

PART 2A OF FORM ADV

**FAIRHILLS CAPITAL MANAGEMENT, LLC**

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**This brochure provides information about the qualifications and business practices of Fairhills Capital Management, LLC (“Fairhills”). If you have any questions about the contents of this brochure, please contact us at (914) 358-1930 and/or by email at [info@fairhills.com](mailto:info@fairhills.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about Fairhills also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT FAIRHILLS OR ANY PRINCIPALS OR EMPLOYEES OF FAIRHILLS POSSESS A PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY OR ANY OTHER BUSINESS.**

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## **Advisory Business**

Mr. Edward Bronson founded Fairhills Capital Management, LLC (“Fairhills”) for the purpose of providing small companies with alternative forms of financing. Edward Bronson consulted on and invested proprietary capital in numerous financing transactions between 2002 and 2008. In 2009, Fairhills shifted focus away from advisory services to serve as the Bronson family office, acting exclusively to invest its own capital. In addition, Fairhills began purchasing aged debt and other securities from fatigued holders and investment funds.

Fairhills Capital, LP (the “Partnership”) is a limited partnership organized under the laws of the State of Delaware. The Partnership’s day-to-day operations are managed by its general partner, Fairhills Capital GP, LLC, a Delaware limited liability company (the “General Partner”). The General Partner and the Limited Partners are collectively referred to herein as the “Partners.” The Partnership’s capital is invested by its investment manager, Fairhills Capital Management, LLC, a Delaware limited liability company (the “Domestic Feeder”).

The Partnership will implement its strategy by causing all or part of the Partnership’s assets to be invested in a centralized investment company, commonly known as a “master” fund (the Partnership being a “feeder” fund). Such master fund, Fairhills Capital Master Fund, LP, a Cayman Islands exempted limited partnership (referred to herein as the “Master Fund”) will utilize the services of the Investment Manager or its affiliates and will invest and reinvest assets of the Partnership, together with assets of other similar entities (including Fairhills Capital Offshore Opportunity Fund, Ltd., a Cayman Islands exempted company (the “Offshore Fund”)), following the same investment strategy described herein. The General Partner also serves as the general partner of the Master Fund. Additionally, from time to time other entities or individuals investing in the Master Fund may be special limited partners, which may have different rights from the Master Fund’s limited partners (including the Partnership). Notwithstanding the foregoing, the Investment Manager reserves the right to retain all or part of the Partnership’s assets and trade directly at the Partnership level or may invest through any other entity (in whole or in part, either in conjunction with or without the Master Fund) set up to serve as a master fund. Any or all of the fees and expenses payable or allocable by the Partnership, including without limitation, the Management Fee and Incentive Allocation, are and will be paid or allocated (as the case may be) by the Partnership or the Master Fund, but will not be duplicated (other than fees and expenses incurred by both the Partnership and the Master Fund such as, without limitation, administration, professional, legal and auditing fees).

The Feeder Funds invest all or substantially all of their assets in the Master Fund. Through their respective investments in the Master Fund, the investment objective of the Feeder Funds is to seek to achieve capital appreciation primarily through a strategy that invests in convertible and non-convertible equity and debt securities and warrants offered in private placements pursuant to Regulation D, other restricted equity and debt securities, loans, participations in loans, and other private investments in public and private equities issued by U.S. or foreign domiciled entities.

Fairhills is generally granted broad investment authority with respect to the management of the accounts of its clients. Fairhills tailors its advisory services to the specific investment objectives and restrictions of each client.

Fairhills or its wholly owned subsidiaries may agree in the investment management agreement with each client to investment restrictions or guidelines with respect to the types or amounts of securities or other financial instruments that may be purchased or sold for the client’s account.

Fairhills may pursue different investment strategies for different clients.

Investors and prospective investors in each fund that Fairhills advises should refer to the confidential private placement memorandum, limited partnership agreement and other governing documents for each fund (the “Governing Documents”) for complete information on the investment objectives and investment restrictions with respect to a particular fund.

Fairhills does not participate in any wrap fee programs.

Fairhills manages all assets on a discretionary basis. As of January 31, 2012, the amount of assets Fairhills managed on a discretionary basis was approximately \$25 million. Fairhills may in the future provide advisory services, either on a discretionary or non- discretionary basis, to other managed accounts on behalf of clients.

## **Fees and Compensation**

### *Compensation and Fee Schedules*

All investors should review the Governing Documents for each Fairhills Fund in conjunction with this brochure for more complete information on the fees and compensation payable with respect to a particular Fairhills Fund.

*Management Fee.* The Limited Partners will be subject to an annual asset based management fee charged at the Master Fund level which will be calculated and paid monthly in advance, in an amount equal to 0.167% of the sum of (a) the net asset value of such Partner’s Master Account in the Master Fund (where such net asset value shall be calculated before deduction of any accrued Management Fee in respect of the current month and any accrued Incentive Allocation in respect of the current year) and (b) an amount equal to the lesser of the respective Book Values or the respective net asset values of such Partner’s special situation sub-account(s) in the Master Fund, as of the first day of each calendar month (2% per annum) (the “Management Fee”). The Management Fee will be paid to the Investment Manager by the Master Fund. The Management Fee will be prorated for partial periods. The Management Fee Holdback (as defined herein) will be imposed on a Limited Partner that requests a full withdrawal from its Capital Account prior to the liquidation of all of the Special Situation Sub-Account(s) held by such Limited Partner.

Payment of the Management Fee is due as of the first day of each calendar month and is payable by the Master Fund (and thus the Partnership) within ten (10) days thereafter. The Investment Manager, in its sole discretion, may waive by rebate or otherwise, all or part of the Management Fee otherwise due with respect to any Partner’s investment, including, without limitation, its affiliates, members and/or employees.

*Organizational Expenses.* The Partnership has incurred and will incur certain organizational costs, some or all of which have been, and may in the future be, advanced by the General Partner, the Investment Manager and/or their affiliates and are therefore subject to reimbursement. The Partnership intends to amortize the organizational costs and expenses of the Partnership over a period of up to sixty (60) months. In the event the Partnership terminates its operations before such expenses are fully amortized, the unamortized portion of such fees shall be accelerated and will be debited against the Partnership’s Net Asset Value, thereby decreasing amounts otherwise available for distribution to Partners.

*Ongoing Expenses.* The Partnership shall be responsible for all of the ordinary and necessary expenses of its operation including, without limitation, brokerage commissions, certain trading and execution expenses and research expenses, legal and auditing expenses, accounting, fund administration, fees and expenses associated with trade processing, reconciliation, record-keeping and accounting, investment related consultants and other service providers expenses, expenses incurred with respect to the preparation, duplication and distribution to Limited Partners and prospective Limited Partners of the offering documents, annual reports and other financial information, insurance premiums of the Partnership, the General Partner and/or the Investment Manager (including insurance premiums with respect to any of their principals, partners and officers), expenses incurred with regard to Special Situation Sub-Accounts, its pro rata share of Master Fund expenses and similar ongoing operational expenses. The Capital Accounts of all Partners will be charged accordingly. The General Partner, the Investment Manager and any affiliates retained by them will be reimbursed for out-of-pocket expenses incurred on behalf of the Partnership. Such reimbursable expenses shall not include any expense attributable to their provision of office personnel and space required for the performance of their services.

*Administration Fee.* The Partnership pays the Administrator fees and expenses paid out of Partnership assets, based upon the size of the Partnership, in accordance with the Administrators standard schedule for providing similar services.

*Subscription Fees.* Any fees or duties incurred by the Partnership in processing an investor's application for Interests may either be deducted from the investor's subscription proceeds, in which case the subscription proceeds net of the subscription charges shall be allocated to the investor's Capital Account, or the subscription charges may be charged in addition to the amount being subscribed.

Any performance-based fees or allocations will only be charged to qualified clients as defined under Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act").

Other than as stated above, all fees are generally non-refundable (that is, once the management fee is paid and the performance allocation is allocated, such amounts will not be refunded to investors). In addition, in certain circumstances, fees may be negotiable.

In certain circumstances, the advisory fees payable to Fairhills or its affiliates by individual clients or investors in each fund may be negotiable. Investors and prospective investors in each fund should refer to the Governing Documents of the applicable fund for more complete information on the advisory fees charged by Fairhills.

#### *Deduction of Fees*

Fairhills is authorized under the Governing Documents of each Fairhills Fund to charge and deduct advisory fees directly from the assets of the Fairhills Funds, at the times and in the amounts described above.

### *Other Fees and Expenses*

The clients of Fairhills are responsible for all costs and expenses incurred in connection with the investments in their accounts, including brokerage commissions; clearing fees; fees, interest and other costs in connection with margin accounts or other borrowings; borrowing charges on securities sold short; custodial fees; bank service fees; costs of any outside appraisers, accountants, attorneys or other experts or consultants engaged by Fairhills in connection with specific investments (including transactions that fail to close); costs of research and data services; and any legal fees and costs arising in connection with any litigation or regulatory investigation instituted against Fairhills or any client.

The Fairhills Funds also pay all of their operating costs, including administrative, legal, accounting, auditing and insurance costs and expenses, as described in greater detail in the Governing Documents for each Feeder Fund.

Clients of Fairhills will also incur brokerage expenses as described below under “Brokerage Practices”.

### *Timing of Payments*

Please see “Fees and Compensation” above.

## **Performance-Based Fees and Side-by-Side Management**

### *Performance-Based Fees*

Fairhills, or an affiliate of Fairhills, ordinarily receives a performance-based fee or a special allocation of profits from each of its clients (including the Fairhills Funds) as described above under “Fees and Compensation.” Please refer to the Governing Documents of each fund for more complete information on the performance-based compensation arrangements of such fund. Different client accounts may be subject to different performance-based compensation arrangements. The performance-based compensation arrangements discussed above comply with Rule 205-3 under the Advisers Act.

Performance-based compensation arrangements may create an incentive for Fairhills to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement.

### *Side-by-Side Management*

If Fairhills is entitled to receive a higher percentage of the net profits of the account of one client than the percentage that Fairhills receives from another client, then Fairhills may have an incentive to favor, or to allocate certain riskier or more speculative investments to, the client that is subject to the higher percentage.

Fairhills will, as a policy, allocate all investment opportunities among its clients in a manner that it considers fair and equitable to all clients, considering all factors potentially applicable to each client. Among the factors that may be considered by Fairhills in allocating trades among client accounts are: investment policies, guidelines or restrictions applicable to each specific client; tax considerations; cash availability; liquidity requirements for payment of redemptions or other purposes; risk tolerances; restrictions under ERISA or other applicable laws or regulations;

available credit lines; counterparty arrangements; account size; benchmark sector weightings; industry and security weightings; and hedging objectives and activity.

## **Types of Clients**

### *Types of Clients*

Fairhills provides advice to the Fairhills Funds and other clients. The investors in these funds may include corporations, partnerships, endowments, foundations, trusts, estates, individuals and pension and profit sharing plans.

### *Minimum Investment Requirements*

Fairhills and its related persons require that each limited partner or shareholder in each of the Fairhills Funds be an “accredited investor” as defined in Regulation D under the Securities Act of 1933, as amended (the “Securities Act”), and a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”).

The Fairhills Funds are open to new investments.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

### *Methods of Analysis*

The Fairhills Funds invest primarily in convertible and non-convertible equity and debt securities, loans, participations in loans, warrants and other securities, including private investments in public and private equities issued by U.S. or foreign domiciled entities.

The Fairhills Funds invest certain of their assets in special purpose vehicles or other wholly-owned subsidiaries in order to achieve their objectives.

The Fairhills Funds may also invest in options, warrants, commodities, commodity contracts, commodity futures, financial futures (including index futures), royalty interests, options in respect of any of the above, and other derivative securities and related transactions, in each case, for investment purposes and in order to hedge against volatility.

Fairhills’s principal sources of information include due diligence performed by both Fairhills and its affiliates and at times, third-party consultants. Research of potential investment varies with each investment and may include collateral analyses and field audits, and background checks of selected executive officers.

### *Material Risks*

Investments in private and restricted securities and loans as described above involve a substantial degree of risk. Fairhills generally accepts only clients that are able to bear the financial risk of the investment strategy for an indefinite period of time and are able to sustain the loss of all or a significant part of their investment. Additional information about the risks of investing in each Fairhills Fund can be found in the Governing Documents for the relevant fund. The risk factors below are not intended to be exhaustive and should be considered carefully together with the full text of the applicable Governing Document or client agreement.

## ***Investment and Trading Risks in General***

All investments risk the loss of the amount invested. No guarantee or representation is made that any investment program will be successful, and investment results may vary substantially over time. The value of a client's portfolio and the income (if any) derived from it can go down as well as up.

## ***Investing in Illiquid Investments***

Fairhills invests primarily in equity and debt securities, loans and loan participations purchased in private placements directly from companies whose securities may or may not be publicly traded. As a result, many investments held by clients of Fairhills may be or become illiquid, including "restricted" or non-publicly traded securities and thinly traded securities. It may not be easy to dispose of such non-publicly or thinly traded securities, and in some cases, there may be legal or contractual restrictions preventing the disposal of securities for a specified period of time. An exchange or regulatory authority may suspend trading in a particular security or contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. Such investments may require a significant amount of time from the date of initial investment before disposition.

In contrast to the markets for broadly syndicated leveraged loans and high-yield bonds, securities and loans originated or acquired by Fairhills generally are not syndicated by tier- one lenders or actively traded in the secondary market. Fairhills often expects to retain debt securities, loans and participations in loans originated or acquired by clients of Fairhills until maturity, which may be a period of several years, except to the extent that it sells loans, participations in loans and other investments to other funds and accounts managed by Fairhills and its affiliates or to unrelated third parties. The retention of such investments in whole or in part until maturity may subject clients of Fairhills to greater credit risk than would otherwise be the case.

There can be no assurance that a client of Fairhills will be able to sell investments to the extent desired, in which case the client's portfolio may be subject to overconcentration in certain borrowers and industries and subject to greater credit risk. In addition, the "special situation" asset classes in which Fairhills may invest may be thinly traded or may cease to be traded after an investment is made. In the absence of a significant market for the loans and other assets held directly or indirectly by Fairhills, such assets may not be able to be traded in order to respond to changes in market conditions.

## ***Micro and Small Capitalization Securities***

Fairhills ordinarily invests in companies with small and mid-cap market capitalizations. Such investments involve greater risk than investing in larger companies. The stock prices of small and mid-cap companies can rise very quickly and drop dramatically in a short period of time. This volatility may result from a number of factors, including reliance by these companies on limited product lines, markets and financial and management resources. These and other factors may make small and mid-cap companies more susceptible to setbacks or downturns. These companies may experience higher rates of bankruptcy or other failures than larger companies and they may be more likely to be negatively affected by changes in management. In addition, the stock of small or mid-cap companies may be thinly traded.

### ***Concentration of Investments***

Accounts managed by Fairhills may hold relatively few investments. The result of such concentration of investments is that a loss in any one position could materially reduce the value of the overall portfolio.

### **Disciplinary Information**

Fairhills and its principals have not been the subject of any material legal proceeding required to be disclosed in response to this item.

### **Other Financial Industry Activities and Affiliations**

#### ***Registered Broker-Dealers***

Neither Fairhills nor its management persons are registered as a broker-dealer or a registered representative of a broker-dealer. In addition, Fairhills and its management persons are not affiliated with any broker-dealer or bank.

#### ***Registered Futures Commission Merchants, Commodity Pool Operators and Commodity Trading Advisors***

Neither Fairhills nor its management persons are registered or affiliated with a registered futures commission merchant, commodity pool operator or commodity trading advisor.

#### ***Relationships with Related Persons***

The only clients of Fairhills at present are the Fairhills Funds and certain subsidiaries of the Master Fund. A related person of Fairhills generally acts as general partner or managing member or investment adviser of each of the Funds.

Employees of Fairhills and its affiliates may serve as officers, advisors, directors or in comparable management functions for portfolio companies in which the clients of Fairhills invest, or provide other services to portfolio companies, and may receive compensation in connection therewith. Employees of Fairhills or its affiliates may also from time to time serve on the board of directors or a creditors committee of a portfolio company, or be given access for other reasons to confidential information relating to companies in which the Fairhills clients invest. As a result, clients of Fairhills may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the debt or securities of such a portfolio company, which prohibition may have an adverse effect on the clients.

Funds advised by Fairhills may acquire operating control of companies in which they, or one of their affiliates, initially made an investment which did not consist of a controlling interest. In such case, Fairhills may retain consultants (either directly or on behalf of such company) for the purpose of assisting in the management of such company or such Fund's interest in such company. Such consultants may be compensated by such fund or such company based in part on a percentage of the increase in value of such company or such fund's interest in such company.

From time to time, Fairhills may arrange for clients to sell portfolio positions in block transactions (“Block Sales”). The Block Sales may be used as part of the plan to liquidate the assets of the Fairhills Funds and distribute the proceeds to investors, or to make necessary follow-on investments in portfolio companies. Certain of such Block Sales may be made to accounts managed by Fairhills or an affiliate (“Cross Transactions”). Unless otherwise approved by the liquidator of the Master Fund, Cross Transactions shall be effected at no less than the fair value (as reflected on the books and records of the Fairhills Funds) of the securities being transferred, and no brokerage commission or transfer fee shall be paid to Fairhills or its affiliates in connection with any such transaction.

From time to time Edward Bronson’s direct or indirect economic interest in one or more of the Fairhills Funds may exceed 25% of the outstanding interests of the applicable Fairhills Fund. At such times, any transaction executed with one or more of the Fairhills Funds may constitute a principal transaction under Section 206(3) of the Advisers Act and may create a conflict of interest for Edward Bronson because of his greater economic interest in the Fairhills Funds. Accordingly, in such event, Fairhills will obtain the consent of the Master Fund in accordance with Section 206(3) of the Advisers Act.

In certain cases (including in connection with certain Fairhills Cross Transactions), the portfolio positions purchased in the Cross Transaction may continue to be held in the name of the seller, as nominee for the purchasing Fairhills Fund.

From time to time, Fairhills may acquire investments of an issuer for affiliates and clients that are senior or junior to securities or financial instruments of the same issuer that are held by, or acquired for, other clients. Fairhills recognizes that conflicts may arise under such circumstances and will endeavor to treat all clients fairly and equitably. With respect to a particular investment opportunity, Fairhills and its affiliates may structure the acquisition of such investment opportunity in such a way for tax, regulatory or other reasons that causes Fairhills and other affiliates and clients to purchase different securities (e.g., senior debt, subordinated debt, or equity). In determining the optimal way to structure the acquisition of such investment opportunities, Fairhills and its affiliates will set the terms of the securities purchased, or sold, by each client in a manner it determines to be fair and equitable and taking into account the price and terms that would be obtained in the market for securities issued in similar transactions. In connection with these investment opportunities, any payments and proceeds received upon an acceleration of any debt of an obligor or upon the exercise of any rights or remedies with respect to any collateral securing an obligor’s debt obligations will be allocated first, to debt investments entered into with the obligor on or before May 31, 2007, and then, will be allocated sequentially, in chronological order, to all other debt investments entered into with such obligor according to the dates such debt investments were made. All amounts will be distributed to clients entitled to such amounts on a pro rata basis. The Master Fund and other clients of Fairhills have entered into a written intercreditor agreement memorializing the intercreditor arrangements described above. Notwithstanding the foregoing, Fairhills and its affiliates may modify such intercreditor arrangements or agreements in their sole discretion if they determine such modifications would be fair and equitable.

Fairhills have adopted policies and procedures to protect the confidentiality and proprietary nature of Fairhills funds, investors and investment information.

### *Selection or Recommendation of Other Advisers*

Fairhills does not recommend or select other investment advisers for its clients and receive compensation from such advisers in a manner that would create a material conflict of interest. Fairhills does not have other business relationships with other advisers that create a material conflict of interest.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### *Code of Ethics*

Fairhills has adopted the Fairhills Code of Ethics (the “Code of Ethics”) which sets forth ethical standards of business conduct that Fairhills requires of its affiliates and employees.

The Code of Ethics governs all personal investment transactions by Fairhills employees. The Code of Ethics also contains policies with respect to gifts and entertainment, compliance with applicable federal securities laws, the reporting of violations of the Code of Ethics, and oversight, enforcement and recordkeeping provisions. Fairhills will provide a copy of the Code of Ethics to any client or prospective client upon request.

Fairhills requires that all individuals act in accordance with all applicable federal and state regulations governing investment advisory practices. Fairhills’ Code of Ethics also includes the firm’s policy prohibiting the use of material non-public information. Any individual not in observance of the above may be subject to discipline or termination.

Fairhills will provide a complete copy of its Code of Ethics to any person upon request.

### *Personal Trading*

The Code of Ethics governs all personal investment transactions by Fairhills employees. Pursuant to the Code of Ethics, such persons may not purchase the securities of any issuer that is on a “restricted list” maintained by Fairhills, comprised of companies in which Fairhills is in possession of, or has the right to receive possession of, material, non-public information. In addition, the Code of Ethics requires that such persons obtain prior approval of any acquisition of securities in a limited offering (e.g., a private placement) or an initial public offering.

## **Brokerage Practices**

Subject to the investment objectives, policies and restrictions of each Fairhills client as set forth in the Governing Documents of such client, Fairhills has discretionary authority to determine the type, amount, and price of securities and investments to be bought and sold on behalf of each Fairhills Fund or other client, including the selection of, and commissions paid to, brokers.

In selecting broker-dealers to effect securities transactions, Fairhills seeks to obtain best execution by considering factors including, but not limited to, execution quality, price, the level of service offered, reliability, experience in liquidating distributions from private equity funds and such other factors as Fairhills considers relevant and beneficial to Fairhills's clients. Fairhills may consider referrals of investors in funds advised by Fairhills when determining its selection of brokers.

### *Research and Other Soft Dollar Benefits*

Fairhills selects brokers and dealers to execute transactions for client accounts based on the benefits and costs of their services as compared to others in the marketplace. Fairhills attempts at all times to achieve best execution. Fairhills may take into account special expertise or capacities of a particular broker as well as research and other services provided to Fairhills by brokers. Fairhills considers such factors as price, the ability to effect the transactions, the brokers' or dealers' facilities, reliability and financial responsibility, special execution capabilities, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, efficiency of execution and error resolution, quotation services, the availability of stocks to borrow for short trades, custody, recordkeeping and similar services, and any research or investment management-related services and equipment provided by such brokers or dealers. Fairhills does not necessarily solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

Fairhills may cause a higher commission to be paid to a broker or dealer that furnishes research or services than might be charged by another broker or dealer for effecting the same transaction, provided that Fairhills determines in good faith that the amount of commissions charged is reasonable in relation to the value of the brokerage and research or investment management-related services and equipment provided by such broker or dealer.

Research services provided to Fairhills by brokers may include written information and analyses concerning specific securities, companies or sectors (whether produced by the broker or a third party); market, financial and economic studies and forecasts (whether produced by the broker or a third party); statistics and pricing services; discussions with research personnel; data bases; and other news, technical and telecommunications services utilized by Fairhills in the investment management and execution process, accounting fees and legal fees. Fairhills does not receive any benefits outside the safe harbor under Section 28(e) of the Securities Exchange Act of 1934, as amended, for the use of commissions or "soft dollars" to obtain "research and execution" services. Research services provided by brokers may be used for the benefit of all clients of Fairhills. Clients may pay higher commissions than are obtainable from other brokers as a result of the consideration of research services as a factor in selecting brokers in addition to commission cost and best execution.

Fairhills and its affiliates may have other business arrangements with brokers and dealers used to execute transactions for clients. Brokerage firms and their affiliates and representatives may invest in funds managed by Fairhills, and may provide financing or other services to Fairhills or other accounts managed by Fairhills. Brokerage firms and their employees may offer gifts to employees of Fairhills, and may invite employees of Fairhills to entertainment and social events. It is Fairhills's policy that factors such as gifts and entertainment that do not benefit client accounts should not be considered when selecting brokers and counterparties to execute transactions for clients.

### *Brokerage for Client Referrals*

Not applicable.

### *Directed Brokerage*

Not applicable.

### *Trade Aggregation*

Fairhills and its affiliates trade the securities owned by client accounts that they manage pursuant to trading guidelines. If a security held by more than one client account is eligible for sale pursuant to such trading guidelines, Fairhills and its affiliates will generally aggregate trades for the Fairhills Fund with trades for other client accounts, subject to best execution, in order to obtain better prices and lower execution costs. Such orders may be allocated among participating client accounts on a non-pro-rata basis.

## **Review of Accounts**

### *Review of Client Accounts*

Fairhills will monitor portfolio investments on behalf of each Fund on a regular basis. Each review is conducted by one or more of the following supervised persons:

Supervised Person	Title
Edward Bronson	Principal

### *Reports to Clients*

Fairhills ordinarily seeks to provide to the investors in the private investment funds that it manages, or to have such funds provide directly, monthly or quarterly unaudited reports and annual audited financial statements. Fairhills may provide additional unaudited information to investors upon request. Furthermore, Deutsche Bank Trust Company Americas, the custodian of the Domestic Feeder, sends a quarterly account statement to each of the Domestic Feeder's investors, identifying the amount of funds and each security held by the Domestic Feeder at the end of the respective quarterly period, and setting forth all transactions in the Domestic Feeder's account during the respective quarterly period.

## **Client Referrals and Other Compensation**

### *Economic Benefits Received from Third Parties*

Fairhills or its related persons may receive structuring, monitoring and/or other transaction fees in connection with investments made by one or more of the Fairhills Funds. The potential for Fairhills and its related persons to receive such economic benefits creates a conflict of interest as Fairhills and its related persons may have an economic incentive to invest in portfolio investments that provide such benefits.

### *Third Party Compensation for Client Referrals*

Not applicable.

### **Custody**

Fairhills will not have physical custody of any client assets. Fairhills may be deemed to have custody of the assets of certain of the Fairhills Funds as a result of its authority over the Fairhills Funds.

It is Fairhills's policy to cause each Fairhills Fund with assets over which Fairhills is deemed to have "custody" to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), to investors no later than 120 days after the end of each fiscal year.

Fairhills is not deemed to have custody of the assets of the Master Fund or the Offshore Feeder for purposes of the Advisers Act. The assets of the Master Fund are maintained by Deutsche Bank, PWM Custody, 345 Park Avenue, Mail Stop NYC20-1420, New York, NY 10154.

### **Investment Discretion**

Subject to the investment objectives, policies and restrictions of each client as set forth in the Governing Documents of such client, Fairhills has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each fund and client account, including the selection of, and commissions paid to, broker-dealers.

Under the Governing Documents, Fairhills and its affiliates are not ordinarily liable for the consequences of their actions in the absence of gross negligence or willful misconduct. Accordingly, Fairhills and its affiliates may not be liable for the results of trade errors. Fairhills and its affiliates will ordinarily net gains resulting from trade errors against losses resulting from trade errors monthly on a client-by-client basis. In determining whether any amounts are payable to a client as of the end of any month, if a client account has a net trade error gain balance at the beginning of such month, Fairhills will reduce amounts payable to such client account due to net losses from trade errors that arose during such month on a dollar-for-dollar basis against such net trade error gain balance. Fairhills will reimburse the applicable client for any trade error loss balance that exists after taking into account the any net trade error gain balance.

### **Voting Client Securities**

Fairhills and its affiliates are generally responsible for determining how to vote all proxies with respect to securities held in client accounts. Fairhills will vote all proxies in the manner that its proxy coordinator determines is in the best interests of each particular client, which may, in certain circumstances, include not voting a proxy or granting an irrevocable proxy to the issuer soliciting the proxies. Clients may obtain a copy of Fairhills's written proxy voting policies and obtain information regarding how Fairhills voted securities applicable to a particular client's account upon request.

### **Financial Information**

Not applicable.