

Falcon Management Corporation

Form ADV - Part 2A

Investment Adviser Brochure

February 14, 2012

Item 1 – Cover Page

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This brochure provides information about the qualifications and business practices of Falcon Management Corporation, a Delaware corporation and investment adviser registered with the U.S. Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at (201) 847-9014, or by email at jbrennan@falconmgt.com. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Registration of an investment adviser with the SEC or any state securities authority does not imply any level of skill or training.

Additional information about Falcon Management Corporation is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This brochure, dated February 14, 2012, is our initial application for registration as an investment adviser with the SEC. Because this is our first brochure, we have no material changes to disclose. In the future, this Item will discuss only specific material changes that are made to the brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

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Item 4 – Advisory Business

Structure; History and Ownership

Falcon Management Corporation is an investment advisory firm with its principal place of business located in Wyckoff, New Jersey. Falcon Management Corporation will be referred to in this brochure as “Falcon”, “Investment Adviser”, “we,” or the “firm.”

Falcon is organized as a Delaware corporation and has been in business since 1991, and was founded by Mr. James Leitner, President and the sole shareholder of Falcon.

Types of Advisory Services

Falcon serves as investment adviser and provides discretionary investment supervisory services to a master-feeder fund structure consisting of: JL Falcon Partners LP, a Delaware limited partnership (the “**Onshore Feeder Fund**”), Falcon Family L.P., a Delaware limited partnership (“**Family Feeder Fund**”), JL Falcon Global Limited, a Cayman Islands exempted company with limited liability (the “**Offshore Feeder Fund**” and together with the Onshore Feeder Fund and the Family Feeder Fund, the “**Feeder Funds**”), and their master fund, JL Falcon Global Fund, a Cayman Islands exempted company with limited liability (the “**Master Fund**” and together with the Feeder Funds, the “**Funds**”). Our services are provided exclusively to the Master Fund pursuant to the terms of an omnibus advisory and management agreement, dated September 24, 2009, among JL Falcon Group LLC, the Investment Adviser, the Master Fund and the Offshore Fund (the “**Management Agreement**”). JL Falcon Group LLC (the “**General Partner**”) acts as the general partner of the Onshore Feeder Fund and as the manager of the Master Fund and Offshore Feeder Fund.

The Funds do not offer their interests to the public. Fund interests are offered only in private placements to qualified investors. The terms applicable to investors in the Funds are detailed in the Feeder Fund’s confidential offering documents, which are provided to investors.

The investment strategies we employ on behalf of the Funds are described in greater detail below at Item 8 and in the Feeder Funds’ confidential offering documents. We do not tailor the strategy to the needs of individual Fund investors. Furthermore, clients may not impose restrictions on investing in certain securities or types of securities.

We seek, on behalf of our clients, to invest on an opportunistic global macro basis that seeks absolute returns across all asset classes. The Master Fund primarily invest in currencies, commodities, debt and equity instruments utilizing cash and derivatives. Falcon employs a thematic global macro approach, which could be described as being systematically opportunistic, consistently searching for superior market odds. Frequently such odds appear because of market dislocations due to one-sided positioning, better economic forecasting and structuring risk more efficiently with the use of options. Such trades can offer compelling risk/reward ratios. The Master Fund may invest in all types of asset classes located in both the United States and in any other country, including emerging market countries. There are no limitations to the Master

Fund's investment strategies. The Master Fund may also be invested in short-term instruments for cash management purposes.

The Offshore Feeder Fund and the Onshore Feeder Fund invests substantially all of their assets in the Master Fund while the Family Feeder Fund invests a significant portion of its assets in the Master Fund. Through this structure, we seek to execute the strategies discussed above, on behalf of the Feeder Fund, through the activities and investments of the Master Fund.

See Item 8 of this brochure for a more detailed discussion of Falcon's investment strategies.

Assets Under Management

As of December 31, 2011, Falcon manages approximately \$345,000,000 of client assets, all of which is managed on a discretionary basis.

Item 5 – Fees and Compensation

We are entitled to an asset-based management fee from the Master Fund. However, because the Funds are set up in a master-feeder structure, we do not receive a fee from the Feeder Funds.

Management Fee

The Master Fund pays us a management fee on a monthly basis, in arrears, based on a percentage of the Gross Net Assets of the Funds at the end of the month attributable to a particular investor's account. "Gross Net Assets" is defined as the Funds' total assets attributable to that investor's account, including monthly net income, less liabilities attributable to that investor's account, without taking into account accrued but unpaid Management Fees and the Performance Allocation. Investors in the Onshore and Offshore Feeder Funds bear their proportionate share of the management fee paid by the Master Fund. The Falcon Family Feeder Fund does not pay a management fee to Falcon because it is a private collective investment vehicle managed for the sole benefit of Mr. Leitner, his family and a few close associates.

The Master Fund has the ability to terminate the services of Falcon pursuant to the terms of the Management Agreement. In the event that any such termination shall occur at other than a month-end, the firm would reimburse the applicable client for the prorated portion of the management fee paid in advance with respect to the applicable quarter on the same terms as discussed above.

The details of how the fees are calculated for the Funds can be found in the confidential offering documents of the Offshore Feeder Fund and Onshore Feeder Fund, which are provided to investors.

The fees described above are our typical rates. However, we may enter into agreements with one or more Feeder Fund investors providing for the waiver or modification of the management fee without notice to the other Feeder Fund investors although other than with respect to the Falcon

Family Fund, Falcon does not currently have any agreements with investors in the Feeder Funds to waive or modify fees.

The fees payable by the Master Fund are deducted from the assets of the Offshore Feeder Fund and the Onshore Feeder Fund and are paid directly to us.

Expenses

Each Fund pays, or reimburses us for, all operating expenses and other costs of the Fund that we are not required to bear, subject to limited exceptions detailed in the confidential offering documents of the Feeder Fund. These reimbursements include, but not limited to fees and expenses of the Fund administrator, investment expenses (i.e., expenses that the General Partner reasonably determines to be related to the investment of the Fund's assets, such as brokerage commissions, expenses relating to short sales; the costs of products and services relating to research, market data, execution and related items; clearing and settlement charges, custodial fees, hedging expenses, bank service fees, interest expenses and expenses relating to proposed investments that are not consummated); external legal expenses; professional fees (including, without limitation, fees and expenses of consultants and experts) relating to investments; auditing and tax preparation expenses; valuation expenses; administrative expenses; investment-related technology and risk management expenses; expenses incurred by the General Partner or Falcon on behalf of the Funds for performing certain functions (such as certain middle and back office functions), or other services commonly performed by service providers at the expense of the Funds, in order to limit the distribution of sensitive trading information; organizational expenses; entity-level taxes, insurance premiums (including, without limitation, 80% of premiums with respect to directors' and officers' insurance, errors and omissions insurance); fees and expenses of companies that provide services to the Funds; expenses incurred in connection with the offering and sale of the Funds' securities and other similar expenses related to the Funds; printing and mailing expenses other similar expenses related to the Funds; extraordinary expenses (including without limitation litigation, indemnification and contribution expenses).

The Feeder Funds and any feeder funds established in the future will bear expenses, pro rata to their respective investments in the Master Fund,

As we consider appropriate, we may invest a portion of the Master Fund's assets in one or more money market funds, mutual funds or exchange-traded funds. When any such investments are made, investors will be paying, in addition to the compensation payable to us, their proportionate share of any management fees charged by the manager of such money market fund, mutual fund or exchange-traded fund.

See Item 12 of this brochure for additional information regarding the Falcon's brokerage practices.

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

Performance-Based Fees

Falcon is not entitled to any performance-based fees from the accounts; however, the General Partner is entitled to a performance-based fee from the Master Fund. Mr. Leitner is the Managing Member of the General Partner, and as such, is entitled to such performance-based fees. Mr. Jeffrey Lo, our Portfolio Manager, and Ms. Janice Brennan, our Chief Financial Officer, also have ownership interests in the General Partner.

The Offshore Feeder Fund and the Onshore Feeder Fund each bear their proportionate share of the Master Fund's performance-based fee due to the General Partner. The Falcon Family Feeder Fund does not pay a performance-based fee to Falcon since it is a private collective investment vehicle managed for the sole benefit of Mr. Leitner, his family and a few close associates.

Such performance-based fees create certain inherent conflicts of interest with respect to Falcon's management of assets. Specifically, our affiliate's entitlement to performance-based fees may create an incentive for us to take risks in managing assets that we would not otherwise take in the absence of such arrangements. To mitigate these risks, the performance-based fees are subject to the terms and conditions set forth in the Onshore and Offshore Feeder Fund's confidential governing documents or offering documents, as applicable, including high water mark provisions.

Side-by-Side Management

At the current time, Falcon does not engage in side-by-side management with other clients and has no current intention of doing so although there is no restriction from it doing so in the future.

Item 7 – Types of Clients

We provide investment advice to private investment funds. Investment advice is provided directly to the Master Fund, subject to the direction and control of the Board of Directors of the Master Fund, and not individually to the investors of the Feeder Fund.

The Funds

Investors in the Onshore Feeder Fund generally must be persons that are permitted U.S. Persons and who qualify as "accredited investors" as defined in Rule 501 under Regulation D under the Securities Act, qualify as "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act, and meet other eligibility criteria established by the General Partner. Investors in the Offshore Feeder Fund must either be non-U.S. Persons as defined under Regulation S under the Securities Act, or tax-exempt U.S. Persons who qualify as both "accredited investors" as defined in Rule 501 under Regulation D under the Securities Act and as "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act. The Feeder Funds' investors may consist of one or more of the following: individuals; pension and profit sharing plans; financial institutions (including funds of funds); trusts; university endowments; charitable organizations; and corporations or other business entities. Although the Feeder Funds are

currently the only investors in the Master Fund, additional feeder funds may be established in the future. Falcon will not be engaged as an investment adviser to advise investors as to the appropriateness of investing in the Feeder Fund.

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

Methods of Analysis

We seek, on behalf of our clients, to invest on an opportunistic global macro basis that seeks absolute returns across all asset classes. The Master Fund primarily invest in currencies, commodities, debt and equity instruments utilizing cash and derivatives. Falcon employs a thematic global macro approach, which could be described as being systematically opportunistic, consistently searching for superior market odds. Frequently such odds appear because of market dislocations due to one-sided positioning, better economic forecasting and structuring risk more efficiently with the use of options. Such trades can offer compelling risk/reward ratios. The Master Fund may invest in all types of asset classes located in both the United States and in any other country, including emerging market countries. There are no limitations to the Master Fund's investment strategies. The Master Fund may also be invested in short-term instruments for cash management purposes.

Falcon expects the portfolio positions of the Master Fund to reflect fundamental economic views and quantitative research. As an overlay on top of the fundamentals, Falcon also employs technical analysis to better manage and time entry and exit of positions. Falcon also actively analyzes central bank statements and data and creates event driven strategies around these catalysts. While continuously searching for alpha-based strategies, *i.e.* those strategies that generate absolute returns versus cash, Falcon is also willing to utilize beta strategies to capture market returns.

Falcon does not believe in typical fund risk management techniques utilizing stress tests because it believes that historical standard deviations are not representative of future market volatility and certainly extreme movements are not captured using historical variances. Falcon attempts to manage risk by completely eliminating tail risk from its portfolios, and structures its bets using options to truncate downside risk while allowing for unlimited upside. In general, Falcon utilizes stop losses on cash positions. However, there can be no assurance that these risk management techniques will be successful. The final element of risk management is diversification. Falcon attempts to have positions across all asset categories such that exogenous shocks will have different effects on different parts of the portfolio and thus ameliorate the downside risk on the portfolio. However, Falcon is not required to maintain any prescribed portfolio diversification criteria.

Falcon has broad and flexible investment authority to engage in a variety of strategies and invest in a variety of asset classes without the consent of any investor in the Funds. In order to maintain flexibility and to capitalize on investment opportunities as they arise, Falcon is not required to invest any particular percentage of its portfolio in any type of investment, and the amount of the Master Fund's portfolio which is invested in any type of investment, which is long or short, or which is weighted in different sectors, can change at any time based on the

availability of attractive market opportunities. Accordingly, Falcon may buy, hold, sell, exchange or otherwise acquire or dispose of, or enter into transactions with respect to stocks, bonds, and futures contracts, derivatives transactions (including, without limitation, swaps, options and forward contracts based on interest rates, currencies, loans, debt securities or equity securities), currency-related transactions, commodities transactions and other securities or financial instruments of any nature, and any other property or interests in real or personal property, including but not limited to interests in limited liability companies, general and limited partnerships and any other kind of business or investment entity.

The development of an investment strategy is a continuous process, and Falcon's investment strategies and methods may therefore be modified from time to time. Falcon's investment methods are proprietary and the descriptions of them in the Funds' disclosure materials are not exhaustive. Trading decisions require the exercise of judgment by Falcon. Such decisions may or may not yield profits or avoid losses. Investors cannot be assured that the strategies or methods utilized by Falcon will result in profitable trading for the Funds. Falcon has the right to alter, or modify the investment strategy of the Funds without obtaining the prior approval of any investor in the Funds. Falcon may alter the composition of the Master Fund's investments as attractive opportunities present themselves.

Investment Strategies

The firm's trading strategies will be implemented with the goal of generating superior risk-adjusted returns through trading strategies generally referred to as "global macro." The firm seeks to generate returns that are not correlated or minimally correlated with the returns of various national and/or global equity and bond market indices, and the returns of non-U.S. Dollar currencies relative to the U.S. Dollar.

Risks of Loss

Swap Agreement Risks. The Master Fund may enter into equity, interest rate, index, currency rate, credit default swaps and other similar agreements. These transactions are entered primarily in an attempt to obtain a particular return when it is considered desirable to do so, possibly at a lower cost than if the Master Fund had invested directly in the asset that yielded the desired return. The transactions are also entered into as a hedge or as one part of an arbitrage. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to several years. In a standard swap transaction, two parties agree to exchange different cash flows, such as interest rates (fixed versus fluctuating rates), currencies or returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments, which may be adjusted for an interest factor. The cash flows to be exchanged or "swapped" between the parties are generally calculated with respect to a "notional amount" (e.g., the interest rate or return on, or increase in, the value of a particular dollar amount invested in a particular foreign currency or in a "basket" of securities representing a particular index). Forms of swap agreements also include equity swaps, in which one party agrees to pay to (or receive from) the other party an amount equal to the percentage gain (or loss) realized by a specific equity security or group of equity securities in proportion to an agreed-upon notional

amount; interest rate “caps,” under which, in return for a premium, one party agrees to make payments to the other to the extent interest rates exceed a specified rate or “cap”; interest rate “floors,” under which, in return for a premium, one party agrees to make payments to the other to the extent interest rates fall below a specified level or “floor”; and interest rate “collars,” under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels.

Many swap agreements entered into by the Master Fund would require the calculation of the obligations of the parties to the agreements on a “net basis.” Consequently, the current obligations (or rights) of the Master Fund under a swap agreement generally would be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the “net amount”). The risk of loss to the Master Fund’s counterparty with respect to such swaps should be limited to the net amount of interest or other payments that the Master Fund is contractually obligated to make. If the other party to a swap defaults, the risk of loss of the Master Fund consists of the net amount of payments that the Master Fund is contractually entitled to receive, together with any collateral that may have been posted by the Master Fund with the counterparty.

Non-U.S. Investments. The Master Fund may make investments outside of the United States, including emerging foreign markets. Investments in the securities of foreign issuers may be restricted or controlled to varying degrees. Such investments require consideration of certain risks typically not associated with investing in U.S. securities or property. Such risks include, among other things, trade balances and imbalances and related economic policies, potential price volatility in, and relative illiquidity of, some non-U.S. securities markets, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the U.S. or foreign governments, U.S., foreign or other withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, and political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in foreign nations. Laws and regulations of foreign countries may impose restrictions that would not exist in the United States and may require financing and structuring alternatives that differ significantly from those customarily used in the United States.

Issuers are generally subject to different accounting, auditing and financial reporting standards in different countries throughout the world. The volume of trading, the volatility of prices and the liquidity of issuers may vary in the markets of different countries. Hours of business, customs and access to these markets by outside investors may also vary. In addition, the level of government supervision and regulation of securities exchanges, securities dealers and listed and unlisted companies is different throughout the world. In addition, there may be a lack of adequate legal recourse for the redress of disputes, and in some countries the pursuit of such disputes may be subject to a highly prejudiced legal system. Additional risks may include lack of transparency in financial markets, inefficient execution of transactions, reduced ability to sell securities short and high transaction costs. Some countries require governmental approval prior to investments by foreign persons, limit the amount of investment by foreign persons in a particular company or restrict investment by foreign persons to a specific class of securities of a company that may have less advantageous terms than the classes available for purchase by nationals. Certain countries require governmental approval for the repatriation of investment

income, capital or the proceeds of sales of securities by foreign investors. The Master Fund could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital or earnings, as well as by the application to the Master Fund of restrictions on investments. In addition, because the Master Fund's investments in other countries will likely be denominated in the currencies of such countries, a change in the value of these currencies against the U.S. dollar may result in a corresponding change in the U.S. dollar value of the Master Fund's assets denominated in those currencies.

Different markets also have different clearance and settlement procedures. Delays in settlement could result in temporary periods when a portion of the assets of the Master Fund are uninvested and no return is earned thereon. The inability of the Master Fund to make intended security purchases due to settlement problems could cause the Master Fund to miss attractive investment opportunities. Inability to dispose of portfolio securities due to settlement problems could result either in losses to the Master Fund due to subsequent changes in value of the portfolio security or, if the Master Fund has entered into a contract to sell the security, could result in possible liability to the purchaser.

In certain markets there may be limited availability of historical data to support the research and development of effective trading strategies. Real-time data may also be unavailable or unreliable, introducing trading delays and errors that could impair returns. There may be limited or no availability of borrowable securities to enable short-selling, reducing the range of trading opportunities and making it harder to develop hedged portfolios; "short squeezes" may also be more likely in such circumstances, which raises the risk of sudden large losses on any short positions held. Execution quality may be lower in certain markets; bid-ask spreads may be wide, and it may be difficult to execute at posted market prices.

With respect to certain countries, there is a possibility of expropriation or confiscatory taxation; imposition of withholding taxes on dividends or interest payments, capital gains, or other income; limitations on the removal of funds or other assets of the Master Fund, potentially imposed after the Master Fund has made its investment in a given country and without sufficient notice to allow withdrawal under the pre-existing terms; managed or manipulated exchange-rates, volatility of exchange rates, the cost of currency hedging if employed, direct currency conversion costs, and other issues affecting currency conversion; political, economic or social instability or diplomatic developments that could affect investments in those countries; or government policies that may restrict the Master Fund's investment opportunities. An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, may change independently of each other. These risks may be greater in emerging markets in which the Master Fund trades.

The Master Fund may also make investments in emerging market countries. Investments in emerging market countries may be subject to more substantial risks in political and macro-economic conditions, such as significant currency fluctuations, changes in governmental controls over the economy and high rates of inflation, and such problems may have a materially adverse effect on the Master Fund's investments. Moreover, the economies of emerging market countries generally are more heavily dependent upon international trade than some developed market

countries and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. Expropriation, confiscatory taxation, nationalization, political, economic or social instability or other developments could adversely affect the Master Fund's assets held in particular emerging market countries.

Option Risks. The Master Fund may engage in options trading, both for speculative and for hedging purposes. Options trading involves certain risks which trading in the underlying securities, stock indices and/or stock index futures listed on a national securities exchange or traded in an over-the-counter market alone does not. For example, interest rates and market volatility directly impact option values, and options have limited life spans and so may expire worthless despite the underlying position becoming profitable soon thereafter. The effectiveness of engaging in stock index options as a hedging technique will depend on the extent to which price movements in assets that are hedged correlate with price movements of the stock index selected. Successful use of options on stock indices may depend on the ability of the Investment Adviser to predict correctly movements in the direction of the stock market generally or of a particular industry or market segment. This ability requires skills and techniques different from those used in predicting changes in the price of individual stocks.

Should the Master Fund write (sell) options, it could sustain major marked-to-market losses – even if the options sold are never “in-the-money” – as a result of increases in market volatility and/or market movements towards the strike prices of such options. Because volatility is directly reflected in the market value of options, the extreme volatility of market prices increases both the costs and the risks of options trading.

Derivative Instrument Risks. The Master Fund utilizes various derivative instruments, which may include warrants, options, futures, convertible securities and interest-rate and equity swaps. The use of derivatives involves a variety of material risks, including the high degree of leverage often embedded in such instruments.

The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to liquidate positions in order either to realize gains or limit losses.

The Master Fund is typically obligated to indemnify various broker-dealers or derivative counterparties against certain liabilities such parties may incur in connection with derivative instruments used by the Master Fund. These indemnification obligations may survive long after the derivative instrument has been unwound or terminated. Should the Master Fund or a party which the Master Fund has agreed to indemnify be named as a defendant in a lawsuit or regulatory action stemming from a derivative instrument to which a Master Fund is a party, the Master Fund would bear the additional costs of defending and indemnifying against such action and would be at further risk if the Master Fund or the indemnified party failed to prevail in the litigation.

Futures Contract Risks. The Master Fund trades futures contracts for both speculative and hedging purposes. The Master Fund may also trade futures contracts for risk management purposes. Futures trading, which is highly leveraged, can result in significant losses.

Futures trading is subject to many of the risks associated with forward contracts. In addition, futures trading is subject to the risk of failure of brokerage firms to the extent that the assets of customers at the brokerage firm are not fully protected by account segregation. The Commodity Exchange Act, as amended (“CEA”), requires a U.S. clearing broker to segregate all funds received from such broker’s customers in respect of futures (but not forward) transactions from such broker’s proprietary funds. If any commodity brokers were not to do so to the full extent required by law, or in the event of a substantial default by one or more of such broker’s other customers or of a broker not subject to the CEA and its segregation requirements, the assets of the Master Fund might not be fully protected in the event of the bankruptcy of such broker. Furthermore, in the event of such a bankruptcy, the Master Fund would be limited to recovering only a pro-rata share of all available funds segregated on behalf of the affected commodity broker’s combined customer accounts, even though certain property specifically traceable to the Master Fund (for example, U.S. Treasury bills or cash deposited by the Master Fund with such broker) was held by such broker. Commodity broker bankruptcies have occurred in which customers were not able to recover from the broker’s estate the full amount of their funds on deposit with such broker and owing to them. Customer funds on deposit with commodity brokers are not insured by any governmental agency, and investors would not have the benefit of any protection such as that afforded customers of bankrupt U.S. securities broker-dealers by the Securities Investors Protection Corporation.

In addition, the Master Fund will through its futures trading be subject to regulation by the CFTC, which can make special calls for information from the Master Fund regarding its beneficial owners, and, if such information is not forthcoming, require the liquidation of all open futures positions held by the Master Fund.

Furthermore, futures contracts, unlike forward contracts, may be subject to daily price fluctuation limits as well as to speculative position limits. During a single trading day no trades may be executed at prices beyond the daily limit. Once the price of a futures contract has increased or decreased to the limit point, positions can be neither taken nor liquidated. Futures prices have occasionally moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Master Fund from promptly liquidating unfavorable positions and subject the Master Fund to substantial losses. Also, the CFTC or exchanges may suspend or limit trading, to the same effect.

The Master Fund may trade on futures exchanges outside the United States. Trading on such exchanges is not regulated by any United States government agency and may involve certain risks not applicable to trading on United States exchanges. In trading on foreign exchanges, the Funds may be subject to rules and regulations administered by foreign regulatory bodies and also subject to the risk of changes in the exchange rates between the United States dollar and the currencies in which the foreign contracts are settled.

U.S. Equity Risks. The Master Fund may also invest in equity securities of U.S. issuers listed and traded on organized U.S. exchanges and ADRs of foreign issuers listed and traded on organized U.S. exchanges. The value of these securities generally varies with the performance of the issuer and movements in the equity markets. As a result, the Master Fund may suffer losses if it invests in equity securities of issuers whose performance diverges from the Investment Adviser's expectations or if equity markets overall or equities comprising a particular industry sector, capitalization level, or other grouping generally move in a single direction and the Master Fund has not adequately hedged against such a general move.

ADRs carry additional risks. Investing in an ADR is not the same as investing directly in the underlying foreign security. The ADR may be less liquid than the underlying foreign security, increasing the potential cost, or increasing the time required, to close a position in an ADR. The price of the ADR also may not move in tandem with the underlying foreign security and indeed may diverge significantly at times. These risks may cause the Master Fund to realize potentially significant losses that would not have been incurred if the Master Fund had invested directly in the underlying foreign security.

Sovereign Debt. The Master Fund may invest in sovereign debt instruments of emerging market countries. The issuers of sovereign debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due, and the Master Fund may have limited recourse in the event of a default. A sovereign debtor's willingness or ability to repay principal and pay interest in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the sovereign debtor's policy toward international lenders and the political constraints to which a sovereign debtor may be subject.

Investments in Fixed-Income Securities. The Master Fund invests in fixed-income securities, including, without limitation: bonds, convertible bonds, notes and debentures issued by corporations, debt securities issued or guaranteed by local, regional, non-U.S. governments or agencies, supranationals or the U.S. Government or one of its agencies or instrumentalities, commercial paper, and "higher yielding" (and, therefore, higher risk) debt securities of the former categories. These securities may pay fixed, variable, or floating rates of interest, and may include zero coupon obligations. Fixed-income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

Risks of investment strategies and methods of analysis

Master-feeder structure. A "master-feeder" fund structure, in particular the existence of multiple investment vehicles investing in the same portfolio, presents certain unique risks to investors. Although the Feeder Funds are currently the only investors in the Master Fund, additional feeder funds may be established in the future. Smaller investment vehicles investing in the Master Fund may be materially affected by the actions of larger investment vehicles investing in the Master Fund. For example, if a larger investment vehicle withdraws from the Master Fund, the

remaining funds may experience higher *pro rata* operating expenses, thereby producing lower returns. Substantial withdrawals of capital by investors in the Master Fund, including the Feeder Funds and other “feeder” funds, if any are established in the future, over a short time period could necessitate the liquidation of securities positions at a time and in a manner which does not provide the most economic advantage to the Master Fund and which therefore could adversely affect the value of the Master Fund’s assets. Moreover, the layering of entities can impair the access of investors to the underlying assets of the Master Fund.

The assets of the Feeder Funds will consist almost exclusively of shares of the Master Fund. Accordingly, the financial results of the Feeder Funds will be almost entirely dependent on the performance of the Master Fund.

Leverage; Financing Arrangements. The Master Fund may employ leverage in an effort to generate a satisfactory rate of return. Leverage may take the form of options, derivatives, swaps, futures and other financial instruments with embedded leverage (which may be exchange listed or over-the-counter) in which the Master Funds will typically be required to pledge assets of the Master Fund to secure its obligations under these financial instruments. The amount of leverage or borrowings which the Master Fund may have outstanding at any time may therefore be large in relation to its capital. Consequently, the level of interest rates generally, and the rates and terms at which the Master Fund can borrow in particular, will affect the Funds’ operating results.

Possible losses incurred on the Master Fund’s leveraged investments will increase in direct proportion to the degree of leverage employed. Such leverage could also result in the Master Fund being forced to liquidate positions prematurely in order to meet margin calls, causing otherwise partially-hedged positions to incur major losses. The Master Fund also incurs interest expense on the borrowings used to leverage its positions. As a general matter, the banks and dealers that provide financing to the Master Fund can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks and dealers in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that the Master Fund will be able to secure or maintain adequate financing, without which the Master Fund may not be a viable investment.

Securities and instruments borrowed by the Master Fund may not carry any rights to receive any interest or dividends. Cash, securities and instruments borrowed may be secured by a pledge of assets or otherwise. If any loans to the Master Fund is collateralized with portfolio securities and instruments which decrease in value, the Master Fund may be obligated to pledge additional collateral to the lender in the form of cash or assets to avoid liquidation of the pledged assets.

The rights of any lenders to the Master Fund to receive payments of interest on, and any repayments of principal of, the borrowings are senior to those of the Funds’ investors, and the terms of borrowings may contain provisions which limit certain activities of the Funds. Interest payments and fees incurred in connection with borrowings reduce the amount of the net income available for reinvestment.

Risks Associated with Prime Brokerage Activities and Related Investments

Counterparty Risks. The Master Fund may be a party to prime brokerage securities lending agreements and derivative contracts with third party Wall Street broker-dealers under which it lends specified types of securities to the relevant third party, which counterparty in turn is obligated to return the lent securities to the Master Fund on an agreed upon future date. The default of any such third party on any such obligation could have a material adverse effect on the Master Fund in that any securities borrowed may not be timely returned. In such event the Master Fund may be subject to the risk that any lent securities will increase in value before it is able to replace them using any cash collateral (or the proceeds of any securities collateral) it holds, or that any securities it holds subject to repurchase by the third party will decline in value before the Master Fund is able to resell them. In addition, if, in the event of such a third party default, the Master Fund is delayed or prevented from exercising its rights to dispose of any securities collateral, it will be subject to the additional risk of a possible decline in the value of such collateral during the period in which it seeks to assert these rights. Moreover, such third party will have a lien on all assets of the Master Fund, and will be allowed to liquidate such assets in certain circumstances, which liquidation could be at losses. While the Investment Adviser will select counterparties that it believes are creditworthy, the Master Fund generally does not perform extensive credit analyses on its counterparties. Furthermore, any misconduct on behalf of the counterparties, including, without limitation, fraudulent activities, will increase the Funds' possible risk exposure.

Additionally, some of the markets in which the Master Fund may effect derivative transactions are "over-the-counter" or "interdealer" markets. This exposes the Master Fund to the risk that a derivatives counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Master Fund to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Master Fund has concentrated its transactions with a single or small group of counterparties. The Master Fund is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with a single counterparty. The ability of the Master Fund to transact business with any one or number of counterparties, the lack of any meaningful and independent valuation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Master Fund.

Prime Broker Risk. The Master Fund has two prime brokers with custody of a significant portion of the Master Fund's assets. If either prime broker were to enter insolvency proceedings, the assets of the Master Fund on deposit with this prime broker may not be recouped.

Leverage. The Master Fund may utilize leverage (not limited by the Funds Agreement) by making additional investments with cash collateral that it may receive pursuant to the securities lending agreements described above or the proceeds of short sales. The Master Fund does expect that such investing will give rise to unrelated business taxable income. The use of leverage will magnify both the potential for gains and the potential for losses in the value of the Funds' assets.

Model risk. Some of Falcon’s global macro strategies are highly dependent on pricing theories and valuation models that generally have not been independently tested or otherwise reviewed (“Models”), which the Investment Adviser uses to evaluate trading opportunities. Models employ assumptions that abstract a limited number of variables from complex financial markets or instruments which they attempt to replicate. Any one or all of these assumptions, whether or not supported by past experience, could prove over time to be incorrect. For example, Models may postulate or their efficacy may depend on assumptions regarding the existence of relationships that appear to hold true or in fact held true in the past but that may not exist or hold true in the future. Inputs into various Models may be composed of or derived from facts or data, the accuracy of which have not been independently verified by the Investment Adviser or any third party. In particular, if material factors are not incorporated into Models, or are incorporated inaccurately, substantial losses could result, including on the basis of theoretical Models (that later prove incorrect) that identify positions that appear to have minimal risk. The outputs of Models may differ substantially from the reality of the markets, resulting in major losses. Additionally, there is no assurance that the Investment Adviser has appropriately incorporated the Models into its strategies.

Changes in Investment Approach and Instruments Traded. Falcon’s investment approach can be expected to be dynamic, changing over time as Falcon develops new and discards old methods. Thus, Falcon may not use the same investment approach in the future that it currently uses or plans to use to manage the Master Fund’s trading and investing. The specific details of Falcon’s investment approach are proprietary; consequently, investors will not be able to determine the full details of that approach, or whether that approach is being followed. Falcon may also change the range of instruments and jurisdictions traded, and such changes may have a negative effect on the investment performance of the Funds.

Dependence on Historical Data. Falcon’s Models rely on prior period market and other data (“**Historical Data**”) to develop and implement statistical models used to direct the Master Fund’s trading. The Fund’s performance and investments are likely to be impaired to the extent that the Investment Adviser uses erroneous, incomplete or otherwise inadequate Historical Data, which could happen for various reasons. Falcon may not have access to or be aware of all of the Historical Data that would ideally be used to determine target portfolios or appropriate hedges, some of which may be available to and may be used by the Funds’ competitors. Although Falcon takes measures to properly archive and maintain electronic files containing Historical Data, where appropriate, it is possible that these data management techniques may be insufficient to prevent the loss or corruption of portions of the Historical Data. As well, many if not all commercial and other sources of Historical Data (including those that supply data to Falcon) are known to contain errors and omissions, and while Falcon takes steps to identify and correct such errors and omissions, it is likely that certain of these errors and omissions will go undetected and may negatively impact Falcon’s trading and investments on behalf of the Funds.

Outsourcing. Falcon and the Funds may opt to outsource significant portions of trading and the processing of trades to third-party providers (for example, for middle and back office services). Investors in the Funds will pay for these services, reducing the return on their investments. Furthermore, if these third-party providers suffer operational or financial difficulties, the performance of the Funds may be materially affected.

Market Participant Risk. The institutions, including brokerage firms and banks, with which the Master Fund trades or invests, may encounter financial difficulties that impair the operational capabilities or the capital positions of the Master Fund. Recent events demonstrate the real risk that a brokerage or custodian that appears reliable may very quickly be discovered to be insolvent or otherwise unable to meet its obligations. This may impact the Master Fund in many ways – including, but not limited to, forcing the Master Fund to liquidate its portfolio or certain hedging positions, and potentially with such speed that the Funds would face substantial losses.

In addition to the risk of a counterparty or broker defaulting, there is also the risk that one or more investors comprising a substantial percentage of the Funds’ assets under management (such as a major institutional investor) may be compelled to withdraw from the Funds, or that the Master Fund’s counterparties or brokers will be required to restrict the amount of credit previously granted to the Master Fund due to their own financial difficulties, resulting in forced liquidation of substantial portions of the Funds’ portfolio, potentially with such speed that the Funds would face substantial losses.

Investment Capacity. The trading strategies pursued by the Investment Adviser on behalf of the Funds may have limited capacity. Marginal capital dedicated to certain strategies may generate a significantly lower return than earlier capital dedicated to the same strategy. The Investment Adviser may dynamically allocate capital among investment strategies in its sole discretion and may choose, by accident or design, to allocate additional capital to certain strategies even though the addition of capital will generate overall lower returns for the strategy.

Assets Under Management. There are no restrictions on the level of the Funds’ and the Master Fund’s assets under management. The General Partner and Falcon may expand the Funds’ and the Master Fund’s assets under management. Increasing assets under management may lead to a decline in the rates of return for the Funds. Although Falcon intends to exercise reasonable care in assessing the capacity of its strategies as the General Partner considers the acceptance of new investments, there can be no assurance that the future performance of the Funds will not be adversely affected by the level of assets under management.

Deployment of New Capital. It may be necessary to deploy new capital at a gradual pace. To the extent that any substantial new capital contribution is deployed more slowly than is desired, there may be a negative impact on the overall returns of the Funds until that capital contribution is fully invested.

General Market Developments. The period from 2008-2011 saw extraordinary events in the markets generally and in the investment fund area specifically. A period of intense financial market stress began in mid-2007, characterized by precipitous drops in the value of certain securities (including numerous triple-A rated fixed income securities and related instruments), large losses at, and in some cases collapse of, major hedge funds including some run by prominent firms and investment banks, severe liquidity shortages for commercial and financial borrowers, the threatened collapse and apparent rescue (by a mix of public and private entities) of a major investment bank, as well as numerous other losses and indications of substantial present and future financial risk. These same events and their cumulative effect create concerns that banks and dealers will decrease lending to or increase margin or collateral requirements

from investment funds immediately in a time of stress, and that investment funds will experience large redemptions and inability to raise new capital in the current period or in a future event of regulatory or market turmoil. Such developments, if realized, may have an adverse impact on the Investment Adviser, the Master Fund and the Funds.

Importance of General Economic Conditions. Overall market or economic conditions, which the Investment Adviser cannot predict or control, may have a material effect on performance.

Other Accounts

The Investment Adviser may in the future manage other accounts, including accounts which create the opportunity for greater profit potential to the Investment Adviser than the Funds. Such management could draw Investment Adviser's attention away from the Funds, and may compete with the Funds for limited trading and investment opportunities. The Investment Adviser does not currently intend to manage other accounts.

Reserve for Contingent Liabilities

Under certain circumstances, the Master Fund may find it necessary to establish a reserve for contingent liabilities or withhold a portion of an investor's proceeds at the time of withdrawal or redemption.

Volatility. The prices of the instruments traded by the firm have been highly volatile during certain periods in the past (including notably the period of mid-2007 through 2011), and such periods may recur. The price movements of these instruments are caused by many unpredictable factors, including, but not limited to, market sentiment, inflation rates, interest rate movements and general economic and political conditions.

Volatility creates the specific risk, in the case of the firm, that historical or theoretical pricing relationships will be disrupted, causing what would otherwise be a comparatively low-risk "relative value" position to incur major losses. Past returns of the accounts will not necessarily be indicative of its future performance.

Short sales. The Master Fund may sell securities short in implementing the trading and risk management strategies. Since the borrowed securities sold short must later be replaced by market purchases, any appreciation in the market price of these securities will result in a loss. Short selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the securities necessary to cover the short position will be available for purchase by the Master Fund. In addition, purchasing securities to close out the short position can itself cause their market price to rise further, increasing losses. Furthermore, the Master Fund may be prematurely forced to close out a short position if a counterparty from which the Master Fund borrowed such security demands its return, as counterparties may do in their discretion, resulting in a loss on what might otherwise have been a profitable position.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in any or all of the strategies. Prospective clients should read

this entire Form ADV and all accompanying materials provided by Falcon and consult with their own advisors before deciding whether to invest in the strategies. In addition, as the strategies develop and change over time, an investment in the strategies may be subject to additional and different risk factors. Falcon will promptly amend this brochure if and when any information regarding its investment risks and strategies becomes materially inaccurate.

Item 9 – Disciplinary Information

Not applicable.

Item 10 – Other Financial Industry Activities and Affiliations

Material Financial Industry Affiliations of the Firm

Our affiliate, JL Falcon Group LLC, serves as the General Partner of the Onshore Feeder Fund and the manager of the Offshore Feeder Fund and the Master Fund. Falcon One, Inc., (“**Falcon One**”), an affiliate of Falcon, provides investment advisory services to Falcon Family LP, a private collective investment vehicle that invests for the benefit of Mr. Leitner, his family and a few close associates. Currently, Mr. Leitner is also the President of Falcon One which advises Falcon Family. Approximately 90% of Falcon Family’s assets are invested directly into the Master Fund. Falcon One is not a registered investment advisor. Neither Falcon nor any of its affiliates is a registered broker/dealer. Neither the Funds, Falcon nor any of its affiliates is currently registered as either a commodity pool operator or a commodity trading advisor.

Management of other accounts. Other than the Master Fund, Falcon does not manage other accounts nor does it have any current intention of doing so although it is not restricted from doing so in the future. In addition to trading for the account of the clients, the General Partner, the firm and its principals may in the future engage in investment and trading activities of other investment and trading accounts with objectives similar or dissimilar to those of the of its current Master Fund, including other limited liability entities or other collective investment vehicles which may in the future be managed or sponsored by the General Partner and Falcon and in which the General Partner, Falcon, and/or its principals may have an equity interest.

Falcon does not trade for its own account other than through its investments in the Master Fund. Falcon’s principals, directors, officers, partners, managers, shareholders, employees and their affiliates, as applicable, may trade for their own accounts, and certain of such persons may in the future sponsor or establish other public and private investment funds. The firm and its principals and affiliates may trade for other accounts, including for their own accounts, and they will remain free to trade for such other accounts and to utilize trading strategies and formulae in trading for such accounts that are the same or different from the ones the firm will utilize in making trading decisions for the Master Fund. In addition, and if and when applicable, in their respective proprietary trading, the firm and its principals and affiliates may take positions that are the same as, different than, or opposite to those of the Master Fund. The records of any such trading will not be available for inspection by investors in the Funds except to the extent required by law. All such trading may increase the level of competition for profitable trades experienced by the Master Fund, including with respect to order entry and the allocation of executed trades.

Other conflicts. Affiliates of clients of the General Partner or Falcon (including investors in the Master Fund) may currently provide the Master Fund with administrative, brokerage, or other services or offer to provide such services in the future. To the extent such clients represent a material portion of Falcon's assets under management, Falcon will have a conflict of interest when determining whether to utilize those service providers for the Master Fund.

The General Partner may permit certain strategic investors to invest in the Feeder Funds on terms that are better than the terms provided to other investors. While the General Partner may enter into agreements with certain investors which provide that such investors shall be subject to, among other things, a lower management fee or performance allocation, the General Partner has no intention of doing so other than with respect to the Falcon Family Feeder which does not pay management or performance allocations because it is a private fund organized exclusively for the benefit of Mr. Leitner and his family and close associates.

The General Partner may enter into side agreements with other strategic investors, the terms of which may differ from those mentioned above, and which are to be determined by the General Partner, in its sole discretion.

The General Partner may permit certain investors in the Feeder Funds to have more frequent or more detailed access to information regarding the Master Fund's investments, valuations, the positions taken by the Master Fund, or other investment information. Investors with such access may use such information to make withdrawal and/or additional investment decisions. The General Partner, the firm and the Funds are under no obligation to provide other investors with such access.

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

Code of Ethics

Falcon has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Falcon must acknowledge the terms of the Code of Ethics annually, or as amended. A copy of Falcon's Code of Ethics will be provided to any client or prospective client upon request, which request may be submitted to Janice Brennan, Chief Compliance Officer, at (201) 847-9014, or by email at jbrennan@falconmgt.com.

Financial Interest in Client Transactions

The Feeder Funds will invest substantially all of its assets in the Master Fund.

We may, from time to time, recommend a security in which our firm or one of our related persons, directly or indirectly, has an interest. Clients will not be provided with notification of such occurrences.

Participation in Client Transactions and Personal Trading

Falcon's employees and persons associated with Falcon are required to follow Falcon's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Falcon and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Falcon's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Falcon will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not interfere materially with the best interests of Falcon's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as the Master Fund, there is a possibility that employees might benefit from market activity by the Master Fund in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Falcon and its clients.

Falcon only advises the Master Fund and has no current intention of advising any other clients.

Insider Trading/Material Non-Public Information.

All Falcon employees are subject to the insider trading policies included in Falcon's Code of Ethics. These policies broadly prohibit the use of material, non-public information, and include policies and procedures prohibiting the use of material non-public information that are designed to prevent insider trading by an officer or employee of the firm. In accordance with these policies, to prevent trading of public securities based on material, non-public information, Falcon may maintain a "restricted list" that identifies any securities that cannot be purchased for employee, client, or firm-owned accounts because material, non-public information may have been received by an employee of the firm.

Item 12 – Brokerage Practices

Selecting Brokerage Firms

Since the Feeder Funds will invest substantially all of their available capital in the Master Fund, the Feeder Funds do not currently engage broker-dealers although there is no restriction from their doing so in the future.

Falcon will have full investment discretion with respect to the initiation of all portfolio securities transactions for the accounts as well as full authority to select broker-dealers to execute such transactions. Falcon intends to utilize a number of broker-dealers to effect transactions for the accounts. In selecting brokers or dealers, Falcon will consider various factors, including: the

reputation, experience and financial stability of the broker-dealer; the ability to maintain Falcon's anonymity; the ability to provide competitive pricing; the size and timing of the transaction; the ability and willingness to commit capital and provide prompt and accurate execution and settlement; whether the broker-dealer makes a market in a security and/or finds sources of liquidity; the nature of the market for the security and the difficulty of execution; the broker-dealer's trading expertise, including its ability to minimize total trading costs and to trade without unduly impacting the market; the belief that the broker-dealer charges a fair and reasonable fee for each trade, and that the Master Fund has been treated fairly and honestly in prior trades; and the quality of execution, quality of the broker-dealer relationship, quality of service rendered by the broker-dealer in prior transactions, and quality of any proprietary research and investment ideas. This does not, however, constitute a representation as to performance by or on behalf of the broker-dealers.

The broker-dealers do not provide investment advisory or discretionary management services to the Funds.

Soft Dollar Arrangements

Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") provides a "safe harbor" to investment managers who use commission dollars of their advisory accounts (so-called "soft-dollar" arrangements) to obtain investment research, brokerage and other services that provide lawful and appropriate assistance to the manager in performing investment decision making responsibilities, provided that the amount of any increased commission costs on account of such research or other services is reasonable relative to the value of the services so provided.

Falcon has no formal arrangements with specific brokers or dealers to receive research or other services beyond transaction execution in exchange for brokerage commissions from client transactions (so-called "soft dollar" arrangements). Falcon does not formally or informally engage in any "soft dollar" arrangements or commitments. The firm is not restricted from engaging in "soft dollar" arrangements or commitments, and may do so in the future if the firm believes that to be in the best interests of the Funds. Incidental to agreements with its broker-dealers, the firm may receive additional other benefits from its broker-dealers or other third parties, but the firm does not take such benefits into account in choosing and negotiating with its broker-dealers or other third parties. In addition, even though such benefits may fall outside the safe harbor for fiduciaries' use of "soft dollar" payments established by Section 28(e) of the Exchange Act, the firm believes that its arrangements with its broker-dealers are reasonable and consistent with the Master Fund's objectives.

Client Referrals and Directed Brokerage

Falcon does not receive client referrals from any broker-dealers and Falcon does not recommend, request, require or permit any client to direct Falcon to execute transactions through a specified broker-dealer.

Item 13 – Review of Accounts

Subject to the information discussed above, particularly in Item 8 with respect to the firm's trading strategies, Falcon reviews the investments in the Master Fund on a continuing basis to determine accomplishment of investment objectives, the cash balances available and/or margin debit balances outstanding, diversification of the portfolio and security positions. Such reviews are performed by Falcon's portfolio management team responsible for the Master Fund, and reviews also may be triggered by economic and political events, specific company information, and/or market conditions.

Reports

The Funds

At the end of each month, each investor in the Feeder Funds is provided with an unaudited report of the progress of the Funds and the net asset value of the investor's interests. As soon as practicable after the end of each fiscal year, the Feeder Funds send to each investor audited financial statements prepared in accordance with GAAP. At or about such time as the audit is completed, the Feeder Funds prepare and mail to each investor a report setting forth such detail as is necessary for the investor to prepare its tax returns, as necessary.

Item 14 – Client Referrals and Other Compensation

Not applicable.

Item 15 – Custody

The Funds

The assets of each Fund are held at third party brokerage firm or financial institutions meeting the definition of "qualified custodians" under SEC Rule 206(4)-2. Account statements are provided directly to the manager with respect to Offshore Fund and the Master Fund and to the General Partner with respect to the Onshore Fund. Individual investors in the Feeder Funds receive the reports from Falcon described in Item 13 of this brochure.

Item 16 – Investment Discretion

Falcon has full discretionary authority and responsibility with respect to the investment management of the Funds pursuant to the Management Agreement, which is subject to the terms and conditions set forth in the Feeder Funds' confidential offering documents, and, as such, is generally authorized to place orders for the execution of securities transactions without prior consultation with the Master Fund.

Falcon has the authority to determine (i) the securities to be purchased and sold for the Master Fund (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be

purchased or sold for the Master Fund. Falcon currently has no other clients which it advises other than the Master Fund.

Item 17 – Voting *Client* Securities

Due to the nature of Falcon's investment strategy, Falcon rarely votes proxies on behalf of the Master Fund. To the extent that Falcon does vote proxies, Falcon's authority to vote proxies for the Master Fund is established by the terms of the Management Agreement with the Master Fund. Falcon will generally vote proxies based on a case-by-case analysis and the proxy voting procedures are designed to ensure that proxies are voted in the Master Fund's best interest.

Each investor in the Feeder Fund may request information on how Falcon voted with respect to the securities of such Fund and obtain a copy of Falcon's proxies and procedures by contacting Janice Brennan, Chief Compliance Officer, at (201) 847-9014, or by email at jbrennan@falconmgt.com.

Item 18 – Financial Information

No financial condition presently exists that is reasonably likely to impair Falcon's contractual commitments to its clients.