflicts of interests between the Firm and its Clients; (4) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code of Ethics will be maintained by the Firm’s chief compliance officer and that personnel who violate the Code of Ethics are subject to sanctions by the Firm, up to and including termination.

Participation or Interest in Client Transactions: The Firm recognizes that the personal securities transactions of its employees demand the application of a high code of ethics, and the Firm

requires that all such transactions be carried out in a way that does not endanger the interest of any Client. At the same time, the Firm believes that if investment goals are similar for Clients and for employees of the Firm, it is logical and even desirable that there be common ownership of some securities. The Firm and its related persons may invest their personal funds in the Partnership. Therefore, in order to address conflicts of interest, the Firm has adopted a set of procedures, included in its Code of Ethics, with respect to transactions effected by its officers, directors, partners, members and employees (hereafter in this section, "Employees") for their personal accounts. In order to monitor compliance with its personal trading policy, the Firm has adopted a quarterly securities transaction reporting system for all of its Employees. For purposes of the policy, an Employee's "personal account" generally includes any account (a) in the name of the Employee, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which the Employee is a trustee or executor, or (c) which the Employee controls, including the Firm's Client accounts which the Employee controls and in which the Employee or a member of his/her household has a direct or indirect beneficial interest.

Associated persons of the Firm may recommend to Clients the purchase or sale of investment products in which it or a related person may have some financial interest, including but not limited to, the receipt of compensation by the Firm. Records will be maintained of all securities bought and sold by associated persons and related persons.

Additionally, the Code of Ethics sets forth the Firm's policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary duties that the Firm and each of its Employees has to each of its Clients. The Code of Ethics 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 of Ethics and any amendments thereto.

Other Activities of the Firm and its Affiliates: Neither the Firm, nor any affiliate or employee, is required to manage Client accounts as its sole and exclusive function. Each of them may engage in other business activities, including competing ventures and/or other unrelated employment. In addition to managing Client accounts, the Firm, and its respective affiliates or employees may provide investment advice to other parties and may manage other accounts in the future.

Trade Error Policy: The Firm has internal controls in place to prevent trade errors from occurring. On those occasions when such an error nonetheless occurs, the Firm will use reasonable efforts to correct the error. If the error cannot be corrected, the Firm will use reasonable efforts to make an adjustment in a manner it considers reasonable under the circumstances in its sole discretion. The Firm will endeavor to maintain a record of each trade error, including information about the trade and how such error was corrected or attempted to be corrected.

Privacy Policy: The Firm has adopted a privacy policy that explains the manner in which the Firm collects, utilizes and maintains nonpublic personal information about Clients, as required under federal legislation.

Collection of Information and Disclosure of Nonpublic Personal Information: To provide Clients with superior service, the Firm may collect several types of nonpublic personal information about Clients, including:

- Information from forms that Clients may fill out, such as subscription forms, questionnaires and other information provided by Clients in writing, in person, by telephone, electronically or by any other means. This information includes name, address, nationality, tax identification number, and financial and investment qualifications;
- Information Clients may give orally;
- Information about transactions within the Firm, including account balances, investments and withdrawals;
- Information about the amount Clients have invested, such as initial investment and any additions to and withdrawals from an investment in the Partnership; and
- Information about any bank accounts Clients may use for transfers to or from separately managed accounts.

The Firm does not sell or rent Client information. The Firm uses this information to conduct business with its Clients: to develop or enhance its products and services; to understand the financial needs of its Clients so that the Firm can provide such Clients with quality products and superior service; and to protect and administer its Clients' records, accounts and funds. The Firm does not

disclose nonpublic personal information about its Clients to nonaffiliated third parties or to affiliated entities, except as permitted or required by law. For example, the Firm may share nonpublic personal information in the following situations:

- To service providers in connection with the administration and servicing of the Firm; this may include attorneys, accountants, auditors and other professionals. The Firm may also share information in connection with the servicing or processing of Fund transactions;
- To affiliated companies in order to provide Clients with ongoing personal advice and assistance with respect to the products and services Clients have purchased through the Firm and to introduce Clients to other products and services that may be of value to such Clients;
- To respond to a subpoena or court order, judicial process or regulatory authorities;
- To protect against fraud, unauthorized transactions (such as money laundering), claims or other liabilities; and
- Upon consent of a Client to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on behalf of the Client.

Protection of Information:

- The Firm's policy is to require that all employees, financial professionals and companies providing services on its behalf keep Client information confidential.

The Firm maintains safeguards that comply with federal standards to protect Client information. The Firm restricts access to the personal and account information of Clients to those employees who need to know that information in the course of their job responsibilities. Third parties with whom the Firm shares Client information must agree to follow appropriate standards of security and confidentiality. The Firm's privacy policy applies to both current and former Clients. The Firm may disclose nonpublic personal information about a former Client to the same extent as for a current Client.

Changes to Privacy Policy:

The Firm may make changes to its privacy policy in the future. The Firm will not make any change affecting an individual without first sending that individual a revised privacy policy describing the change.

- (B) If Firm or a related person recommends to Clients, or buys or sells for Client accounts, securities in which Firm or a related person has a material financial interest, describe Firm's practice and discuss the conflicts of interest it presents. Describe generally how Firm addresses conflicts that arise. *Please refer to Item 11.(A).*
- (C) If Firm or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that Firm or a related person recommends to Clients, describe Firm's practice and discuss the conflicts of interest this presents and generally how Firm addresses the conflicts that arise in connection with personal trading. *Please refer to Item 11.(A).*
- (D) If Firm or a related person recommends securities to Clients, or buys or sells securities for Client accounts, at or about the same time that Firm or a related person buys or sells the same securities for Firm's own (or the related person's own) account, describe Firm's practice and discuss the conflicts of interest it presents. Describe generally how Firm addresses conflicts that arise. *Please refer to Item 11.(A).*

Item 12. Brokerage Practices:

The factors that the Firm considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation are described below:

- (A) **Factors Considered in Selecting or Recommending Broker-Dealers:** Securities transactions for clients are executed through brokers selected by the Firm in its sole discretion and without the consent of clients, unless, if specified in the applicable investment management agreement, a particular separately managed account client is authorized to instruct the Firm to execute some or all securities transactions for its account with or through one or more brokers designated by such client (please see Item 12.(A)3.(b) below). In placing portfolio transactions, the Firm will seek to obtain best execution, 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 and the efficiency of error resolution, taking into account

the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; special execution capabilities; clearance; settlement; reputation; on-line pricing; block trading and block positioning capabilities; willingness to execute related or unrelated difficult transactions in the future; order of call; on-line access to computerized data regarding clients' accounts; performance measurement data; the quality, comprehensiveness and frequency of available research and related services considered to be of value; the availability of stocks to borrow for short trades; and the competitiveness of commission rates in comparison with other brokers satisfying the Firm's other selection criteria.

The Firm may direct all or a substantial portion of the brokerage transactions to VCM; however, VCM will not receive any brokerage commissions or fees in connection with such transactions. *Please refer to Item 10.(A) for additional information.*

Any separately managed account clients shall bear brokerage costs as set forth in the relevant investment management agreement.

1. **"Soft Dollar" Policy:** The term "soft dollars" refers to the receipt by an investment manager of products and services provided by brokers, without any cash payment by the investment manager, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment manager's clients. Soft dollars accumulated by the broker for the investment manager's use may then be used to pay for various products and services, including research and brokerage services. The availability of soft dollars from certain brokers presents investment managers with significant conflicts of interest, and may give incentives for investment managers to disregard their obligations to clients (including, without limitation, their best execution obligations) when directing orders.

The Firm intends to use "soft dollars" generated by the Partnership's securities transactions only to pay for research, products and services that fall within the Section 28(e) safe harbor. Section 28(e) of the Exchange Act ("**Section 28(e)**") provides a "safe harbor" to those investment managers who use soft dollars to obtain investment research and brokerage services. In order to qualify for the safe harbor, the research must provide assistance to the investment manager in its performance of its investment decision-making responsibilities.

Brokerage services must relate to the execution, clearance and settlement of securities transactions in order to fall within the safe harbor provided by Section 28(e).

Products and services provided by broker-dealers with soft dollars may be utilized by the Firm and its affiliates in connection with the services they offer for other clients. Likewise, products and services provided by broker-dealers with soft dollars generated by other clients may be utilized by the Firm in performing its services for the Partnership. The Firm's receipt of information, products or services paid for with soft dollars are in addition to, and not in lieu of, the Management Fee and Performance Allocation, and such fees are not reduced as a consequence of the receipt of such products or services purchased with soft dollars.

In addition to research services, the Firm may be offered other non-monetary benefits by broker-dealers that it may engage to execute securities transactions on behalf of clients. These benefits may take the form of special execution capabilities, clearance, settlement, online pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, online access to computerized data regarding clients' accounts, performance measurement data, consultations, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, efficiency of execution and error resolution, quotation equipment and services, the availability of stocks to borrow for short trades, custody, travel, record keeping and similar services. These other services may also include payment of all or a portion of the clients' or the Firm's or its affiliates' administrative costs and expenses of operation, such as: office rent; office equipment and supplies; utilities (e.g., electricity, gas, oil, water); taxes; storage; employee salaries, *including, but not limited to*, bonuses, contingent salaries, and any other form of compensation determined by the Firm, and benefits (including medical, dental and worker's compensation insurance); temporary help; recruiting services; newswire and quotation equipment and services (e.g., Reuters, Bloomberg, Bridge, First Call); data processing charges; periodical subscription fees (e.g., The Financial Times, The Wall Street Journal, The New York Times, Investors Business Daily); computer equipment used for brokerage or research purposes (e.g., computers, computer hardware, software, hard drives, monitors, PDAs, LANs) and related technical support, repair

and maintenance; television and cable services used for research purposes; telephone and facsimile charges, equipment and installation and maintenance costs (e.g., telephones, telephone leases, telephone and facsimile lines, cellular phones used for business purposes, telephone call recording equipment, headsets, cordless phones, speaker phones, telephone switchboards and monthly and long distance telephone charges); facsimile machines and facsimile rental and repair costs; account record-keeping and related clerical services; printing services; messenger services; postal and courier expenses; car service; expenses incurred in connection with investigating and researching issuers of securities and attending research conferences (e.g., airfare, car rentals, taxi fares, conference fees and related expenses, hotel accommodations and meals); economic consulting services; placement fees and other marketing costs; legal and accounting fees; and other reasonable expenses as determined by the Firm.

The foregoing benefits may be available for use by the Firm in connection with transactions in which clients will not participate. The availability of these benefits may influence the Firm to select one broker rather than another to perform services for clients. Nevertheless, the Firm will attempt to assure either that the fees and costs for services provided to clients by brokers offering these benefits are not materially greater than they would be if the services were performed by equally capable brokers not offering such services or that clients also will benefit from the services.

The Firm reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce clients to the Firm, provided that any such fee or commission will be paid solely by the Firm or its affiliates and no portion thereof will be paid by clients.

- (a) When the Firm uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Firm receives a benefit because the Firm does not have to produce or pay for the research, products or services. *Please refer to Item 12(A)(1).*
- (b) The Firm may have an incentive to select or recommend a broker-dealer based on the Firm's interest in receiving the research or other products or services, rather than on clients' interest in

receiving most favorable execution. *Please refer to Item 12(A)(1).*

- (c) The Firm may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). *Please refer to Item 12(A)(1).*
- (d) The Firm may use soft dollar benefits to service all Clients or only those Clients that paid for the benefits. The Firm may or may not seek to allocate soft dollar benefits to Clients proportionately to the soft dollar credits the accounts generate. *Please refer to Item 12(A)(1).*
- (e) The types of products and services the Firm or any related persons acquired with Client brokerage commissions (or markups or markdowns) within the Firm's last fiscal year were: *Please refer to Item 12(A)(1).*
- (f) The procedures the Firm used during its last fiscal year to direct transactions to a particular broker-dealer in return for soft dollar benefits the Firm received were: *Please refer to Item 12(A)(1).*

2. Brokerage for Client Referrals:

- (a) The Firm reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce clients to the Firm, provided that any such fee or commission will be paid solely by the Firm or its affiliates and no portion thereof will be paid by clients. As a result, the Firm may have an incentive to select or recommend a broker based on the Firm's interest in receiving client referrals rather than on clients' interest in receiving most favorable execution. Because such referrals, if any, are likely to benefit the Firm but will provide an insignificant (if any) benefit to clients, the Firm will have a conflict of interest with clients when allocating client brokerage business to a broker who has referred investors to a client. To prevent client brokerage commissions from being used to pay referral fees,

the Firm will not allocate client brokerage business to a referring broker unless the Firm determines 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 clients.

- (b) The procedures used during the last fiscal year to direct client transactions to a particular broker-dealer in return to client referrals were: *Please refer to Item 12.(A)(ii)a.*

3. Directed Brokerage:

- (a) The Firm does not recommend, request, or require a client to direct the Firm to execute transactions through a specified broker-dealer. *Please refer to Item 10.(A).*
- (b) The Firm does not permit a client to direct the Firm to execute transactions through a specified broker-dealer, except, for a separately managed account client, if agreed to in the relevant investment management agreement.

- (B) **Aggregation of Orders:** The Firm may aggregate purchase and sale orders of investments held by clients with similar orders being made simultaneously for other accounts or entities if, in the Firm's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to clients based on an evaluation that the client will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of investments for clients will be affected simultaneously with the purchase or sale of like investments for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of investments purchased or sold. In such event, the average price of all investments purchased or sold in such transactions may be determined, at the Firm's sole discretion, and the clients may be charged or credited, as the case may be, with the average transaction price.

Allocation of Trades: The Firm may at times determine that certain investments will be suitable for acquisition by clients and by other accounts managed by the Firm, the Firm's own accounts

or accounts of an affiliate. If that occurs, and the Firm is not able to acquire the desired aggregate amount of such investments on terms and conditions which the Firm deems advisable, the Firm will endeavor to allocate in good faith the limited amount of such investments acquired among the various accounts for which the Firm considers them to be suitable. The Firm may make such allocations among the accounts in any manner which it considers to be fair under the circumstances, including, but not limited to, allocations based on relative account sizes, the degree of risk involved in the investments acquired, and the extent to which a position in such investment is consistent with the investment policies and strategies of the accounts.

Item 13. Review of Accounts:

- (A) All accounts managed by the Firm are reviewed on a daily basis by the chief executive officer of the Firm, to assure conformity with client objectives and guidelines. In addition, all accounts are reviewed in light of emerging trends and developments as well as market volatility. Separate account clients are responsible for keeping the Firm informed as to any changes in their personal financial condition. The Firm cannot make any material changes to a client's portfolio if it is not informed of the client's particular developments.
- (B) The calendar is the main triggering factor of a review of an account, although more frequent reviews may also be triggered by changes in a client's circumstances, client request, or unusual market activity. Clients may be contacted periodically by the Firm to discuss the management and performance of their account.
- (C) Reports showing performance are sent to clients quarterly by the Firm's administrator for pooled investment accounts and by the Firm and the qualified custodian for managed accounts. In addition, realized gains/losses, interest and dividends earned are reported to clients annually. Each investor in the Fund also will receive the following: (i) annual financial statements of the Fund, audited by an independent certified public accounting firm; (ii) in the discretion of the Firm or an affiliate of the Firm, a periodic letter and/or report discussing the results of the accounts; (iii) copies of such investor's Schedule K-1 to the Fund's tax returns; and (iv) other reports as determined by the Firm or an affiliate of the Firm in its sole discretion. Additionally, within 120 days of the calendar year-end of the Fund, investors shall receive GAAP-compliant audited financial statements.

Item 14. Client Referrals and Other Compensation:

- (A) Firm does not receive, from any non-client, any economic benefit associated with advising clients.
- (B) The Firm may use independent third party solicitors to refer clients and/or investors to the Fund and pay a portion of its advisory fees to such solicitors, in accordance with the Advisers Act. The Firm may engage underwriters, brokers, dealers or finders to assist in the offering of interests or shares in the Partnership and/or the Offshore Fund. Except for commissions on brokerage transactions (which will be paid by clients), the Firm will pay (and will not charge clients) fees and commissions that may be payable to any such brokers or finders for assisting in the offering or sale of interests or shares in the Partnership and/or the Offshore Fund.

Item 15. Custody:

The Firm maintains client funds and securities at a qualified custodian. As stated above in Item 13, Review of Accounts, the Partnership's qualified custodian will send monthly account statements directly to clients which clients should carefully review. Clients are urged to compare statements that are received from the qualified custodian to statements received directly from the Firm. The Fund's auditor sends annual audited financial statements, prepared in accordance with GAAP, to investors in the Fund within 120 days after the Fund's calendar year end.

Item 16. Investment Discretion:

The Firm has discretionary investment authority over client assets that are managed by the Firm.

Item 17. Voting Client Securities – Proxy Policy:

- (A) The Firm monitors corporate actions of those securities it has purchased on behalf of its clients. Receipt of proxy materials is logged into a proxy control sheet. Proxy votes will generally be submitted electronically but may be submitted by mail. A record of the proxy votes cast will be made and retained by the Firm. Investors can obtain information on how the proxies were voted and a detailed description of the Firm's policies and procedures regarding proxy voting by requesting such information from the chief compliance officer.

The Firm understands and appreciates the importance of proxy voting. To the extent that the Firm has discretion to vote the proxies of its advisory clients, the Firm will vote, or direct a third party to vote, any such proxies in the best interests of clients and in accordance with the policies of its proxy voting provider.

In evaluating how to vote a proxy, the Firm will first determine whether there is a conflict of interest related to the proxy in question between the Firm and its investors. This examination will include (but will not be limited to) an evaluation of whether the Firm (or any affiliate of the Firm) has any relationship with the company (or an affiliate of the company) to which the proxy relates outside an investment in such company by an investor of the Firm. If a conflict is identified and deemed “material” by the Firm, on a Proxy Voting Committee organized by the Firm, the Firm will determine whether voting in accordance with these proxy voting guidelines is in the best interests of affected investors (which may include utilizing an independent third party to vote such proxies). With respect to material conflicts, the Firm will determine whether it is appropriate to disclose the conflict to affected investors and give investors the opportunity to vote the proxies in question themselves, if applicable.

Item 18. Financial Information:

- (A) The Firm solicits prepayment of Management Fees on a quarterly basis from the Partnership. The Firm does not solicit prepayment of more than \$1,200 in fees per Client six months or more in advance.
- (B) Because the Firm has discretionary authority over and/or custody of client funds or securities, the Firm has disclosed, as follows, any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients: None.
- (C) The Firm has not been the subject of a bankruptcy petition during the past ten years.

Item 19. Requirements for State-Registered Advisers: N/A

Part 2B – BROCHURE SUPPLEMENT FOR SUPERVISED PERSONS