

SALZMAN & CO., INC.

FIRM BROCHURE

Salzman & Co., Inc.
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This brochure provides information about the qualifications and business practices of Salzman & Co., Inc. If you have any questions about the contents of this brochure, please contact Salzman's Chief Compliance Officer at (585) 586-7644 or kathie@salzmanco.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Any reference to Salzman as a registered investment adviser does not imply a certain level of skill or training.

Additional information about Salzman is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

Not Applicable

Item 3: Table of Contents

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Item 4: Advisory Business

Item 4.A.

Salzman & Co., Inc. (“**Salzman**”) was founded in 2006 by Stephen Salzman. Mr. Salzman is the principal owner of Salzman.

Item 4.B.

Salzman is an alternative investment management firm that provides investment management and advisory services to high net-worth individuals and institutional clients through Salzman Onshore, L.P. and Salzman Offshore, Ltd., privately offered pooled investment vehicles in a master-feeder structure, and SAR I, a private fund, (together, the “**Investment Funds**”) and through Perceval LP, a separately managed account (“**Separate Account**” and together with the Investment Funds, the “**Investment Vehicles**”).

Salzman’s investment objective is to outperform the S&P 500 over a given business cycle. Salzman’s primary strategy is to focus on investments in businesses deemed to be undervalued and event-driven investments.

The Investment Vehicles are formed as limited partnerships, limited liability companies and offshore corporations. The Investment Vehicles that are offered within the United States as well as to U.S. Persons are available only to persons who are “accredited investors” under the Securities Act of 1933 and only to persons who are “qualified purchasers” under the Investment Company Act of 1940 (the “**Investment Company Act**”). Additionally, all investors must also be “qualified clients” under the Advisers Act of 1940. The Investment Vehicles are not registered as investment companies under the Investment Company Act and are not made available to the general public. Salzman’s pooled investment vehicles are managed by Salzman in its sole discretion. Interests in the Investment Vehicles are offered only by means of a private placement memorandum (also referred to as an offering memorandum). The Investment Vehicles are funded through capital contributions and withdrawals that are permitted at stated intervals at then current net asset values.

Item 4.C.

Salzman’s investment management and advisory services to pooled investment vehicles are provided pursuant to the terms of the relevant offering memorandum. Investors in the Investment Funds cannot obtain services tailored to their specific needs. However, Salzman does provide investment management and advisory services to separately managed accounts. Such services are customized based on the specific needs of each Separate Account client. The customized services offered to each Separate Account client include restrictions on investing in securities of certain companies as well as certain asset classes. The Separate Account that is managed by Salzman is generally charged management fees based on portfolio assets and are responsible performance fees that are similar to, or equal to, those applicable to the Investment Funds. Additionally, the liquidity offered to the Separate Account clients may be more favorable than the terms offered to investors of the Investment Funds or other Separate Account clients.

Item 4.D.

As of January 19, 2012, Salzman manages \$284,850,000 in client assets on a discretionary basis. Salzman does not manage client assets on a non-discretionary basis.

Item 5: Fees and Compensation

Item 5.A.

In general, the fees for the Investment Funds and Separate Account are not negotiable.

The Investment Funds (defined in Item 4.B. above) pay an annual management of 1.5% of portfolio assets, calculated and payable quarterly in advance as of the first day of each quarter, depending on the specific Investment Fund and the share class. The Investment Funds also pay an incentive allocation based on the performance of the portfolio. An incentive allocation of 20% of any realized and unrealized gains is paid on an annual basis.

Performance-based allocations are only charged consistent with the SEC rules and regulations, including Rule 205-3 under the Investment Advisers Act of 1940. The General Partner of the Investment Funds, in its sole discretion, may waive or calculate differently the management fees and incentive allocations with respect to investments made by affiliates or employees and certain other investors in the Investment Funds or Separate Account.

Incentive allocations are calculated and accrued monthly but are generally allocated annually at year-end. Incentive allocations are also subject to a high water mark.

In addition to the Investment Fund discussed above, Salzman manages separately managed accounts and onshore, offshore funds in a master-feeder structure.

Salzman may in the future charge other types of fees and use different fee structures, including variations of incentive allocations.

Item 5.B.

With respect to the Investment Vehicles, Salzman deducts fees directly from client assets. The Management Fee is deducted quarterly and is calculated and payable quarterly in advance. The Management Fee is prorated for any capital contribution or withdrawal that occurs other than as of the first day of a quarter. Organizational expenses may be amortized over a period of up to five years.

The Incentive Allocation is accrued monthly; however, investors pay the Incentive Allocation at the end of each fiscal year. If a withdrawal occurs at any time other than at the end of a fiscal year, the withdrawing investor will be responsible for the Incentive Allocation at the time of the withdrawal.

Item 5.C.

The Investment Funds bear their own expenses. These expenses include investment expenses, legal expenses, internal and external accounting expenses, auditing and tax preparation expenses, custodial and prime brokerage expenses, premiums for liability insurance covering the General Partner, the Investment Manager and their members, partners, officers, employees and affiliates, fees and expenses of the Administrator and fees and out-of-pocket expenses of any service company retained to provide fund accounting, bookkeeping and administrative services and extraordinary and nonrecurring expenses. Organizational expenses may be amortized over a period of up to five years.

In addition to the brokerage and transaction costs discussed above, please refer to Item 12 for more details on Salzman's Brokerage Practices.

Item 5.D.

The Investment Vehicles must pay fees quarterly in advance. Management fee will be prorated for any capital withdrawal by an investor that is effective other than as of the first day of a quarter.

Item 5.E.

No one under Salzman's supervision or control is compensated for the sale of interests in the Investment Vehicles.

Item 6: Performance-Based Fees and Side-By-Side Management

Item 5.A. of this brochure contains full details on the incentive allocations that each Investment Vehicle is responsible for. Please see Item 5.A. for this information.

The charging of incentive allocations may give Salzman a reason to select investments for clients that are riskier or more speculative than it would select if it were not entitled to performance-based allocations. Salzman seeks to allocate investment opportunities to its Clients, and to treat all of its Clients, in a manner that is fair and equitable to all. Salzman has adopted policies and procedures that address parameters to be considered in allocating investment opportunities and Salzman's time. Additionally, Salzman's Portfolio and Trading Personnel meet periodically to review allocation decisions and to determine their consistency with Salzman's policies and procedures.

Item 7: Types of Clients

Salzman provides discretionary investment advice to Investment Funds and Managed Accounts of institutions and high net worth individual investors. The Investment Funds generally require minimum investments of \$5 million. Salzman generally requires that Managed Accounts have a minimum capital investment of \$25 million; however, amounts less than the required minimum may be agreed upon in Salzman's sole discretion.

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

Item 8.A.

Investing in securities involves a risk of loss that clients should be prepared to bear.

A key principle of Salzman's investment strategy is a reliance on intensive investment research and analysis. Salzman uses fundamental research to analyze and value individual investments and seeks to identify investment opportunities priced below the fundamental value that Salzman attributes to such investments. Salzman seeks to identify investment opportunities it believes are well-managed, strategically and operationally strong and priced at an attractive valuation relative to their long-term intrinsic values. Salzman expects to invest with a long-term investment horizon.

Salzman may at times also elect to use a variety of additional strategies including short sales and investment futures, options, and warrants or other derivative instruments, and investments in real estate and real estate related assets.

Salzman may at times acquire assets or securities through direct investments or private placements that it believes either lack a readily assessable market value or should be held until the resolution of a special event or circumstance. These investments are not expected to comprise more than 20% of each Investment Fund's net assets.

Item 8.B.

Investments made in the Investment Funds or Separate Account involve significant risks. An investor should be aware that it may lose all or part of its investment in the Fund. All investments risk the loss of capital. Investors should carefully consider, among other things, the risks described below. Such risk factors are not meant to be exhaustive listing of all potential risks associated with these investments and prospective investors; investors should carefully review relevant offering documents prior to making an investment. There can be no assurance that Salzman will be able to achieve its investment objectives or that Salzman investors and Separate Managed clients will receive a return of their capital. Risks include, but are not limited to, the following:

- Limited Operating History. Salzman, the Investment Funds, and the General Partner have a limited operating history which prospective investors can use to base an evaluation of their likely performance. The past investment performance of other funds and accounts managed by the Stephen Salzman cannot be construed as an indication of the future results of an investment in the Investment Vehicles. Past performance is not necessarily indicative of future results.
- Dependence on Key Personnel. The performance of the Investment Vehicles is largely dependent on the talents and efforts of highly skilled individuals employed by Salzman. The success of the Investment Vehicles depends on Salzman's ability to identify and willingness to provide acceptable compensation to attract, retain and motivate talented investment professionals and other employees. A period of sustained loss could hamper Salzman's ability to attract and retain investment professionals and other employees, which could have a material adverse effect on the Investment Vehicles and their shareholders. If either Stephen Salzman were to suddenly cease involvement in the investment decisions of Salzman, the Investment Vehicles would need to wound down. If the operational or research personnel were to suddenly cease involvement in Salzman activities, could negatively impact the Investment Vehicles. There is no guarantee that the talents of Salzman's investment professionals could be replaced.
- Other Activities. It is expected that Salzman will perform directly or indirectly investment advisory services for other investment entities and individuals with investment objectives and policies similar the Investment Vehicles. Such entities and individuals may compete with the Investment Vehicles for investment opportunities similar to those sought by Investment Vehicles and may co-invest with the Investment Vehicles in certain transactions.

Risks Relating to the Investment Program

- Risks of Investments in Securities Generally. All investments in securities and other financial instruments risk the loss of capital. No guarantee or representation is made that the Investment Vehicles' investment program will be successful. The Investment Vehicles' investment program may involve, without limitation, risks associated with limited diversification, leverage, interest rates, currencies, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in the Investment Vehicles' activities. Certain investment techniques of the Investment Vehicles can, in certain circumstances, magnify the impact of adverse market moves to which the Investment Vehicles may be subject. In addition, the Investment Vehicles' investment in securities may be materially affected by conditions

in the financial markets and overall economic conditions occurring globally and in particular countries or markets where the Investment Vehicles may invest their assets.

The Investment Vehicles' methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

- General Economic and Market Conditions. The success of the Investment Vehicles' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Investment Vehicles' investments), and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices and the liquidity of the Investment Vehicles' investments. Volatility or illiquidity could impair the Investment Vehicles' profitability or result in losses. The Investment Vehicles may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets; the larger the positions, the greater the potential for loss.
- Ability of the Investment Manager to Identify Future Market Volatility. The success of the Investment Vehicles' trading strategy depends in part on the ability of the Investment Manager to predict future price fluctuations, in particular, the ability of the Investment Manager to analyze the differences between the implied volatility of the financial indices, securities or commodities underlying the instruments it purchases or sells and the expected realized volatility. The Investment Manager's analysis will depend in part on an analysis of the historical characteristics of such financial instruments. Changing market characteristics and other external factors may limit the usefulness of the Investment Manager's strategies in anticipating future market volatility.
- Limited Diversification; Concentration. In the normal course of making investments on behalf of the Investment Vehicles, the Investment Manager will not attempt to diversify its investments. As such, the Investment Vehicles' investment portfolio could become significantly concentrated, and such concentration of risk may increase the losses suffered by the Investment Vehicles. In addition, it is anticipated that the Investment Manager will select investments that are concentrated in a limited number of types of financial instruments. This limited diversity could expose the Investment Vehicles to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those financial instruments.
- Competition: Availability of Investments. Certain markets in which the Investment Vehicles may invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can be no assurance that the Investment Vehicles will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other pooled investment vehicles, the public equity markets and other investors may reduce the availability of investment opportunities. There has been significant growth in the number of firms organized to make such investments, which may result in increased competition to the Investment Vehicles in obtaining suitable investments.
- Currency Exchange Exposure. The Investment Vehicles may invest a portion of its assets in the securities of non-U.S. issuers and other instruments denominated in non-U.S. currencies. The Investment Vehicles, however, values its securities and other assets in U.S. dollars. The Investment Vehicles may or may not seek to hedge its non-U.S. currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that instruments suitable for hedging currency or

market shifts will be available at the time when the Investment Vehicles wish to use them, or that hedging techniques employed by the Investment Vehicles will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of the Investment Vehicles' positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as the price changes of the investments in the various local markets and currencies. The Investment Vehicles may also incur costs in connection with conversions between various currencies.

- Leverage and Borrowing Risks. The Investment Manager expects that its investment activities will generally consist of unleveraged or moderately leveraged investments. The Investment Vehicles, however, have the power to borrow funds and may do so when deemed appropriate by the Investment Manager, including to enhance the Investment Vehicles' returns, finance its trading operations, and meet withdrawals that would otherwise result in the premature liquidation of investments. The use of such leverage can, in certain circumstances, magnify the losses to which the Master Fund's investment portfolio may be subject. Such leverage, which may be substantial, may be achieved through, among other methods, purchases of securities on margin and the use of options, futures, forward contracts, repurchase and reverse repurchase agreements and swaps. The access to capital could be impaired by many factors, including market forces or regulatory changes. If the Investment Vehicles were unable to borrow capital, it may need to liquidate assets in order to meet its liabilities.

The Investment Vehicles may achieve better lending terms from certain of its prime brokers than are generally available to U.S. investors. As a result, the level of margin available to the Investment Vehicles for its investments will generally be limited only by the credit decisions of its prime brokers. There can be no assurance, however, that such prime brokers will either continue such arrangements with the Investment Vehicles or that such prime brokers and other lenders will approve extensions of credit to the Investment Vehicles at the levels requested by the Investment Vehicles.

The use of margin and short-term borrowings creates several risks for the Investment Vehicles. If the value of the Investment Vehicles' securities falls below the margin level required by a prime broker, additional margin deposits would be required. If the Investment Vehicles are unable to satisfy any margin call by a prime broker, then the prime broker could liquidate the Investment Vehicles' positions in some or all the financial instruments that are in the Investment Vehicles' account at the prime broker and cause the Investment Vehicles to incur significant losses. The failure to satisfy a margin call, or the occurrence of other material defaults under margin or other financing agreements, may trigger cross-defaults under the Investment Vehicles' other agreements, multiplying the adverse impact to the Investment Vehicles. In addition, because the use of leverage allows the Master Fund to control positions worth significantly more than its investment in those positions, the amount that the Investment Vehicles may lose in the event of adverse price movements is high in relation to the amount of its investment. In the event of a sudden drop in the value of the Investment Vehicles' assets, the Investment Vehicles might not be able to liquidate assets quickly enough to satisfy its margin requirements. In that event, the Investment Vehicles may become subject to claims of financial intermediaries that extended "margin" loans, and such claims could exceed the value of the assets of the Investment Vehicles.

- Liquidity Risks. Under certain market conditions, such as during volatile markets or when trading in a security or market is otherwise impaired, the liquidity of the Investment Vehicles' portfolio positions may be reduced. During such times, the Investment Vehicles may be unable to dispose of certain assets, which would adversely affect the Investment Vehicles' ability to rebalance its portfolio or to meet withdrawal requests. In addition, such circumstances may force the Investment Vehicles to dispose of assets at reduced prices, thereby adversely affecting the Investment Vehicles' performance. If there are other market participants seeking to dispose of similar assets at the same time, the Investment Vehicles may be unable to sell such assets or

prevent losses relating to such assets. To the extent the Investment Vehicles holds a sizable position in a portfolio security, it may not be able to efficiently liquidate that position without causing adverse price movements. Furthermore, if the Investment Vehicles incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, the Investment Vehicles' counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Investment Vehicles' credit risk to them.

The Investment Vehicles may invest in securities, bank debt and other claims, and other assets (e.g., Special Situation Investments) that may be subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable. Further, if there are other market participants seeking to dispose of similar investments at the same time, the Investment Vehicles may be unable to sell such investments or prevent losses relating to such investments. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Investment Vehicles may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

For accounting purposes, Special Situation Investments and other assets and liabilities for which no market prices are available will generally be carried on the books of the Fund at fair value as reasonably determined by the Investment Manager. There is no guarantee that fair value will represent the value that will be realized by the Fund on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. A withdrawing Partner with an interest in a Special Situation Investment will not receive any amount in respect of such interest until the related Special Situation Investment is realized or deemed realized.

- Counterparty Risks. The Investment Vehicles may enter into many transactions, including derivatives and over-the-counter transactions, with or through third parties in which the failure of the third-party to perform its obligations under a contract with the Investment Vehicles could have a material adverse effect on the Investment Vehicles. The Investment Vehicles' assets may be held in accounts maintained for the Investment Vehicles by one or more prime brokers. The insolvency of any of the Investment Vehicles' prime brokers or other service providers could result in the loss of all or a substantial portion of the Investment Vehicles' assets held by or through such entity.
- Systemic Risk. Credit risk may also arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Investment Vehicles will interact on a daily basis.
- Execution of Orders. The Investment Vehicles' trading strategy depends on its ability to establish and maintain an overall market position in a combination of financial instruments selected by the Investment Manager. The Investment Vehicles' trading orders may not be executed in a timely and efficient manner due to various circumstances, including, without limitation, systems failures or human error attributable to the Investment Vehicles, its brokers, agents or other service providers. In such event, the Investment Vehicles might only be able to acquire some, but not all, of the components of such position, or if the overall position were to need adjustment, the Investment Vehicles might not be able to make such adjustment. As a result, the Investment Vehicles would not be able to achieve the market position selected by the Investment Manager, and might incur a

loss in liquidating its position. In addition, the Investment Manager relies heavily on electronic execution systems, and such systems may be subject to failure, causing the interruption of trading orders made by the Investment Vehicles.

- Directorships on Boards of Portfolio Companies. Members of the General Partner and the Investment Manager may serve, from time to time, as directors, or in a similar capacity, with respect to companies, the securities of which are purchased or sold on behalf of the Fund ("**Portfolio Companies**"). In the event that the General Partner or the Investment Manager (i) obtain material non-public information with respect to any Portfolio Company due to such board positions (or otherwise) or (ii) are subject to trading restrictions pursuant to the internal trading policies of such a Portfolio Company, the Fund may be prohibited for a period of time from engaging in transactions with respect to the securities of such a Portfolio Company, which prohibition may have an adverse effect on the Fund. Additionally, under certain circumstances, the Fund may become subject to the "short swing" trading rules under Section 16 of the Securities Exchange Act of 1934 Act (the "**1934 Act**").
- Over-the-Counter Trading. The Investment Vehicles may purchase or sell instruments not traded on an exchange. Over-the-counter instruments, unlike exchange traded instruments, are two-party contracts with price and other terms negotiated by the buyer and seller. The risk of nonperformance by the obligor on such an instrument is greater and the ease with which the Investment Vehicles can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between "bid" and "asked" prices for such instruments. Over-the-counter instruments are also not subject to the same type of government regulation as exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions.
- Non-U.S. Investments. The Investment Vehicles may invest in financial instruments of non-U.S. corporations and governments. Investing in the financial instruments of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in financial instruments of U.S. companies or the U.S. Government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Investment Vehicles' investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Investment Vehicles may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Investment Vehicles' rights in such markets. For example, financial instruments traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or U.S. Commodity Futures Trading Commission ("**CFTC**") or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Investment Vehicles under such laws and regulations are unavailable for transactions on foreign exchanges and with foreign counterparties.
- Debt Securities. The Investment Vehicles may invest in private and government debt securities and instruments. Certain of the debt instruments in which the Investment Vehicles invest may be unrated, and whether or not rated, the debt instrument may have speculative characteristics. The

issuers of such instruments may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. In addition, an economic recession could severely disrupt the market for these securities and may have an adverse impact on the value of such instruments. It is also likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

- Micro, Small and Medium Capitalization Companies. The Investment Vehicles may invest their assets in the stocks of companies with micro- or small- to medium-sized market capitalizations. The Investment Manager believes they often provide significant potential for appreciation, but those stocks, particularly micro- and small-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of micro- and small-capitalization and even medium-capitalization stocks are often more volatile than prices of large-capitalization stocks and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, because of thin trading in some micro- and small-capitalization stocks, an investment in those stocks may be illiquid.
- Position Limits. "Position limits" imposed by various regulators may limit the Investment Vehicles' ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if the Investment Vehicles do not intend to exceed applicable position limits, it is possible that different accounts managed by the Investment Manager or its affiliates may be aggregated. If at any time positions managed by the Investment Manager were to exceed applicable position limits, the Investment Manager would be required to liquidate positions, which might include positions of the Investment Vehicles, to the extent necessary to come within those limits. Further, to avoid exceeding the position limits, the Investment Vehicles might have to forego or modify certain of its contemplated trades.
- Hedging Transactions. The Investment Vehicles may utilize a variety of financial instruments, such as short sales, options, swaps, caps and floors, and futures and forward contracts and similar derivatives, both for investment purposes and for risk management purposes. While the Investment Vehicles may enter into hedging transactions to seek to reduce risk, such transactions may not be fully effective in mitigating the risks in all market environments or against all types of risk (including unidentified or unanticipated risks), thereby incurring losses to the Investment Vehicles. In addition, such hedging transactions may result in a poorer overall performance for the Investment Vehicles than if it had not engaged in any such hedging transactions. The Investment Manager may determine not to hedge against, or may not anticipate certain risks. In addition, the Investment Vehicles will always be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular securities and counterparties).
- Short Selling. The Investment Vehicles' investment portfolio may include short positions. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Investment Vehicles of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

- Derivative Instruments in General. In managing the Investment Vehicles, the Investment Manager may use various derivative instruments, including options, futures, forward contracts, swaps and other derivatives, which may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Use of derivative instruments presents various risks, including the following:
 - *Marking Risk* — Derivatives, especially over-the-counter derivatives engaged in as a privately negotiated contract against a principal counterparty, may be subject to adverse valuations reflecting the counterparty's marks (or valuations), which might not correspond to the valuations of other market or exchange-traded instruments.
 - *Tracking Risk* - When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Investment Vehicles from achieving the intended hedging effect or expose the Investment Vehicles to the risk of loss.
 - *Liquidity Risk* - Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets the Investment Vehicles may not be able to close out a position without incurring a loss.
 - *Leverage Risk* - Trading in derivative instruments can result in large amounts of leverage. Thus, the leverage offered by trading in derivative instruments may magnify the gains and losses experienced by the Investment Vehicles and could cause the Investment Vehicles' net asset value to be subject to wider fluctuations than would be the case if the Investment Vehicles did not use the leverage feature in derivative instruments.
 - *Hedging Risk* - When a derivative is used as a hedge against an opposite position that the Investment Vehicles also hold, any loss generated by the derivative should be substantially offset by gains on the hedged investment, and vice versa. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains.
 - *Investment Risk* - When the Investment Vehicles use derivatives as an investment vehicle to gain market exposure, rather than for hedging purposes, any loss on the derivative investment will not be offset by gains on another hedged investment. The Investment Vehicles is therefore directly exposed to the risks of that derivative. Gains or losses from derivative investments may be substantially greater than the derivative's original cost.
 - *Availability Risk* - Derivatives may not be available to the Investment Vehicles upon acceptable terms. As a result, the Investment Vehicles may be unable to use derivatives for hedging or other purposes.
 - *Credit Risk* - When the Investment Vehicles use derivatives, especially over-the-counter derivatives, it is subject to the risk that the other party to the agreement will not be able to perform.
 - *Volatility Risk* - Derivative instruments can be highly volatile. Price movements of derivatives in which the Investment Vehicles may invest are influenced by, among other things, interest rates, changing supply and demand, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events.
 - *Off-Balance Sheet Risk* - Derivative instruments may have off-balance sheet risk. An off-balance sheet risk is associated with a financial instrument if: (i) the instrument exposes the Investment Vehicles to an accounting and economic loss in excess of the Investment Vehicles' recognized

carrying value in the financial instrument (if any); or (ii) the ultimate liability associated with the financial instrument has the potential to exceed the amount the Investment Vehicles recognize as a liability in its statements of assets and liabilities.

- Options. There are risks associated with the sale and purchase of call options. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option, and that the securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

There are risks associated with the sale and purchase of put options. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

- Swap Transactions. The Investment Vehicles may employ swaps for speculative purposes, such as to obtain the price performance of a security without purchasing it in cases where, for example, the security is illiquid, unavailable for direct investment or available only on less attractive terms. Swap contracts are not traded or cleared by an exchange or clearinghouse, and the Investment Vehicles will be subject to the risk of counterparty default on its swaps. Since swaps do not generally involve the delivery of underlying assets or principal, any loss would likely be limited to the net amount of payments required by contract. To the extent a counterparty requires the Investment Vehicles to deposit collateral to support its obligation under a swap agreement, and the counterparty defaults, the Investment Vehicles would lose the net amount of payments that it is contractually entitled to receive, as well as any collateral deposits made with the counterparty.
- Futures. The Investment Vehicles may enter into any futures and related options contracts available to the Master Fund, including but not limited to those with respect to interest rates and currencies. Because of the low margin deposits normally required in futures trading, there is an extremely high degree of leverage involved in such trading. As a result, a relatively small price movement in a contract may result in immediate and substantial losses to the investor, which may exceed the amount invested. There can be no assurance that a liquid market will exist for any particular futures contract or at any particular time or that certain trading restrictions may limit liquidity and, accordingly, there can be no assurance that the Investment Vehicles will be able to effect closing transactions at any particular time or at an acceptable price.
- Forward Trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration, due to the actions of participants, market disruptions or government intervention.
- Other Derivative Instruments. The Investment Vehicles may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Investment Vehicles and legally permissible. Special risks may apply to instruments that are invested in by the Investment Vehicles in the future

that cannot be determined at this time or until such instruments are developed or invested in by the Investment Vehicles. These instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

- **Real Estate Risks.** Real estate investments generally will be subject to the risks incident to the ownership and operation of commercial real estate and/or risks incident to the making of nonrecourse mortgage loans secured by real estate, including risks associated with both the domestic and international general economic climates; local real estate conditions; risks due to dependence on cash flow; risks arising out of the absence of construction materials; changes in supply of, or demand for, competing properties in an area; the financial condition of tenants, buyers and sellers of properties; changes in availability of debt financing; energy and supply shortages; changes in the tax, real estate, environmental and zoning laws and regulations; various uninsured or uninsurable risks; natural disasters; and the ability of the Fund or third-party borrowers to manage the real properties. Real estate investments are not as liquid as other types of investments and this lack of liquidity may limit the Investment Vehicles' ability to react promptly to changes in economic or other conditions. There may be certain losses, including losses from floods and losses from earthquakes, acts of war, acts of terrorism or riots, that are not generally insured against or that are not generally fully insured against because it is not deemed to be economically feasible or prudent to do so. In addition, under various federal, state, and local laws, ordinances and regulations, a current or previous owner, developer or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. The costs of removal or remediation of such substances could be substantial.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Investment Vehicles. Prospective Limited Partners are encouraged to read the entire Memorandum and consult with their own advisers before deciding to invest in the Investment Vehicles.

Item 9: Disciplinary Information

Not Applicable

Item 10: Other Financial Industry Activities and Affiliations

Item 10.A. and Item 10.B.

Not Applicable

Item 10.C.

Salzman GP, LLC is an affiliate of Salzman. Salzman GP, LLC serves as the General Partner to Salzman's domestic Investment Funds.

Please see Item 6 above and Item 11.B., Item 11.C. and Item 11.D. below for conflicts that may arise due to Salzman's management of multiple Investment Vehicles, as well as how these conflicts are addressed by Salzman.

Item 10.D.

Not Applicable

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

Item 11.A.

Employees and principals of Salzman may only purchase and sell securities in accordance with Salzman's Code of Ethics and Employee Trading Policy to which all employees are subject. This policy is monitored by the Chief Compliance Officer.

Employees are permitted to maintain personal brokerage accounts, subject to the Code of Ethics and Employee Trading Policy.

The Code of Ethics and Employee Trading Policy includes the following points:

- A statement of the standard of business conduct.
- Limits on gifts and entertainment.
- Limits on political contributions
- An employee cannot directly or indirectly purchase or sell (long or short) for any personal account any shares of a security that the employee knows will be, or currently is being, recommended by Salzman for purchase or sale or is being purchased or sold for the account of any client.
- An employee cannot knowingly purchase or sell for any personal account any security, directly or indirectly, in such a way as to adversely affect a client's transactions.
- An employee cannot directly or indirectly purchase or sell (long or short) for any personal account any shares of a security that is on Salzman's restricted list, to the extent a restricted list exists. A security generally is admitted to the list either by the purchase of the security for the account of any client, or when some form of research activity commences on such security.
- Employees must pre-clear all private placements and are not allowed to receive allocations of Initial Public or Subsequent Offerings in their personal accounts.
- Employees must acknowledge in writing having received and read a copy of the Code of Ethics and Employee Trading Policy.
- Any exceptions to the above need prior approval of the Chief Compliance Officer.

A copy of Salzman's Code of Ethics and Employee Trading Policy is available to investors and prospective investors upon request.

Item 11.B.

Salzman GP, LLC is an affiliate of Salzman and the general partner of Salzman Onshore, L.P. and Salzman Master, L.P.

In order to mitigate the conflict of advising certain Investment Funds managed by Salzman to invest in other Investment Funds also managed by Salzman, Salzman does not permit these investors to obtain terms that are more favorable than the terms offered to any other investor.

Through its marketing efforts, Salzman solicits clients and prospective clients to invest in the Investment Funds. Likewise, in its capacity as investment adviser, Salzman recommends the Investment Funds to its

clients and prospective clients. Salzman mitigates this conflict by ensuring that its marketing efforts adhere to applicable securities and anti-fraud rules.

Item 11.C.

Not Applicable

Item 11.D.

Not Applicable

Item 12: Brokerage Practices

Item 12.A.1

Salzman allocates transactions to broker-dealers for execution on markets/exchanges and at prices and commission rates that in Salzman's good faith judgment are in the best interest of its clients. Salzman takes into consideration primarily available prices, brokerage commission rates, and other relevant factors including, but not limited to, price, commission, execution quality, block trading ability, reliability and financial responsibility, and the provision or payment of costs of research brokerage or other services.

Salzman aims to but is not required to solicit competitive broker bids and does not have an obligation to seek the lowest available commission cost. If Salzman determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the research products or services provided by such broker, Salzman may pay great commission rates for using such broker. Some of these services are considered part of a "soft dollar" arrangement, as described in greater detail below.

Salzman's currently uses commission dollars generated by client trades. This is commonly referred to as paying with "soft dollars." Salzman's soft dollar usage fall outside the safe harbor permitted under Section 28(e) of the Securities and Exchange Act of 1934, as amended. The services furnished by a broker may benefit the General Partner or the Investment Manager in rendering investment management services to all of its clients. The Master Fund may pay a broker a commission in excess of that which another broker might have charged for effecting the same transaction, in recognition of the value of the brokerage or research services provided by the broker. The Investment Manager and its employees anticipate that they will incur expenses for certain items, which may include, but are not limited to, travel and related expenses, meals and related expenses, voice and data telephone lines and other telecommunications and electronic infrastructure (including dedicated high speed and/or broadband lines), cellular phones, pagers, computer hardware and software, news and quotation equipment and services, electronic office equipment, record keeping and clerical services, custodial services, financial publications, rent and maintenance fees, utilities, furnishings, insurance dues, educational and training meetings or seminars, professional fees, local taxes, filing fees, economic consulting services and other business expenses, in addition to research products or services, that will be paid for using "soft dollars." Such use may fall outside of the safe harbor for soft dollars under Section 28(e) of the 1934 Act. In addition, the Investment Manager may be reimbursed by a broker pursuant to a soft dollar arrangement for expenses that have been incurred, or may in the future be incurred, for any of the aforementioned items acquired on behalf of the Master Fund.

Salzman's intention is to use the soft dollars predominantly for research related expenses, but reserve the right to use soft dollars for any and all of the items mentioned above.

The use of client brokerage commissions to obtain research or other products and services is a benefit to Salzman as it does not require Salzman to produce or pay for the research, products or services. As a result, Salzman has an incentive to select specific broker-dealers based on Salzman's interest in receiving the research or other products and/or services, rather than basing this decision on Salzman's clients' interest in receiving most favorable execution.

Investment Vehicles. However, Salzman will not commit to allocate a particular amount of brokerage to a broker-dealer in any of these situations.

Salzman has a fiduciary and fundamental duty to obtain "best execution" of securities transactions for its clients. This means that in selecting brokers or dealers to execute transactions, Salzman must always attempt to ensure that the total cost or proceeds of any transaction for a client is the most favorable obtainable under the particular circumstances.

Item 12.A.2 and Item 12.A.3

Not Applicable

Item 12.B.

When Salzman purchases securities for more than one account, Salzman will aggregate orders to get more favorable prices, lower brokerage commissions or more efficient execution. Salzman's authorized traders determine the appropriate brokers consistent with Salzman's duty to obtain best execution, except for those accounts with specific brokerage direction (if any).

Item 13: Review of Accounts

Item 13.A. and 13.B.

All accounts are reviewed on a regular basis to determine their conformity with risk parameters, investment objectives, and guidelines. Each portfolio manager receives daily updates of portfolio positions and transactions for which such portfolio manager is responsible. The portfolio managers and analysts meet regularly to review and discuss portfolio status, potential investments and related issues.

Item 13.C.

Investors in Salzman's Investment Funds and Separate Account generally receive periodic statements indicating their capital balances or net asset value. Additionally, investors in the U.S. domiciled vehicles are generally issued Schedule K-1s after the close of fiscal year-end. Audited financial statements are provided to all investors within 90 days of fiscal year-end. Certain investors may receive additional information. Separate Account clients may also receive reports showing open positions, dividend and interest income, realized gains and losses, and performance for the period. The nature and operation of separate accounts affords Separate Account clients greater and more frequent transparency than investors in the Investment Funds. The reports discussed above are in written/typed form and may be disseminated via electronic mail or through the use of a secure website.

Item 14: Client Referrals and Other Compensation

Item 14.A.

See Item 12.A. for details concerning soft dollar benefits.

Item 14.B.

Salzman does not currently use services of a placement agent to offer interests in the Investment Vehicles. However, Salzman may enter into arrangements with placement agents where in return for a referral Salzman would pay the placement agent a one-time or ongoing fee based upon the value of the referral's investment into one of the Investment Vehicles. Any such arrangement with a placement agent will be disclosed to every investor.

Item 15: Custody

Salzman does not have custody of client accounts. Salzman has retained a Qualified Custodian for the Investment Funds.

On an annual basis, the Administrator delivers audited financial statements to investors in Salzman Master, L.P. and its feeder funds (collectively, the "**Master Fund**") within 90 days of fiscal year-end. The Master Fund is audited annually by an accounting firm that is a member of the Public Company Accounting Oversight Board. The audit of the Master Fund is conducted in accordance with accounting principles that are generally accepted in the U.S. (i.e., U.S. GAAP).

Item 16: Investment Discretion

Salzman has full discretion to manage securities accounts on behalf of the Investment Vehicles. This authority is granted pursuant to an Investment Management Agreement ("**IMA**") between Salzman and the Investment Vehicles. Individual investors grant authority to the Investment Vehicles to enter into an IMA with Salzman by signing a subscription agreement.

Salzman also serves as an investment adviser to Separate Account (as defined in Item 4.B.). Generally, Salzman will have full discretion under the investment advisory contracts in place with its Separate Account clients to buy and sell securities without prior client approval. Salzman's investment discretion is exercised in a manner consistent with the stated investment objectives for the particular Investment Vehicle. Salzman's Separate Account clients may impose contractual restrictions and/or limitations on Salzman's discretionary authority.

Item 17: Voting Client Securities

As a matter of policy and as a fiduciary to its clients, Salzman is responsible for voting proxies for portfolio securities consistent with the best economic interests of its clients. Salzman understands and appreciates the importance of proxy voting. The Firm will vote all proxies in the best interests of its clients and investors (as applicable) and in accordance with the procedures outlined below (as applicable), unless otherwise mandated by an investment management agreement or applicable law (e.g. ERISA).

- All proxies sent to clients that are received by any employee (to vote on behalf of the clients) are given to the lead research analyst(s) covering the subject portfolio security.

- Prior to voting any proxies, the Chief Compliance Officer will determine if there are any conflicts of interest related to the proxy in question. If a conflict is identified, the Chief Compliance Officer will then make a determination (which may be in consultation with outside legal counsel) as to whether the conflict is material or not.
- If no material conflict is identified pursuant to these procedures, the lead research analyst covering the subject security will make a decision on how to vote the proxy in question in accordance with the guidelines in put forth below.

Item 18: Financial Information

Item 18.A.

Not Applicable

Item 18.B.

There are no conditions that impair Salzman's ability to meet its contractual and fiduciary commitments to its clients.

Item 18.C.

Neither Salzman nor the control persons of Salzman have been the subjects of a bankruptcy proceeding in the past 10 years.