

**ITEM 1
COVER PAGE**

Part 2A OF FORM ADV: FIRM BROCHURE

AHAB CAPITAL MANAGEMENT, INC.

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This brochure provides information about the qualifications and business practices of Ahab Capital Management, Inc., Pequod LLC, and Pequod II LLC (collectively, the “**Adviser**,” “**we**,” “**us**,” or “**our**”). If you have any questions about the contents of this brochure, contact us at (212) 653-1000. 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.

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

We are a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). Such registration under the Advisers Act does not imply any level of skill or training.

ITEM 2
MATERIAL CHANGES

We have not completed a prior version of this brochure. As a result, there are no material changes from our prior brochure.

ITEM 3 **TABLE OF CONTENTS**

	<u>Page</u>
ITEM 1 COVER PAGE.....	1
ITEM 2 MATERIAL CHANGES	2
ITEM 3 TABLE OF CONTENTS	3
ITEM 4 ADVISORY BUSINESS	5
A. General Description of Advisory Firm.....	5
B. Description of Advisory Services.....	5
C. Wrap Fee Programs	6
D. Assets Under Management.....	6
ITEM 5 FEES AND COMPENSATION	7
A. Advisory Services and Fees.....	7
B. Payment of Fees.....	7
ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	9
ITEM 7 TYPES OF CLIENTS	10
ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	11
A. Methods of Analysis and Investment Strategies.....	11
B. Risk of Loss	12
ITEM 9 DISCIPLINARY INFORMATION	25
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	26
A. Broker-Dealer Registration.....	26
B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration	26
C. Material Relationships and Conflicts of Interests with Industry Participants	26

D.	Material Conflicts of Interest Relating to Other Investment Advisers	27
ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING		28
A.	Code of Ethics	28
B.	Recommending, Buying, or Selling Securities in which We or a Related Person Have a Material Financial Interest, Invest, or Buy or Sell at the Same Time; Conflict of Interests.....	28
ITEM 12 BROKERAGE PRACTICES.....		30
A.	Selection of Broker-Dealers and Reasonableness of Compensation.....	30
B.	Aggregating Orders for Various Client Accounts	32
ITEM 13 REVIEW OF ACCOUNTS.....		33
A.	Periodic Review of Client Accounts	33
B.	Additional Review of Client Accounts.....	33
C.	Contents and Frequency of Account Reports to Clients.....	33
ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION.....		34
A.	Economic Benefits for Providing Services to Clients	34
B.	Compensation to Non-Supervised Persons for Client Referrals	34
ITEM 15 CUSTODY		35
ITEM 16 INVESTMENT DISCRETION		36
ITEM 17 VOTING CLIENT SECURITIES.....		37
ITEM 18 FINANCIAL INFORMATION		39
A.	Balance Sheet	39
B.	Contractual Commitments to Our Clients	39
C.	Bankruptcy Petitions.....	39

ITEM 4 ADVISORY BUSINESS

A. General Description of Advisory Firm

We are a New York corporation formed on August 27, 1993. We serve as the investment adviser to (i) Ahab Opportunities, L.P., a New York limited partnership, which commenced operations in February 1994, and Ahab Opportunities, Ltd., a Bahamian corporation, which commenced operations in January 1997 (together, the “**Ahab Opportunities Funds**”); (ii) Ahab Distressed, L.P., a Delaware limited partnership, which began operations in June 2008 (the “**Ahab Distressed Fund**”); (iii) Ahab Redemption Fund, L.P. and Ahab Redemption Fund, Ltd., a Delaware limited partnership and a Bahamian corporation, respectively, each of which began operations in December 2008, and each of which was formed as a special purpose vehicle to facilitate redemptions from the corresponding Ahab Opportunities Fund (together, the “**Ahab Redemption Funds**”); and (iv) one or more managed accounts (collectively, the “**Managed Accounts**”). The Ahab Opportunities Funds, collectively, with the Ahab Distressed Fund, and the Ahab Redemption Funds, the “**Funds**,” and each, individually, as the context may dictate, a “**Fund**.”

Our affiliate, Pequod LLC, a New York limited liability company formed in March 1995, is the general partner of Ahab Opportunities, L.P. and Ahab Redemption Fund, L.P., and has ultimate responsibility for the management, operation, and administration of Ahab Opportunities, L.P. and Ahab Redemption Fund, L.P. Our affiliate, Pequod II LLC, a Delaware limited liability company formed in May 2008, is the general partner of Ahab Distressed, L.P., and has ultimate responsibility for the management, operation, and administration of Ahab Distressed, L.P.

We refer to the Funds and the Managed Accounts, collectively, as our “**Client Accounts**,” or more generally, with other potential clients, as our “**clients**.”

From time to time, we or our affiliates may launch, sponsor, or provide investment advisory services to additional pooled investment vehicles or managed accounts.

Our principal owner is Jonathan Gallen, who is also the sole managing member of each of Pequod LLC and Pequod II LLC. We have been in business for approximately 19 years.

B. Description of Advisory Services

As an investment adviser, we provide discretionary investment management services and design, structure, and implement investment strategies for the Funds and the Managed Accounts. For a detailed discussion of our strategies, see “Item 8 Methods of Analysis, Investment Strategies and Risk of Loss” below.

Pursuant to our investment advisory agreements, or other advisory arrangements, with each of the Funds and the Managed Accounts, we provide advisory services and manage client assets in accordance with one or more of our established investment strategies. We, nonetheless, tailor our services to the needs of each client. Any restrictions on investing in certain securities, types of securities, or any geographic areas or industry sectors, are specified in the applicable

investment advisory agreement with, or offering and organizational documents of, the relevant client.

C. Wrap Fee Programs

We do not participate in wrap fee programs.

D. Assets Under Management

As of January 31, 2012, we had \$204,000,000 assets under management on a discretionary basis and no assets under management on a non-discretionary basis.

ITEM 5 FEES AND COMPENSATION

A. Advisory Services and Fees

Written investment advisory agreements, and organizational and offering documents of the Client Accounts, govern the terms of compensation, and the manner in which we charge fees to each of our clients. The fees we charge for our advisory services may be negotiable depending on the circumstances of the client's account and the service levels we provide to the client. We generally bill our fees on a monthly or annual basis. Our fees are payable in advance. For a detailed description of our fee arrangements, see "Item 5 Fees and Compensation – Fees" below.

In addition to our fees and compensation, each client pays all of its operating expenses and administrative expenses, which are set forth in the applicable written investment advisory agreements, and organizational and offering documents of the clients. Operating expenses and administrative expenses may include, but are not limited to, all taxes; administrative expenses; investment expenses (e.g., expenses that are determined to be related to the investment, or the proposed investment, of the client's assets, such as brokerage and commission expenses, margin and interest expenses; out-of-pocket costs related to specific investment opportunities and investments, including consultants and their expenses, research and market data expenses, including without limitation, news, quotation, statistics, computer and pricing services, and hardware, software, data bases, and other technical and telecommunication services and equipment); fees, charges, and disbursements of escrow agents, custodians, and any sub-custodians; costs and expenses of investments and withdrawals by investors; legal expenses; insurance expenses (including, without limitation, indemnification insurance); governmental fees and regulatory expenses (including filing fees); and auditing, tax preparation, and accounting expenses related to the client and its investments. Each client is also generally responsible for its own extraordinary expenses (such as, to the extent applicable, litigation expenses and indemnification expenses). We bear the costs of providing our services to the clients, including our general overhead, salary, office, and travel expenses (other than travel related to the investment, or the proposed investment, of the clients' assets), and we receive reimbursement for any non-investment advisory expenses we incur on behalf of the clients.

We do not receive brokerage commissions or other compensation attributable to the sale of securities or other investment products.

For a discussion of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of commissions and compensation for such broker-dealers, see "Item 12 Brokerage Practices – Selection of Broker-Dealers and Reasonableness of Compensation."

B. Payment of Fees

The fees relating to our trading strategies for the Funds are generally as follows:

- A management fee is payable to us monthly, in advance, at an annual rate ranging generally from 1.5% to 2% of the applicable Fund's net assets attributable to each Fund investor's account.
- A performance allocation is allocable to us by a Fund at a rate equal to between 15% and 30% of the net gains allocable to an investor's account. The performance allocation is generally allocable on an annual basis in arrears. The performance allocation is subject to a high water mark.
- Such fees are deducted from the applicable Client Account.

The fees relating to our trading strategies for our Managed Accounts are negotiable. We do not currently assess fees with respect to any of our current Managed Accounts.

We may elect to waive or reduce the incentive allocations and the management fees described above, without notice to, or the consent of, any client (or underlying investors in the Funds). There are no current side letter agreements that would negatively impact our clients.

Pursuant to the terms of the client's investment advisory agreement, or other advisory arrangement, if the investment advisory relationship is terminated (or funds are withdrawn) as of any date other than the last business day of the applicable payment period, we typically charge a prorated management fee based on the ratio that the number of days for which investment advisory services were rendered bears to the total number of days in that payment period, and we return any unearned fees to the client or underlying investor. In the event that the investment advisory relationship is terminated (or funds are withdrawn) other than at the end of a performance fee or allocation calculation period, such termination (or withdrawal) date shall typically be treated as the end of a performance fee or allocation calculation period, and, if earned, we charge such client a performance fee or allocate a performance allocation in connection with such client's account, as applicable.

ITEM 6

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

In some cases, including pursuant to our investment advisory agreements, or other advisory relationships, with the Client Accounts, we enter into performance or incentive fee or allocation arrangements with eligible clients. The terms and conditions of such fees or allocations are subject to individualized negotiations with each client. We structure any performance or incentive fee or allocation arrangement in accordance with Section 205(a)(1) of the Advisers Act, and the rules and regulations thereunder, including the exemption set forth in Rule 205-3 of the Advisers Act permitting performance fee arrangements with “qualified clients.” For a more detailed discussion of the calculation of the incentive fees or allocations paid or made, as applicable, by the Client Accounts, see “Item 5 Fees and Compensation – Fees.”

Performance-based fee or allocation arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those that we may recommend under a different fee or allocation arrangement. In the allocation of investment opportunities, performance-based fee or allocation arrangements may also create an incentive for us to favor accounts with performance or incentive fee or allocation arrangements over accounts that do not have such arrangements or, alternatively, favor accounts with higher performance-based fees or allocation arrangements over accounts with lower performance-based fees or allocation arrangements. We have adopted an Investment Allocation Policy (the “**Allocation Policy**”) designed to ensure that all of our clients are treated fairly and equally, and to prevent this form of conflict from influencing the allocation of investment opportunities among our clients. In accordance with our Allocation Policy, while each of our clients may not participate in each individual investment opportunity on an overall basis, each client is generally entitled to participate equitably with our other clients.

The Allocation Policy seeks to allocate investment opportunities among our clients in a fair and equitable manner. Allocations are generally calculated pro-rata based upon the fully invested net asset value of the Client Accounts. In certain cases, however, we may determine that a pro-rata allocation is not appropriate under the particular circumstances. In such event, we make the allocation based upon other factors we deem relevant, consistent with our fiduciary duties. Any decision to deviate from pro-rata allocations is made by the Fund Manager, Mr. Gallen, in consultation with our Chief Compliance Officer. Additionally, securities transactions are assessed to determine whether, taken as a whole, the order size would pose regulatory filing or liquidity issues that may adversely affect any Client Account. If these issues are present, Mr. Gallen, in consultation with our Chief Compliance Officer, determines whether to reduce the aggregated order pro rata among the Client Accounts, or take other appropriate action to avoid such adverse effects.

ITEM 7

TYPES OF CLIENTS

We currently provide investment advisory services to the Client Accounts, which are offered to high-net-worth individuals; financially sophisticated individual and institutional investors, including trusts, estates, or charitable organizations, pension and profit sharing plans; and comingled investment vehicles.

Other than with respect to the Ahab Redemption Funds, investors in the Funds generally must make minimum initial subscriptions of \$1,000,000. Investors in the Ahab Redemption Funds are former limited partners or shareholders, as applicable, of the Ahab Opportunities Funds, who have been issued interests in the Ahab Redemption Funds in satisfaction of certain redemption requests with respect to the Ahab Opportunities Funds prior to April 2011.

Investors in the Funds must meet certain prescribed criteria, including, as applicable, being (i) an “accredited investor,” as defined in Rule 501(a) of Regulation D, promulgated pursuant to Section 4(2) of the Securities Act of 1933, as amended; (ii) a “qualified purchaser,” as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended; and (iii) a “qualified client,” as defined in Rule 205-3 of the Advisers Act. With respect to Managed Accounts, any applicable initial minimum investment is subject to negotiation. Such minimum investment amounts and investor criteria are set forth in the offering documents of each Fund and the applicable investment advisory agreement for each of the Managed Accounts.

We may, in our sole discretion, waive any of these minimum account requirements.

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

A. Methods of Analysis and Investment Strategies

We pursue a variety of investment objectives and strategies. The chief investment objective of the Funds and the Managed Accounts is to maximize total return on capital by seeking capital appreciation and current income through a varied portfolio of investments. We seek to achieve this objective by employing an opportunistic investing approach across asset classes and by seeking market inefficiencies and dislocations, reducing allocations to strategies as they become commoditized and overcapitalized.

Investment Methodology

We utilize a global multi-strategy approach, seeking to opportunistically invest client assets where we deem it appropriate and advantageous, using a variety of strategies, including, among others: high yield and distressed credit investing; fundamentally-driven long/short investing; and special situations (including, without limitation, private equity and debt private placement transactions). In executing our investment program, we invest in a variety of financial instruments including, but not limited to, global equity and equity-linked securities, including exchange-traded and over-the-counter equity securities (including common stock and preferred stock); options; convertibles; warrants; swaps; and futures, as well as other derivative instruments and contracts. We may also invest in secured and unsecured debt; convertible bonds; commodities; mortgage and asset-backed securities; transactions referencing currencies; rates and commodities; and purchases of real assets. In addition, we may use fixed income and foreign exchange instruments as a hedge against undesired risk. Investment strategies generally will not be limited by type of investment or geography. We may, from time to time, and in accordance with each client's investment objective, make investments in privately-sourced, offered, and/or negotiated transactions on an opportunistic basis.

While we generally apply the investment philosophy and investment process described herein to each client's portfolio, we, on behalf of each client, may pursue a wide variety of investment strategies, and may modify or depart from the above described investment philosophy, approach, techniques, and procedures as we determine appropriate to accomplish each client's investment objectives. We may not employ all techniques described herein with respect to each client's investments. Further, all such techniques may not be utilized.

There can be no assurance that the investment objective of each client will be achieved, that its investment philosophy or strategies will be successful, or that it will generate any positive returns. Some of the markets in which we will invest on behalf of a Client Account may be less liquid or illiquid, inefficient, and/or unpredictable markets that may be subject to a wide variety of risks. Investors must be prepared for the risk of losing all or substantially all of their investment.

B. Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. More specifically, investing in assets managed pursuant to our strategies set forth above involves the below material risks. There can be no assurance that the Client Accounts will achieve their investment objectives or that any of their hedging activities will be successfully implemented. In addition to the risks listed below, clients (and underlying investors) should review the respective offering, organizational and similar documents relating to their Client Account. Each client is also encouraged to consult with the Adviser to review the specific risk parameters of, and assets that comprise, the client's account at any given time and from time to time.

An investment in the Client Accounts is highly speculative and involves a high degree of risk due to the nature of each of the Client Account's investments and strategies employed. An investment in any of the Client Accounts should not in and of itself be considered a balanced investment program. Prospective investors should be able to withstand the loss of their entire investment and should consider carefully the following considerations and risk factors, which apply to our investment strategies described above, prior to subscribing for interests in a Fund or for a Managed Account.

Investment and Trading Risks

An investment in the Funds or a Managed Account involves a high degree of risk, including the risk that the entire amount invested may be lost. Our investment program may utilize securities and other financial instruments using strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the equity and currency markets, the risks of borrowings and short sales, the leverage associated with trading in the currency and derivatives markets, the potential illiquidity of derivative instruments, and the risk of loss from counterparty defaults. Not only are such investments subject to investment-specific price fluctuations, but also to macro-economic, market, industry, and country-specific conditions. Those risks may be significantly enhanced by the concentration of investments, their consequent lack of diversification, and the potential that creates for volatility. Moreover, the Client Accounts may have only limited ability to vary their investment portfolios in response to changing economic, financial, and investment conditions. No assurance can be given as to when or whether adverse events might occur that could cause significant and immediate loss in value of the clients' portfolios.

No Material Limitation on Strategies

We opportunistically implement whatever strategies or discretionary approaches we believe from time to time may be best suited to prevailing market conditions. There can be no assurance that we will be successful in applying any strategy or discretionary approach to the Client Accounts' trading.

Concentration of Holdings

Although we have implemented self-imposed guidelines on diversification, there are no limits on our investment discretion. At any given time, it is therefore possible that the Client

Accounts' investments may be concentrated in a particular market or industry, including through the appreciation of the Client Accounts' investments. Limited diversification could expose the Client Accounts to losses disproportionate to general market movements if there are disproportionately greater adverse price movements in the Client Accounts' investments.

The Client Accounts' Trading is Volatile

A principal risk in speculative trading is the traditional volatility in the market prices of instruments. The profitability of the Client Accounts depends greatly on predicting market prices. If we incorrectly predict price movements, large losses could result.

The Securities in Which the Client Accounts Invest may be Illiquid

The Client Accounts may invest in securities and other instruments that are subject to legal or other restrictions on transfer, or for which no liquid market exists. The market prices, if any, for such securities or other instruments tend to be volatile, and may not be readily ascertainable, and we may not be able to sell them when we desire to do so, or to realize what we perceive to be their fair value in the event of a sale. 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. We 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. An investment in the Client Accounts is suitable only for certain sophisticated investors who do not require immediate liquidity for their investments.

Risks Associated with Investments in Distressed Securities

The Client Accounts may invest in securities of domestic and non-U.S. companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns to the Client Accounts, they involve a substantial degree of risk. Any one or all of the issuers of the securities in which the Client Accounts may invest may be unsuccessful or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that we will correctly evaluate the value of the assets collateralizing the Client Accounts' investments, or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Client Accounts invest, the Client Accounts may lose their entire investment, may be required to accept cash or securities with a value less than the Client Accounts' original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Client Accounts' investments may not compensate the Client Accounts adequately for the risks assumed.

The Client Accounts may participate in restructuring of distressed companies' securities, which involves unique risks, including the following:

(a) Many of the events within a bankruptcy proceeding are adversarial, and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions that may be contrary to the interests of the Client Accounts. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such when they take over management and functional operating control of a debtor. In those cases where the Client Accounts, by virtue of such action, are found to exercise “domination and control” over a debtor, the Client Accounts may lose their priority if the debtor can demonstrate that its business was adversely impacted, or other creditors and equity holders were harmed, by the Client Accounts.

(b) Generally, the duration of a bankruptcy proceeding can only be roughly estimated. Therefore, unless we, on behalf of the Client Accounts as creditors in such proceeding, negotiate for or are otherwise entitled to receive interest on our pre-bankruptcy petition claim, the Client Accounts’ return on an investment can be adversely affected by the passage of time during which the plan of reorganization of the debtor is being negotiated, approved by the creditors, and confirmed by the bankruptcy court before it ultimately becomes effective. The risk of delay is particularly acute when a creditor holds unsecured debt, or when the collateral value underlying secured debt does not equal the amount of the secured claim. It should also be noted that reorganizations outside of bankruptcy are also subject to unpredictable and potentially lengthy delays.

(c) U.S. bankruptcy law permits the classification of “substantially similar” claims in determining the classification of claims in a reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the Client Accounts’ influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in the class.

(d) The administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor’s estate prior to any return to creditors and equity holders. In addition, certain claims that have priority by law (e.g., claims for taxes) may be quite high.

(e) We, on behalf of the Client Accounts, may seek representation on creditors committees, equity holders committees, or other groups to ensure preservation or enhancement of the Client Accounts’ position as creditors or equity holders. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If we conclude that our obligations owed to the other parties as a committee or group member conflict with our duties owed to the Client Accounts, we will resign from that committee or group, and the Client Accounts may not realize the benefits, if any, of participation on the committee or group. In addition, if the Client Accounts are represented on a committee or group, they may be restricted or prohibited under applicable law from disposing of their investments in such company while they continue to be represented on such committee or group.

(f) The Client Accounts may purchase creditor claims subsequent to the commencement of a bankruptcy proceeding. Under judicial decisions, it is possible that such

purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

Risks of Litigation

Investing in distressed securities can be a contentious and adversarial process. Different investor groups may have qualitatively different, and frequently conflicting, interests. The Client Accounts' investment activities may include activities that are hostile in nature and that will subject them to the risks of becoming involved in litigation by third parties. This risk may be greater where the Client Accounts exercise control or significant influence over a company's direction. The expense of defending against third-party claims against the Client Accounts, and of paying any amounts pursuant to settlements or judgments would be borne by the Client Accounts, would reduce net assets, and could require the Client Account investors to return distributed capital and earnings to the applicable Client Account. We may be indemnified by the Client Accounts in connection with such litigation, subject to certain conditions.

Fixed Income Securities

The Client Accounts may invest in bonds or other fixed income securities, including, without limitation, "higher yielding" (and, therefore, higher risk) debt securities, when we believe that such securities offer opportunities for capital growth. Such securities may be below "investment grade," and face ongoing uncertainties and exposure to adverse business, financial, or economic conditions that could lead to the issuer's inability to meet timely interest and principal payments, if at all. The market values of certain of these lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates. It is likely that a major economic recession could have a materially adverse impact on the value of such securities. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of securities rated below investment grade.

The value of fixed income securities in which the Client Accounts will invest will change in response to fluctuations in interest rates. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of creditworthiness, political stability, or soundness of economic policies. Valuations of other fixed income instruments may fluctuate in response to changes in the economic environment that may affect future cash flows. Except to the extent that values are independently affected by currency exchange rate fluctuations, when interest rates decline, the value of fixed income securities generally can be expected to rise. Conversely, when interest rates rise, the value of fixed income securities generally can be expected to decline.

Equity Securities

The Client Accounts' investment portfolio may include positions in common stocks, preferred stocks, and convertible securities principally of U.S. issuers and, to a lesser extent, non-U.S. issuers. The Client Accounts also may invest in depositary receipts relating to non-U.S. securities. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which

individual companies compete, and industry market conditions and general economic environments.

Investments in Undervalued Securities

The Client Accounts seek to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Client Accounts' investments may not adequately compensate for the business and financial risks assumed. In addition, the Client Accounts may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the Client Accounts' capital would be committed to the securities purchased, thus possibly preventing the Client Accounts from investing in other opportunities. In addition, the Client Accounts may finance such purchases with borrowed funds, and thus will have to pay interest on such funds during such waiting period.

Private Equity Investments

The Client Accounts' return of capital and realization of gains, if any, in respect of any long-term investments, including private placements and equity, and certain real estate assets, generally will occur only upon the partial or complete disposition of an investment. Investments of this nature are often subject to significant contractual limitations that either prevent sale or force sale in certain circumstances. In addition, the Client Accounts may be required to hold the investment for a significant period until a sale of the business or public offering. While we may attempt to sell such investments at any time, we do not generally expect that this will occur for a number of years after such an investment has been made. Prior to such time, there generally will be no current return on investment in respect of such investments. In connection with the disposition of certain investments, the Client Accounts may be required to make representations about the business and financial affairs of the underlying company, and to indemnify the purchasers of such company if those representations ultimately prove to be inaccurate. The Client Accounts may hold minority positions in certain private companies and make co-investments with other investment funds where the Client Accounts' investment represents a minority position. As a result, the Client Accounts may not be able to exercise control over such companies, and may be unable to control the timing or occurrence of any exit strategy for any investment in such a company. There are a number of complex factors involved in valuing restricted securities that may require us to exercise discretion.

Risks of Event-Driven and Special Situations Investing

The Client Accounts may engage in event-driven investing. Event driven investing requires us to make predictions about (i) the likelihood that an event will occur; and (ii) the impact such event will have on the value of a company's securities. If the event fails to occur, or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies, a meaningful change in management, or the sale of a division or other significant assets by a company, may not be valued as highly by the market as we had anticipated, resulting

in losses. In addition, a company may announce a restructuring plan that promises to enhance value, but may fail to implement it, resulting in losses to investors.

The Client Accounts may also invest in companies involved in, or undergoing, work-outs, liquidations, spin-offs, reorganizations, bankruptcies, or other catalytic changes or similar transactions. In any investment opportunity involving any such type of event or special situation, the risk exists that the contemplated transaction will be either unsuccessful, take considerable time, or will result in a distribution of cash or a new security, the value of which will be less than the Client Accounts' purchase price of the security, or other financial instrument, in respect of which such distribution is received. Similarly, if an anticipated transaction does not occur, the Client Accounts may be required to sell their investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Client Accounts may invest, the Client Accounts face a potential risk of losing their entire investment in such companies.

The Client Accounts' Trading May Be Leveraged

The Client Accounts may trade on a leveraged basis (i.e., where the security can be purchased by putting up only a portion of the instrument's face value and borrowing the remainder (margin)). Thus, a relatively small price movement in such an investment may result in immediate and substantial loss to the Client Accounts. Like other leveraged investments, the Client Accounts' transactions may result in losses in excess of the amount invested.

Short Sales

The Client Accounts may engage in "short sales" (i.e., the sale of a debt or equity security that the Client Accounts do not own, in the hope of purchasing the same security at a later date at a lower price), in which there is no limit to the amount of potential loss. The extent to which the Client Accounts engage in short sales depends upon their investment strategy and perception of market direction. The Client Accounts incur a loss as a result of a short sale if the price of the security increases between the date of the short sale and the date on which the Client Accounts cover their short position (i.e., purchase the security to replace the borrowed security). The Client Accounts realize a gain if the security declines in price between these dates. A short sale involves the theoretically unlimited risk of an increase in a security's market price.

Although short sales can substantially improve the return on invested capital, their use may also increase any adverse impact to the investment portfolio of the Client Accounts. Gains and losses on short sales generally are treated as short-term capital gains and losses for tax purposes.

Non-U.S. Investments

We may invest in the securities of issuers located throughout the world. In making such investments, we will give appropriate consideration to a number of factors, including the following. Many securities markets are not as developed or efficient as others. Moreover, securities of some issuers are less liquid and more volatile than securities of comparable issuers in other countries. Similarly, volume and liquidity in securities markets vary and, at times, volatility of price can be greater in some countries than in others. The issuers of some of the securities, such

as non-U.S. banks may be subject to different regulations than other issuers. In addition, there may be less publicly available information about issuers in some markets as opposed to issuers in other markets; some issuers are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to other issuers.

The Client Accounts may be subject to additional risks that include possible adverse political and economic developments, possible seizure or nationalization of non-U.S. deposits, and possible adoption of governmental restrictions that might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Furthermore, some of the securities may be subject to brokerage taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain, or increasing the realized loss on such securities at the time of sale. Income received by the Client Accounts from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by the Client Accounts will reduce their net income or return from such investments. While we will take these factors into consideration in making investment decisions for the Client Accounts, no assurance can be given that we will be able to fully avoid these risks.

Currency Risks

There is no percentage restriction on the Client Accounts' investments that are denominated in a non-U.S. currency. Those investments that are denominated in a non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. An increase in the value of the U.S. dollar compared to the other currencies in which the Client Accounts make their investments will reduce the effect of increases, and magnify the U.S. dollar equivalent of the effect of decreases in the prices of those securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases, and reducing the effect of decreases in the prices of the Client Accounts' non-U.S. dollar denominated securities. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment, and capital appreciation and political developments.

Trading of Options Presents Certain Risks

A large number of options are traded on United States and foreign exchanges, as well as over the counter. Each such option is a right, purchased for a certain price, to either buy or sell the underlying security during a certain period of time for a fixed price. There are certain risks inherent in the sale and purchase of options.

The seller (writer) of a covered call option (e.g., the writer has a long position in the underlying security) assumes the risk of a decline in the market price of the underlying security to a level below the purchase price of the underlying security, less the premium received on the call option. The writer of a covered call option also gives up the opportunity for gain on the underlying security above the exercise price of the call. The writer 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. The buyer of a call option assumes the risk of

losing the premium invested in the option. If the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the security (if the market price of the underlying security declines).

The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is “fully hedged” if the options expire at the same time. 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 the premium it paid to purchase the put option. If the buyer of the put option holds the underlying securities, the loss on the put option will be offset, in whole or in part, by any gain in the market price of the underlying security.

Risk of Operations/Liquidity Risks

Although many of the securities that the Client Accounts may acquire will be traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it difficult or impossible for the Client Accounts to liquidate their positions, and would thereby expose them to losses. In addition, some of the securities in which the Client Accounts may invest may be thinly traded, restricted, or not traded in a public market, potentially making it difficult for the Client Accounts to dispose of a position at the time or price desired. Moreover, in periods of extreme market volatility, the bid/ask spreads for some securities that are ordinarily liquid may widen, making it difficult or undesirable to sell the securities. Additionally, there is a possibility that the institutions, including brokerage firms and banks, with which the Client Accounts will do business, or with which securities may be entrusted for custodial purposes, will encounter financial difficulties that may impair the operational capabilities or the capital position of the Client Accounts. We may seek to mitigate this risk by selecting financially responsible broker-dealers, clearing firms, and counterparties with which to do business. Furthermore, if investors elect to redeem Fund interests as of the end of a given fiscal period, the Funds might be forced to close out existing positions at a time when it was disadvantageous to do so. There can be no assurance that the trading markets will remain liquid enough for management to close out existing positions at any time there is a need to do so.

Hedging Transactions

We may use certain transactions as hedges against adverse market fluctuations. Hedging does not prevent losses but is designed to reduce them. At the same time, hedging may reduce the opportunity for gain because an offsetting position may generate a loss, though the portfolio generated a gain.

Trading in Commodity and Futures Contracts

Trading in commodity and futures contracts and options thereon are highly specialized activities which, while they may increase the total return in the Client Accounts' investments, may entail greater than ordinary investment risks.

Commodity futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required by commodity futures trading, a high degree of leverage may be typical of a commodity futures trading account. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to the trader. Commodity futures trading may also be illiquid. Certain commodity exchanges do not permit trading in particular futures contracts at prices that represent a fluctuation in price during a single day's trading beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits, we could be prevented from promptly liquidating unfavorable positions, and thus be subject to substantial losses.

Commodity options, like commodity futures contracts, are speculative, and their use involves risk. Specific market movements of the cash commodity or futures contract underlying an option cannot be predicted, and no assurance can be given that a liquid offset market will exist for any particular futures option at any particular time.

Counterparty and Settlement Risk

To the extent the Client Accounts invest in securities, swaps, derivative or synthetic instruments, or other over-the-counter transactions, in certain circumstances the Client Accounts may take a credit risk with regard to parties with whom they trade, and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections, and expose the parties to the risk of counterparty default. It may not always be possible for the securities and other assets deposited with custodians or brokers to be clearly identified as being assets of the Client Accounts, and the Client Accounts may be exposed to a credit risk in those situations. In addition, there may be practical or time problems associated with enforcing the rights of the Client Accounts to their assets in the case of an insolvency of any such party. In valuing derivative instruments, we anticipate typically relying on quotes or other information provided by counterparties.

In relation to investments in non-U.S. securities, many emerging market countries have clearance and settlement procedures that differ from those of developed countries. There may be no central clearing mechanism for settling trades and no central depository or custodian for the safekeeping of securities. The registration, record-keeping, and transfer of instruments may be carried out manually, which may cause delays in the recording of ownership. Increased settlement risk may increase counterparty and other risk. Certain markets have experienced periods when settlement dates are extended and, during the interim, the market value of an

instrument may change. Moreover, certain markets have experienced, and may experience, periods when settlements do not keep pace with the volume of transactions, resulting in settlement difficulties. Because of the lack of standardized settlement procedures, settlement risk in emerging markets is more prominent than in more mature markets.

Exchange Traded Funds

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

Custody Risk

In connection with investment by the Client Accounts in emerging market debt securities, the Client Accounts and/or their custodian may be required to appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the Client Accounts. The custodian to the Client Accounts may not be responsible for cash or assets that are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by the Client Accounts as a result of the bankruptcy or insolvency of any such sub-custodian. The Client Accounts may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections, which would normally be provided to a fund by a custodian, will not be available to the Client Accounts. Custody services in certain non-U.S. jurisdictions remain undeveloped, and accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy in certain non-U.S. jurisdictions, the ability of the Client Accounts to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy would be in doubt.

Dependence on the Fund Manager

Jonathan Gallen, the Fund Manager, is our president and sole principal. All management decisions are made by the Fund Manager on our behalf. Accordingly, no person should invest in the Client Accounts unless he is willing to entrust all aspects of the management of the Client Accounts to the Fund Manager, who has discretion with respect to the types of securities in which the Client Accounts invest, and has the right to modify the investment strategy of the Client Accounts without the consent of investors. The Client Accounts are dependent on the services of Mr. Gallen. The loss of his services could make it impossible for us to continue to manage the Client Accounts.

Fund Interests are Illiquid

Because of the significant limitations on redemptions, and the fact that Fund interests are not tradable, an investment in the Funds is relatively illiquid and involves a high degree of risk. Investments in the Funds may not be available for emergencies or other use by an investor.

Accordingly, a subscription for Fund interests should be considered only by sophisticated investors financially able to maintain their investment and who can afford to lose all or a substantial part of such investment.

In-Kind Distributions; Special Purpose Vehicles

Investors should be aware that we may, and in the past have, effected distributions, including distributions relating to investors' withdrawal requests, via the distribution of securities in-kind, in lieu of, or in addition to, cash, including securities of affiliated special purpose vehicles formed to facilitate withdrawals. In the event that we make distributions of securities in-kind, such securities could be illiquid or subject to legal, contractual, and other restrictions on transfer.

Investors may be Required to Withdraw Capital

We generally may, in our sole discretion at any time, and from time to time, require any Fund investor to withdraw all or a portion of his capital. Such mandatory withdrawal may create adverse tax and/or economic consequences to the investor.

Investors Do Not Participate in Management

Investors do not participate in the management of the Funds or in the conduct of their business. Moreover, investors have no right to influence the management of the Funds, whether by voting, withdrawing, removing or replacing us or our affiliates. Any participation in the management of the Funds could subject an investor to unlimited liability for the actions of the Funds.

Indemnification

Certain Fund agreements contain broad indemnification and exculpation provisions. These provisions protect us and our affiliates, including the Fund Manager, from actions brought by third parties against us and such other persons. In addition, such indemnification and exculpation provisions limit the right of an investor to maintain an action against us and/or the Fund Manager to recover losses or costs incurred by the Funds as a result of any actions by us and/or the Fund Manager or failures to act. Investors should carefully review these provisions set forth in the applicable Fund documents.

Our Return

We, or our affiliates, receive an allocation or fee of 15% or 20% of the Funds' net profits, and with respect to certain pre-existing Fund investors, an allocation or fee of 30% of profits. Our performance allocation or fee with respect to Managed Accounts may vary. These returns may constitute a higher rate of return to us than is found in many other investment alternatives. The return received by an investor is reduced as a result of these allocations or fees. This method of compensating us may provide an incentive to engage in a more speculative trading strategy than would be the case if we were not compensated on the basis of the Client Account's performance.

Inside Information

From time to time, we may come into possession of material, non-public information concerning an entity in which the Client Accounts have invested or propose to invest. Applicable law may limit the ability of the Client Accounts to buy or sell securities of such entity while such information remains non-public and material.

Investors May Be Taxed on Profits Whether or Not Distributed

The Funds are not required to distribute profits, and we generally do not intend to make any distributions to investors (other than distributions made pursuant to withdrawal requests). If the Funds have taxable income in a fiscal year, such income may be taxable to the investors in accordance with their distributive shares of the Funds' profits, whether or not such profits have been distributed. In the event the Funds were to sustain losses, investors may still be required to pay tax on the interest income earned by the Funds because any trading losses sustained are, in most if not all cases, capital losses that are deductible by non-corporate investors against ordinary income only to a certain extent. The tax liability of investors for any profits of the Funds very likely will exceed any distributions received from the Funds.

Tax Laws Subject to Change

It is possible that the current United States federal income tax treatment accorded an investment in the Client Accounts will be modified by legislative, administrative, or judicial action in the future. The nature of additional changes in federal income tax law, if any, cannot be determined prior to enactment of any new tax legislation. However, such legislation could significantly alter the tax consequences and decrease the after-tax rate of return of an investment in the Client Accounts. **Potential investors therefore should seek, and must rely on, the advice of their own tax advisers with respect to the possible impact on their investments of recent legislation, as well as any future proposed tax legislation or administrative or judicial action.**

Limits on Deductibility for Investment Expenses

The Funds may be required to treat certain items as "investment advisory fees," which may be subject to substantial restrictions on deductibility for federal income tax purposes. Any such classification of these amounts could increase the effective tax rate to investors on profits (if any). We will determine, in our sole discretion, and without consulting with investors, how, with respect to each applicable tax year, these expenses should be classified for federal income tax purposes. Although the Funds have taken the position that their securities trading activity constitutes a trade or business for federal income tax purposes, there can be no assurance that the Internal Revenue Service may not treat such expenses as investment expenses, which are subject to the limitations on deductibility.

Statutory Regulation; Lack of Protection Under the Investment Company Act

The Funds are similar in operation to open-end investment companies (mutual funds) in that they are engaged in the business of investing in, holding, and trading securities, and permit periodic redemptions. The Funds will not register under the Investment Company Act of 1940,

as amended, in reliance on the exclusion from the definition of an “investment company” provided by such Act. Investors, therefore, are not accorded the protective measures provided by such Act.

Future Regulatory and Market Changes

Regulation of the United States and non-U.S. markets has undergone substantial change in recent years, a process that is expected to continue. In addition, it is impossible to predict what, if any, significant new regulations may be promulgated as a result of regulatory action; however, the effect of such regulatory change on the Client Accounts could be substantial and adverse.

In addition to future regulatory changes, the markets recently have undergone and are expected to continue to undergo rapid and substantial changes. There can be no assurance as to how the Client Accounts will perform given the changes to, and increased competition in, the marketplace.

Terrorist Action

There is a risk of terrorist attacks on the United States and elsewhere, which may cause significant loss of life and property damage and disruptions in global markets. Economic and diplomatic sanctions may be in place or imposed on certain states, and military action may be commenced. The impact of such events likely would have a material effect on general economic conditions and market liquidity.

ITEM 9
DISCIPLINARY INFORMATION

To the best of our knowledge, there are no legal or disciplinary events that we believe would be material to our clients' or our prospective clients' evaluation of our advisory business, or the integrity of our management.

ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration

Neither we, nor our management personnel (i) are registered as broker-dealers; or (ii) have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration

Neither we, nor our management personnel (i) are registered as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing; or (ii) have any application pending to register with respect to any of the foregoing.

C. Material Relationships and Conflicts of Interests with Industry Participants

Our relationships and arrangements with our various clients and other industry participants are material to our advisory business and may raise conflicts of interest. Below is a description of some of the conflicts of interest arising from such relationships and arrangements. Because this is not an exhaustive list of all of the conflicts of interest associated with the conduct of our investment advisory business, clients should read this brochure, any investment advisory agreement, and any offering documents of the particular Client Account before making an investment with us.

Services Agreement

Pursuant to a shared services agreement (the “**Services Agreement**”) between us and an unaffiliated registered investment adviser, such adviser provides certain back office services to us. All fees paid pursuant to the Services Agreement are paid by us out of the management fees described in this brochure, and are not expenses of any Client Account. Termination of the Services Agreement may require us to seek out alternative administrative arrangements, which may disrupt our ability to service adequately Client Accounts.

Multiple Client Accounts

We provide investment advisory services to multiple Client Accounts. There is no limit on the number of vehicles or accounts that we or our affiliates may manage or advise. Further, we and our personnel may have investments in certain of our client accounts. As a result of the foregoing, we may have conflicts of interest in (i) allocating the time and resources of our personnel between and among clients; (ii) allocating investment opportunities between and among clients (See Item 6 – “Performance-Based Fees and Side-By-Side Management”); and (iii) effecting transactions between clients, including clients in which we or our personnel may have different financial interests.

Broker-Dealers and Other Service Providers

While we select our prime brokers, counterparties, and service providers in accordance with our fiduciary obligations to our clients, from time to time, such parties or their affiliates may also invest in the Client Accounts.

With respect to the selection of broker-dealers, we allocate portfolio transactions to brokers based on best execution, and in consideration of such brokers' provision or payment of the costs of research and other services. For a more detailed discussion of the factors that we consider in selecting or recommending broker-dealers for client transactions, see Item 12 - "Brokerage Practices."

Our Code of Ethics requires that we make full disclosure of all material facts concerning any actual, apparent or potential conflicts of interest, and requires us and our personnel to follow appropriate procedures designed to minimize any such conflict.

For a more detailed discussion of our Code of Ethics, see Item 11 - "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading."

D. Material Conflicts of Interest Relating to Other Investment Advisers

Except as otherwise disclosed in this Item 10, we do not recommend or select for our clients, receive compensation, directly or indirectly from, or have other business relationships with, other investment advisers.

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

A. Code of Ethics

We have adopted a Code of Ethics that is based on the principle that we, and each of our personnel, owe a fiduciary duty to our clients, and a duty to comply with federal and state securities laws, and all other applicable laws. These duties include the obligation of all personnel to conduct their personal securities transactions in a manner that does not interfere with the transactions of any client, or otherwise take unfair advantage of their relationship with clients. Among other things, the Code of Ethics requires regular reporting of personal securities transactions by certain personnel. Additionally, we maintain a restricted list of certain issuers whose securities our personnel are not permitted to trade.

We will provide a copy of our Code of Ethics, free of charge, to any client or investor, and prospective client or prospective investor, upon request. Our Code of Ethics may be requested by contacting our Chief Compliance Officer, Ron Corwin, at (203) 557-3541 or ron@roncorwin.com.

B. Recommending, Buying, or Selling Securities in which We or a Related Person Have a Material Financial Interest, Invest, or Buy or Sell at the Same Time; Conflict of Interests

In certain limited circumstances, we may, on our clients' behalf, buy or sell securities or related instruments in which we or our related persons, directly or indirectly, have a position of interest. We, or our related persons, may invest in the same securities or related instruments that we recommend to our clients.

Conflicts of interest may occur if we, or our related persons, traded in the same security at or about the same time as our clients. For example, seeking to sell the securities we hold while simultaneously recommending that our clients maintain their position in the security. In such circumstances, a sale by our related persons or by us may affect the liquidity, value, or trading price of the securities that our clients continue to hold. In addition, we or our personnel may invest in the Client Accounts, and, therefore, such persons may hold an indirect interest in the same securities as other investors in the Client Accounts. Our Code of Ethics and our personal trading policy have been designed to limit conflicts of interest.

We or our affiliates may give advice and recommend securities to certain Client Accounts that may differ from advice given to, or securities recommended or bought for, other Client Accounts, even though their investment programs may be the same or similar.

On rare occasions, we may deem it to be in the best interests of our clients to reallocate or "cross" securities transactions between clients. Similarly, on rare occasions, we may enter into "principal transactions" in which we or an affiliate act as principal for our own account or as broker for the account of a client with respect to the sale of a security to or purchase of a security from another client. We maintain policies and procedures intended to limit the potential conflicts of interest inherent in cross or principal transactions. Cross or principal transactions are

only effected if they are deemed to be in the best interests of the particular clients involved and are conducted in compliance with our policies and procedures and applicable law.

We have adopted a securities compliance policy that prohibits us and our personnel from trading for clients or for ourselves or themselves, or recommending trading, in securities of a company while in possession of material nonpublic information (“**Inside Information**”) about the company, and from disclosing such information to any person not entitled to receive it, in either case in contravention of applicable securities laws. By reason of our various activities, we may have access to Inside Information or may be restricted from effecting transactions in certain investments that might otherwise have been initiated. We have adopted policies and procedures reasonably designed to, among other things, control and monitor the flow of Inside Information to and within our organization, as well as prevent trading based on Inside Information.

Personal Trading

We believe restricting our personnel’s personal trading is one way of avoiding conflicts of interest between our clients and such personnel. Our personal trading policies are part of our Code of Ethics. For a full description of our Code of Ethics, see Item 11 - “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading - Code of Ethics” above. Generally, the Code of Ethics requires that, prior to effecting any personal securities transactions, certain personnel, and their immediate family members, must receive written approval from our Chief Compliance Officer.

Generally, if a proposed securities transaction involves a security appearing on our restricted list, the transaction is not approved for personal trading. The restricted list is composed of companies or issuers about which a determination has been made that it is prudent to restrict trading activity. It is our policy that covered personnel, and their immediate family members, shall strictly observe such trading activity prohibitions or restrictions.

In addition, in general, certain firm personnel must provide our Chief Compliance Officer with (i) their, and their immediate family members’ securities holdings at the commencement of employment, and annually thereafter; and (ii) quarterly brokerage statements. Furthermore, the personal accounts of such persons are reviewed regularly and compared with transactions for our clients and against the restricted list.

ITEM 12

BROKERAGE PRACTICES

Pursuant to each client's investment advisory agreement, or other similar agreement, we are generally authorized to select the broker or dealer to effect transactions on behalf of our clients. However, our selection of the broker or dealer may be tailored to a particular client's investment guidelines or restrictions, where appropriate. Accordingly, portfolio transactions are allocated to brokers based on best execution and in consideration of such broker's provision or payment of the costs of research and other services.

A. Selection of Broker-Dealers and Reasonableness of Compensation

Consistent with our fiduciary duty to clients, we have an obligation to seek the best price and execution of client securities transactions when we are in a position to direct brokerage transactions. While not defined by statute or regulation, "best execution" generally means the execution of client trades at the best net price considering all relevant circumstances.

We place trades for execution only with approved brokers or dealers. The factors we consider in selecting and approving brokers-dealers to execute trades include, but are not limited to:

- the ability to achieve prompt and reliable executions at favorable prices;
- the competitiveness of commission rates in comparison with other brokers satisfying our overall selection criteria;
- the overall direct net economic result to clients' assets;
- the broker-dealer's clearance and settlement capabilities;
- the operational efficiency with which transactions are effected;
- the financial strength, integrity and stability of the broker;
- the ability to effect the transaction where a large block or other complicating factors are involved;
- the availability of the broker to execute possible difficult transactions in the future;
- the quality, comprehensiveness and frequency of available research and related services considered to be of value; and
- the quality, comprehensiveness and frequency of notifications of investment opportunities.

In addition, access to the brokerage firm's securities analysts in related areas that provide us with assistance in its investment decision-making process, may be a factor in choosing a broker-dealer.

Our Fund Manager and Chief Compliance Officer are responsible for due diligence on best execution, including ensuring that we meet our best execution obligations, updating our best execution procedures whenever appropriate, and considering any other best execution issues identified by us. Our Fund Manager and Chief Compliance Officer generally meet on a periodic basis to evaluate how business was allocated across the approved broker list.

1. Research and Other Soft Dollar Arrangements

Generally, our policy is to only use "soft" or commission dollars to the extent that such expenses come within Section 28(e) of the Securities Exchange Act of 1934, as amended ("**Section 28(e)**"). Section 28(e) provides a "safe harbor" to investment managers that use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment manager in performing investment decision-making responsibilities. Conduct outside of the safe harbor afforded by Section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. Items for which we may use soft dollars, and that fall within the safe harbor, include:

- research seminars and similar programs (however, travel expenses, meals and hotel accommodations are not included);
- computer analyses of securities portfolios;
- economic factors and trends as well as political analysis; and
- third party research, provided that the broker is (i) contractually obligated to pay the provider of the service or products, or (ii) not directly obligated to pay the provider of the service or products, but pays such provider directly and assures itself that such payments are used only for eligible brokerage or research.

We are not obligated to seek the lowest transaction charge, except to the extent that it contributes to the overall goal of obtaining the best execution for clients. A higher transaction charge on exchange and over-the-counter trades may be determined reasonable in light of the value of the brokerage execution and research products and services provided to us for the benefit of our clients.

We may from time to time enter into formal or informal arrangements with certain brokers ("**Soft Dollar Brokers**") whereby the provision of research or brokerage execution services is explicitly dependent on the level of commissions and underwriting concessions generated by the client accounts. Using a broker who provides us with research or other "soft-dollar" benefits may cause clients to pay commissions higher than the commissions charged by broker-dealers who do not so provide.

Research services received from Soft Dollar Brokers supplement and augment our own research capabilities, and directly assist us in our investment decision-making process. Section 28(e) permits products and services obtained by soft dollars to be used for any or all of our Client Accounts. Accordingly, the Client Accounts that provide the brokerage transaction charges for which such products and services are provided, or that engage in the securities transactions generating such charges do not necessarily receive the direct benefit of specific services. Instead, we may receive a benefit because we do not have to produce or pay for the research, products or services. Therefore, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution. In selecting Soft Dollar Brokers to initiate soft dollar transactions, we consider the capabilities of the Soft Dollar Broker to provide best execution.

All products and services that are paid for with client transaction charges are of the type described in Section 28(e). All products and services that are paid for with soft dollars are reviewed and approved to ensure that the product or service provides lawful and appropriate assistance in the performance of our investment decision-making activities. In addition, a determination is made as to whether the amount of the commissions paid is reasonable in light of the value of the products or services provided.

In the last fiscal year, we acquired the following these types of research and related products or services using brokerage commissions: information relating to securities pricing, written information and analyses concerning specific securities, companies or sectors; along with software, data bases and other technical and telecommunication services utilized in the investment management process.

2. Brokerage for Client Referrals

In selecting or recommending broker-dealers, we do not consider whether we, or any of our affiliates, receive client or investor referrals from a broker-dealer or other third party.

3. Directed Brokerage

"Directed brokerage" refers to instances in which a client retains the discretion to choose brokers and instructs us to direct portfolio transactions to a particular broker-dealer. We generally do not permit any directed brokerage arrangements.

B. Aggregating Orders for Various Client Accounts

We may aggregate orders of our Client Accounts for trade execution, and thereafter allocate the securities on an average price basis to such Client Accounts. More specifically, each client that participates in an aggregated order participates at the average share price for all of our transactions in that security or other instrument on a given business day and transaction costs are shared pro rata based on each client's participation in the transaction. No client is favored over any other client as a result of such aggregation. Brokerage commission rates are not reduced because of such aggregation. In some instances, average pricing may result in higher or lower execution prices than otherwise obtainable by a single client. We believe that our aggregation policy is lawful and consistent with our duty to seek best execution for all our clients.

ITEM 13

REVIEW OF ACCOUNTS

A. Periodic Review of Client Accounts

Our Chief Compliance Officer, in conjunction with our Fund Manager, conducts periodic reviews of Client Accounts, including (i) the manner in which orders have been allocated to each Client Account to insure that all orders are allocated on an equitable basis; and (ii) the performance of each Client Account as a function of allocation to assure that no Client Account is being preferred systematically in the allocation process.

We have also compiled a list of operational check and balance procedures that are utilized to ensure the accuracy of accounts and conformity with each client's investment objective and appropriate asset allocation, and to monitor changes to performance of individual securities.

B. Additional Review of Client Accounts

To the extent that there are significant discrepancies discovered with respect to one or more Client Accounts (e.g., with respect to performance), additional reviews would be promoted to determine the reason(s) for such discrepancies.

C. Contents and Frequency of Account Reports to Clients

Investors in the Client Accounts typically receive the following written reports: (i) annually, an audited financial report prepared by a certified public accounting firm; (ii) unaudited statements regarding estimates of net asset value corresponding to each investor's investment, which, with respect to the Distressed Funds, may only be sent upon a 5% decline in such funds' net asset value; and (iii) annual tax information necessary for completion of the tax returns.

Upon request, certain investors may receive additional information and reporting (written or verbal) that other investors may not receive, and such information may affect an investor's decision to request a withdrawal from its account.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients

We do not receive economic benefits from third parties (other than fees from clients) for providing investment advice or other advisory services to our clients. Currently, our only clients are the Funds and the Managed Accounts.

B. Compensation to Non-Supervised Persons for Client Referrals

As of the date of this brochure, we do not have an arrangement with any third party whereby we directly or indirectly compensate such person for client or investor referrals.

If we do enter into such an arrangement, all payments to any person, including solicitors, for client or investor referrals will be made in accordance with the provisions of Rule 206(4)-3 of the Advisers Act and any other applicable laws. We do not make use of a solicitor who is subject to the disciplinary actions stated in Rule 206(4)-3(A)(1)(ii) under the Advisers Act or, if a solicitor is subject to such an action, such solicitor must represent to us that he is relying on no-action relief from the SEC allowing him to engage in cash solicitation activities and that he is in compliance with any of the obligations imposed by the SEC as a condition to such relief.

ITEM 15 CUSTODY

Rule 206(4)-2 of the Advisers Act (the “**Custody Rule**”) imposes specific conditions on investment advisers who have actual or deemed custody of client assets. As an investment adviser to advisory clients, including pooled investment vehicles, we may be deemed to have custody in instances where we have actual possession or the authority to obtain possession of the assets of our advisory clients, and therefore we must meet the applicable conditions of the Custody Rule.

The Custody Rule contains significant provisions applicable to investment advisers that serve as a general partner or managing member to private funds formed as limited partnerships or limited liability companies, such as the Funds. Most significantly, the Custody Rule provides an alternative approach to the quarterly account statement delivery requirement and the annual surprise examination requirement that are set forth in the Custody Rule. Specifically, an investment adviser to a private fund, such as the Funds, need not send to each investor a quarterly account statement or have an annual surprise examination if the fund is (i) subject to an audit (as defined in Rule 1-02(d) of Regulation S-X) by an accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board at least annually;¹ and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all fund investors within 120 days of the end of the applicable fund’s fiscal year.² We typically rely upon this exception.

We generally maintain all securities and funds of our clients, of which we are deemed to have custody, with a “qualified custodian.”

We are not deemed to have custody of Managed Account client assets.

¹ Audited financial statements that contain qualifying footnotes generally would not meet this requirement.

² The Custody Rule requires that advisers to pooled investment vehicles that distribute the pool’s audited financial statements to investors under the rule’s annual audit provision must, in addition to obtaining an annual audit, obtain a final audit of the pool’s financial statements upon liquidation of the pool and distribute the financial statements to pool investors promptly after the completion of such final audit.

ITEM 16

INVESTMENT DISCRETION

At the outset of an advisory relationship, we generally receive discretionary authority from a client to select the identity and amount of securities to be purchased and sold by the client. For example, we have investment discretion to manage securities accounts on behalf of our clients. In all cases, we exercise this investment discretion in a manner consistent with the stated investment objectives of the particular client, which are contained in the applicable offering documents and/or investment advisory agreement.

When selecting securities and assessing potential investments, we observe the investment policies, limitations, and restrictions of the clients we advise, as stated in the applicable investment advisory agreement or other applicable agreements or offering documents. Our clients may, but do not customarily, place limitations on our investment authority, including, without limitation, designating types of permitted investments or prohibiting certain types of investments.

For a complete discussion of our advisory business and the services we provide to our clients, see “Item 4 - Advisory Business.”

ITEM 17

VOTING CLIENT SECURITIES

We have, and in the future will continue to accept, the authority to vote our client's securities. As such, we have adopted policies and corresponding procedures to comply with Rule 206(4)-6 of the Advisers Act and with our fiduciary obligations (such policies and procedures, the "**Proxy Voting Policies**").

We are committed to voting proxies in a manner consistent with the best interest of our clients. While the decision whether or not to vote a proxy must be made on a case-by-case basis, we generally do not vote a proxy if we believe the proposal is not adverse to the best interest of our clients or, if adverse, the outcome of the vote is not in doubt. In the situations where we do vote a proxy, we generally vote proxies in accordance with the following general guidelines:

Routine matters are generally voted consistent with management's recommendation. Examples of routine matters include uncontested election of directors, ratification of auditors, and corporate name change.

Non-routine matters are voted on a fact sensitive basis. Examples of proxy proposal issues that are so fact sensitive that no general voting policy with respect to such issues may be established by us include merger/acquisition approvals, spin-offs, liquidations, tender offers and corporate restructurings.

Our Fund Manager has the overall responsibility of voting proxies received on behalf of our clients. If the proxies are voted, the proxy proposals received by us and designated as "routine matters" are voted by our Fund Manager in accordance with the Proxy Voting Policies, and proxy proposals received by us and designated as "non-routine matters" (or not addressed in the Proxy Voting Policies) are reviewed by our Fund Manager, in consultation with our Chief Compliance Officer, on a case-by-case basis.

Notwithstanding the foregoing, our Fund Manager may vote a proxy categorized as a "routine matter" contrary to the proxy voting guidelines if the Fund Manager, in consultation with our Chief Compliance Officer, determines that such action is in the best interest of our clients. In the event that our Fund Manager votes contrary to the proxy voting guidelines, the basis for the voting decision is documented.

In addition to not voting proxies where we deem that the expenditure of time and cost of voting would exceed the anticipated benefit to our client, our Fund Manager, in consultation with our Chief Compliance Officer, may choose not to vote proxies in certain situations or for certain clients, such as situations (i) where the proxy is received for a client that has been terminated; or (ii) where a proxy is received by us for a security that we no longer manage on behalf of a client.

We may occasionally be subject to conflicts of interest in the voting of proxies due to business or personal relationships we maintain with persons having an interest in the outcome of certain votes. We, our affiliates and/or our employees (or other covered persons) may also occasionally have business or personal relationships with the proponents of proxy proposals, participants in proxy contests, corporate directors and officers, or candidates for directorships.

If at anytime, we become aware of a conflict of interest relating to a particular proxy proposal, we handle the proposal as follows:

- (i) if the proposal is designated in the Proxy Voting Policies above as a “routine matter,” the proposal is voted by us in accordance with the Proxy Voting Policies, provided little discretion on our part is involved; or
- (ii) if the proposal is designated in the Proxy Voting Policies above as a “non-routine matter” (or not addressed in the Proxy Voting Policies), we take such action as is necessary to ensure that our vote (including the decision whether to vote) is based on the applicable client’s best interest and not affected by our material conflict of interest.

Clients may obtain a copy of our current written proxy voting policies and procedures, and/or a copy of the voting activity report generated by their account, by contacting our Chief Compliance Officer, Ron Corwin, at (203) 557-3541 or ron@roncorwin.com.

ITEM 18
FINANCIAL INFORMATION

A. Balance Sheet

We are not required to attach a balance sheet because we do not require or solicit the payment of fees six months or more in advance.

B. Contractual Commitments to Our Clients

In the wake of the 2008 credit crisis, the Ahab Opportunities Funds experienced substantial redemption requests as investors sought to avail themselves of every viable source of liquidity. Due to these redemption requests, the liquid assets attributable to the Ahab Opportunities Funds' portfolios were substantially reduced, leaving those portfolios with mainly privately placed or other illiquid assets. In order to satisfy redemption requests from the Ahab Opportunities Funds submitted during the period beginning in the fourth quarter of 2008 and ending in the first quarter of 2011, we formed the Ahab Redemption Funds, which, in turn, issued interests to redeeming Ahab Opportunities Funds investors representing their respective pro rata portion of the Ahab Opportunities Funds' assets. We are managing the Ahab Redemption Funds with the goal of disposing of their respective assets in an efficient and cost effective manner in order to satisfy all of the redemption requests described in this paragraph via cash distributions. We are now managing the Ahab Opportunities Funds according to the strategies and objectives described in this brochure.

C. Bankruptcy Petitions

We have not been the subject of a bankruptcy petition at any time during the past ten years.