

Form ADV Part 2A: Firm Brochure

ITEM 1 – COVER PAGE

SP Partners

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February 14, 2012

This brochure (the “Brochure”) provides information about the qualifications and business practices of SP Partners (“SP” or “we”). If you have any questions about the contents of this Brochure, please contact our chief compliance officer at (908) 735-0448 and/or via email to sbcy@comcast.net.

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 SP is also available on the SEC’s website at www.adviserinfo.sec.gov.

Following the effectiveness of its registration, SP may refer to itself as a registered investment adviser with the SEC under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). SEC registration does not imply a certain level of skill or training.

ITEM 2 – MATERIAL CHANGES

This is the first version of our firm Brochure. As such, there are currently no material changes to be noted in response to this Item 2.

In the future, when the Brochure is amended as part of an annual update, and the amended version contains material changes from the previous annual update, this Item 2 will identify and discuss those material changes either on this page or as a separate document accompanying the Brochure. For documentation purposes, the date of the previous annual update of the Brochure will be provided.

ITEM 3 – TABLE OF CONTENTS

	Page
ITEM 2 – MATERIAL CHANGES	i
ITEM 3 – TABLE OF CONTENTS	ii
ITEM 4 – ADVISORY BUSINESS	1
ITEM 5 – FEES AND COMPENSATION	2
ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	4
ITEM 7 – TYPES OF CLIENTS	6
ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	7
ITEM 9 – DISCIPLINARY INFORMATION	15
ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	16
ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	18
ITEM 12 – BROKERAGE PRACTICES	20
ITEM 13 – REVIEW OF ACCOUNTS	21
ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION	22
ITEM 15 – CUSTODY	23
ITEM 16 – INVESTMENT DISCRETION	24
ITEM 17 – VOTING CLIENT SECURITIES	25
ITEM 18 – FINANCIAL INFORMATION	26

ITEM 4 – ADVISORY BUSINESS

SP Partners, a New Jersey general partnership (“SP”), was formed in 2011. The general partners and owners of SP are Marvin E. Lesser (“Lesser”), T. Richard Spoor (“Spoor”) and Michael D. Young (“Young”) (collectively, the “General Partners”).

SP currently acts as the investment manager (i.e., provides discretionary investment advisory services, including, but not limited to, managing and directing the investment and reinvestment of assets), for Sigma Partners, L.P. (the “Fund”), a Delaware limited partnership formed in 1993 by the General Partners. The General Partners also serve as general partners of the Fund.

The Fund is primarily designed for investment by U.S. investors. The terms for the Fund are disclosed in detail in the Fund’s offering documents that are provided to prospective investors prior to investment. The Fund is managed in accordance with the investment objectives, strategies and guidelines and the terms and conditions of investment, set out in its private placement memorandum, organizational, governing and other related documents (together, the “Governing Documents”). A prospective Fund Investor (as defined below) must consider whether the Fund is an appropriate investment, including with respect to such Fund Investor’s investment objectives and risk tolerance.

The Fund is a fund of funds. In managing the Fund, SP seeks the opportunity for reasonable growth over time while attempting to moderate downside risk with some of the investments. SP generally selects third-party investment managers (the “Underlying Managers”) who use a variety of investment strategies. The Fund invests in such strategies through underlying investment funds or separate accounts managed by the Underlying Managers (such funds or accounts, “Underlying Funds”). The strategies and techniques used by the Underlying Managers may include, without limitation, long/short equity, distressed securities, risk arbitrage, targeted portfolios and relative value strategies. The Fund may also invest directly in securities from time to time rather than in Underlying Funds as permitted in its Governing Documents.

SP neither tailors its advisory services to the individual needs of investors in the Fund (each, a “Fund Investor”) nor accepts Fund Investor-imposed investment restrictions with respect to the Fund. SP may, but is not required to, take into consideration the general characteristics of its target Fund Investors, and not necessarily the characteristics of any specific Fund Investor. An investment in the Fund does not, in and of itself, create a client-adviser relationship between any Fund Investor and SP.

As of January 1, 2012, SP manages \$48.3 million on a discretionary basis. SP does not manage any assets on a non-discretionary basis.

ITEM 5 – FEES AND COMPENSATION

Fixed Management Fee

Pursuant to the Fund's Governing Documents and in consideration for the investment advisory services that SP provides to the Fund, SP receives a fixed fee per quarter payable at the start of each quarter (the "Management Fee"). The Management Fee is currently \$1,250 per quarter and will increase to \$2,500 per quarter beginning on April 1, 2012. The Management Fee reduces the amount of the fixed allocation paid or allocated to the General Partners as general partners of the Fund and is charged to the accounts of the Fund Investors in the same manner as the fixed allocation. The Management Fee is deducted directly from the account of the Fund and is not pro-rated for partial quarters.

Reimbursement of SP Expenses

Pursuant to the Governing Documents, the Fund will bear most of SP's expenses, including, but not limited to, all fees and expenses in connection with registering SP under the Advisers Act and the maintenance of such registration, all ongoing compliance costs and expenses, legal fees, accounting expenses, taxes, and other operating expenses. The Fund will not bear any of SP's compensation expenses paid to the General Partners (other than the payment or reimbursement of other expenses incurred by the General Partners).

Fixed Allocation

The Fund pays the General Partners a fixed allocation, quarterly, equal to 0.375% (1.5% per annum) of the opening capital accounts of the Fund Investors, excluding the General Partners, their affiliates and their spouses. Interim capital contributions made during the fiscal year are subject to the fixed allocation at the annual rate, calculated on a pro rata basis. The General Partners have waived an amount of the fixed allocation equal to the Management Fee, so that the total of the fixed allocation and the Management Fee is at a rate of 1.5% per annum, and the total is charged to the capital accounts of the Fund Investors (excluding the General Partners, their affiliates and their spouses). For purposes of allocating net income to the capital accounts of the Fund Investors, the fixed allocation and the Management Fee are generally charged to such capital accounts at the end of the fiscal year.

Performance Allocation

Pursuant to the Fund's Governing Documents, the General Partners receive from the Fund a performance allocation that is credited to their capital accounts at the end of each fiscal year or interim period, as applicable. The performance allocation, in general, is equal to 20% of the excess of (1) net income in the capital accounts of the Fund Investors (excluding the General Partners, their affiliates and their spouses) over (2) an amount equal to the growth from applying an annual simple interest rate of 8%. The minimum period for calculating the performance allocation, with respect to each capital contribution, is the lesser of one year or the period ending with an earlier withdrawal date.

When the annual growth rate with respect to an applicable portion of a Fund Investor's capital account is less than 8%, the performance allocation in subsequent periods with respect to that portion is based upon the excess of (1) the cumulative net income with respect to that portion over (2) an amount equal to the compound growth from applying an annual simple interest rate of 8%.

In the case of a withdrawal other than at year end, the performance allocation will be calculated as of the date of withdrawal. Withdrawals will reduce any carry forward of the hurdle amount by the amount of the withdrawal. The performance allocation is calculated separately with respect to each capital contribution made by a Fund Investor.

See Item 6 for discussion of potential conflicts of interest associated with the performance-based compensation received by an affiliate of SP.

Fund Expenses

Pursuant to the Fund's Governing Documents, the Fund, and thus the Fund Investors indirectly, will generally bear the Fund's expenses. In addition to the fees and allocations discussed above, such expenses may include, without limitation: (i) organizational and offering expenses; (ii) expenses incurred in connection with investments and prospective investments, including, without limitation, travel-related costs, brokerage commissions, legal fees, custodial fees, appraisals and other professional fees; (iii) expenses incurred in connection with its ongoing operations (including such expenses incurred by SP, the General Partners and affiliates) including, without limitation, legal expenses, expenses for tax services, compliance expenses, administrative expenses, expenses incurred in connection with marketing, reporting, accounting and audits, registration fees and insurance expenses; (iv) interest; (v) expenses incurred in respect of research, statistical, market data and trading and portfolio management services and software; (vi) expenses incurred in respect of obtaining and maintaining one or more insurance policies; and (vii) certain extraordinary expenses, such as litigation expenses. The Fund will reimburse SP and the General Partners for any of the above expenses paid for by SP or the General Partners and submitted for reimbursement.

It is critical that Fund Investors refer to the Fund's Governing Documents for a complete understanding of how SP and its affiliates are compensated for their services. The information contained in this Item 5 is a summary only and is qualified in its entirety by the relevant Fund's Governing Documents.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described in Item 5 above, the General Partners receive a performance allocation. It should be noted that the possibility that SP or its affiliates could receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for SP to effectuate larger and more risky transactions than would be the case in the absence of such form of compensation.

The fixed allocation and the performance allocation both depend on the value of the Fund's investments. SP expects that most of the Fund's assets will be valued at the value provided by the Underlying Managers for the Underlying Funds, less an appropriate accrual by the Fund for performance fees payable to the Underlying Managers that might not be charged to the Fund's capital accounts in the Underlying Funds until the end of a fiscal period. After the end of the fiscal period, the valuation of the Fund's assets will equal the value provided by the Underlying Managers for the Underlying Funds. SP and/or the General Partners may, from time to time, value certain investments of the Fund held directly when they determine that market prices or quotations do not fairly represent the value of particular investments or when investments are not publicly traded. As a result, SP and/or the General Partners may benefit by receiving a fixed allocation or performance allocation that is increased by the impact, if any, of such valuation. Even where a security is accurately valued, the Fund may not ultimately realize the value upon which a performance allocation was charged upon its ultimate sale due to subsequent market movements. In addition, the Underlying Managers value the investments of the Underlying Funds, and such valuations by the Underlying Managers may have similar impacts on the Fund and the Fund Investors. Absent bad faith or manifest error, the General Partners' valuation determinations are conclusive and binding on all Fund Investors.

Additionally, where a Fund Investor makes a capital contribution to, or makes a withdrawal from, the Fund, the respective percentage interests of the Fund Investor and the other Fund Investors would be impacted by a discrepancy in valuation, and such Fund Investors may have greater or lesser percentage interests in (or increased or decreased withdrawal proceeds from) the Fund than would have been the case absent the discrepancy. SP and the General Partners have established valuation policies and procedures to mitigate the conflicts and potential for material pricing discrepancies in respect of Fund assets and to assure that assets are valued in good faith. Under these procedures, assets held by or on behalf of the Fund are valued as described in the Fund's Governing Documents or, in the absence of specific and stated valuation procedures, at fair or market value.

SP presently provides investment advisory services solely to the Fund. As such, there is currently no potential conflict of interest related to managing accounts that provide SP or its affiliates with performance-based compensation alongside accounts that charge no or lower performance-based compensation.

If SP establishes one or more separately managed accounts or funds in the future that employ a similar trading strategy and which may have different fees arrangements than those of the Fund,

SP would adopt appropriate procedures for the allocation of trades to ensure that all accounts are treated equitably.

ITEM 7 – TYPES OF CLIENTS

SP provides investment advisory services to the Fund, which is a private investment fund. The Fund requires a minimum initial investment of \$250,000, subject to the sole and absolute discretion of the General Partner to accept lesser amounts.

In addition to the minimum subscription amount, Fund Investors must also meet the Fund's eligibility requirements which generally require a Fund Investor to qualify as an "accredited investor" as defined in Rule 501 under Regulation D under the Securities Act of 1933, as amended, and a "qualified client" as defined in Rule 205-3 under the Advisers Act. Fund Investors also need to meet additional requirements set forth in the Fund's Governing Documents, including the subscription agreement.

The Fund Investors generally may include high net worth individuals, trusts, estates, foundations and other entities. The Fund has not previously admitted pension and profit-sharing plans, 401(k) plans or individual retirement accounts as Fund Investors, but may do so in the future.

SP does not currently manage separately managed accounts and has no current plans to accept them as clients.

This Brochure will be provided to current or prospective Fund Investors, together with the Fund's Governing Documents, prior to or in connection with such prospective Fund Investor's consideration of an investment in the Fund, and may subsequently be provided periodically to a Fund Investor. Fund Investors and other recipients should be aware that, while this Brochure may include information about the Fund, as necessary or appropriate, it should not be considered to represent a complete discussion of the features, risks or conflicts associated with the Fund. More complete information about the Fund is included in the Governing Documents, which may be provided to current and eligible prospective Fund Investors only by SP or another authorized party.

In no event should this Brochure be considered to be an offer of interests in the Fund or relied upon in determining whether to invest. It is also not an offer of, or agreement to provide, advisory services directly to any recipient. Rather, this Brochure is designed solely to provide information about SP for the purpose of compliance with certain obligations under the Advisers Act and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided in the Governing Documents. **To the extent that there is any conflict between discussions herein and similar or related discussions in any of the Governing Documents, the Governing Documents shall control.**

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

Methods of Analysis

The Fund usually invests in limited partnership interests or other equity participations in Underlying Funds. The Fund has the authority to have a direct managed portfolio as part of its strategy, but to date all direct investments other than investments in Underlying Funds have been the result of distributions of securities from the Underlying Funds.

There are no specific criteria for analyzing and monitoring the Underlying Funds. The consideration and evaluation of the Underlying Funds are based upon documents, reports and other communications from Underlying Managers. The consideration and evaluation are subjective judgments that may not be supported by various analyses or statistical measurements, and other investors might disagree with the judgments.

The decisions about the composition of the styles of investing of the Underlying Funds, the investments in specific Underlying Funds and the relative weighting of the styles and specific Underlying Funds within the Fund's portfolio are based upon various subjective judgments by SP. The judgments upon which the decisions are based may not be consistent from one period to another. The decisions may be affected by the flow of funds in and out of the Fund, and flexibility in withdrawals from and contributions to the Underlying Funds.

Investment Objective

The investment objective of the Fund is to seek to achieve reasonable growth over time, while attempting to moderate down-side risk with some of the investments. SP generally seeks to select Underlying Managers who use a variety of investment strategies. The Fund generally seeks to invest in such strategies through the Underlying Funds.

Investment Strategies

SP may select Underlying Funds that implement whatever investment strategies SP feels are appropriate.

The strategies and techniques used by the Underlying Managers may include, without limitation, long/short equity, distressed securities, risk arbitrage, targeted portfolios and relative value strategies. Some of the Underlying Managers may use strategies not described above, including a traditional approach in the analysis and selection of security positions, and some may use a combination of strategies. Underlying Managers may use options and other derivative instruments as part of their investment strategy. Also, some of the assets may be allocated to cash or cash equivalents and short-term fixed-income investments.

Selection and Monitoring of Underlying Managers

There are no established criteria for the mix of investment strategies, the number of Underlying Managers selected or the relative weighting among the investment strategies or Underlying

Managers. SP uses its discretion, taking into account its general expectations of relative risks and rates of return, characteristics of the Underlying Managers considered, and the evaluation of various market conditions, which are subjective and may not be supported analytically.

The selection process primarily involves a subjective evaluation of Underlying Managers and the strategies they employ. Consideration is given to the Underlying Manager's investment approach and identification of the factors that have made the Underlying Manager successful or unsuccessful at times in the past and that may make the Underlying Manager successful or unsuccessful in the future.

The monitoring process involves an effort to understand the Underlying Manager's performance and the reasons for such performance, to ascertain any material changes in approach, and to anticipate characteristics of the strategy in the future.

Both the selection process and the monitoring process include periodic communications by telephone, in person, or otherwise, as well as the review of pertinent documents and reports. The methodology is judgment-based and, accordingly, the process is geared toward providing input for reaching meaningful subjective judgments. However, interpretation of interviews, documents and reports plays an important role, and often they can be subject to varying and even conflicting interpretations.

Risk Factors

Multiple Underlying Managers. The overall success of the Fund depends on, among other things, (i) the ability of the Fund to develop a successful asset allocation strategy, (ii) the ability of the Fund to select Underlying Managers and Underlying Funds that are likely to perform well in the future and to allocate the assets among them, and (iii) the Underlying Managers' ability to be successful in their strategies. Underlying Managers typically caution that their past performance is not indicative of their future performance, and similarly the Fund's past performance is not indicative of its future performance. No assurance can be given that the strategy or strategies utilized by a given Underlying Manager will be successful under all or any future market conditions. There can be no guarantee of future performance, and there is no assurance that the Fund or the Underlying Managers will be able to achieve their investment objectives or be profitable.

The extent to which the assets of the Fund may be invested in a particular Underlying Fund is subject to certain legal and regulatory constraints. For example, the Investment Company Act of 1940, as amended, imposes limits on the ability of the Fund to invest in "investment companies" (as defined in such Act).

The level of risk associated with the Fund's investments varies depending on the particular investment strategy utilized by an Underlying Manager. Potential investors in the Fund should consider the risks associated with the Fund's investment strategy prior to investing. SP cannot assure the Fund's success or profitability. The success of the Fund will depend upon a variety of factors, many of which are beyond SP's control.

Because the Fund may allocate its assets to multiple Underlying Managers who make their trading decisions independently, it is possible that one or more of such Underlying Managers

may, at any time, take positions which may be opposite of positions taken by other Underlying Managers. It is also possible that multiple Underlying Managers may on occasion take substantial positions in the same security or group of securities at the same time. The possible reduction of effective diversification and impact on the overall investment strategy caused by these factors may affect the Fund's overall performance. In addition, a particular Underlying Manager may take positions for clients unconnected with the Fund which may be different from positions affecting the Fund.

Dependence on Underlying Managers. The Fund will be highly dependent upon the expertise and abilities of the Underlying Managers, who will have investment discretion over the Fund's assets under their management, and therefore the death, incapacity or retirement of any principal of an Underlying Manager may adversely affect investment results. The Fund also may be negatively affected by adverse price movements of significant positions held by one or more of the Underlying Managers.

Although SP will seek to select only Underlying Managers who will invest the Fund's assets with a high level of competence and integrity, SP will have no control over any of the operations of any of its selected Underlying Managers. SP would not necessarily be aware of certain activities of the Underlying Managers, including without limitation the Underlying Manager's engaging in transactions that introduce risks that would not be expected based upon the Underlying Manager's stated strategy. As a result, there can be no assurance that Underlying Managers will conform their conduct in a manner that is consistent with SP's expectations.

Investments in Underlying Funds. The Fund invests primarily in investment vehicles such as private limited partnerships, but may also invest in equity participations in limited liability companies or other investment structures. SP has no control over the trading policies or strategies of such entities and do not have the same ability to act quickly to changing investment circumstances due to the limited liquidity of these types of investments.

Taxation of Underlying Funds. Investments in the Underlying Funds are not generally made based on the expected tax results. The tax strategies and the tax results of the Underlying Funds are not subject to the control or influence of SP or the Fund. Furthermore, the allocation of tax results among the Fund Investors may be affected by the timing and amount of capital contributions and withdrawals by Fund Investors.

Access to, Timeliness of and Accuracy of Information from Underlying Funds. SP will receive periodic reports from Underlying Funds at the same time as other investors in the Underlying Funds. From time to time, SP may be provided additional information. However, SP does not verify the validity of the security analysis and other bases for the various investments made by these Underlying Funds. Furthermore the Fund is totally reliant upon the judgment of the Underlying Managers. While SP may discuss with the Underlying Manager the overall investment strategy and specific investments, the decisions are always those of the Underlying Manager, and the Underlying Manager would normally not be influenced by these discussions.

In addition, SP would not be provided with much of the detailed information regarding various investments made by the Underlying Managers. Certain of this information may be considered proprietary information by the Underlying Manager. Additionally, information received from

the Underlying Managers may not always be accurate or timely. This lack of access to, untimeliness of or inaccuracy of information provided by the Underlying Managers may make it more difficult for the Fund to select, allocate among, and evaluate Underlying Funds.

Risks of Certain Investments Made by Underlying Managers

Numerous risks are involved with the Fund's investments through Underlying Funds and positions managed directly by SP. Some of the investment techniques which might be utilized and which may have a high degree of risk include, among others, the following:

Short Sales. The investment program of the Underlying Managers may include short-selling. A short sale is a transaction in which an Underlying Fund sells a security it does not own but has borrowed in anticipation that the market price of that security will decline. When the Underlying Fund makes a short sale of a security, it must borrow from a broker-dealer the security sold short and deliver the security to the broker-dealer upon conclusion of the short sale. The Underlying Fund may be required to pay a fee to borrow particular securities and is often obligated to pay over any payments received on such borrowed securities. The Underlying Fund's obligation to replace the borrowed security will be secured by collateral deposited with the broker-dealer. Depending on the arrangements the Underlying Fund makes with the broker-dealer from which it borrowed the securities regarding remittance of any payments received by the Underlying Fund on such security, the Underlying Fund may not receive any payments (including interest) on its collateral deposited with the broker-dealer.

If the price of the security sold short increases between the time of the short sale and the time the Underlying Fund replaces the borrowed security, the Underlying Fund will incur a loss; conversely, if the price declines, the Underlying Fund will realize a short-term capital gain. Any gain will be decreased, and any loss increased, by the transaction costs described above. Although the Underlying Fund's gain is limited to the price at which it sold the security short, its potential loss is theoretically unlimited. There can be no assurance that securities necessary to cover a short position will be available for purchase.

Margin Borrowing or Other Use of Leverage. The use of margin borrowing by Underlying Managers can substantially improve or impair the return on invested capital. Borrowings will usually be from securities brokers and dealers and will typically be secured by the securities and other assets held by the Underlying Fund. A variety of products are now available in the marketplace that allow managers to create leverage substantially in excess of the limits otherwise applicable under the margin rules. During extreme adverse market conditions, losses of as much as 100% of the capital of the Underlying Fund could be sustained. Under certain circumstances, a broker-dealer may unilaterally demand an increase in the collateral that secures the particular Underlying Fund's obligations, and, if the particular Underlying Fund were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the Underlying Fund's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the Underlying Fund's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the Underlying Fund's (and the Fund's) return.

Illiquid Positions in Securities. To the extent that an Underlying Manager invests in private securities or restricted securities, the valuation of such securities will be determined by the Underlying Manager, whose determination will be final and conclusive as to all parties. Furthermore the Underlying Manager may have large positions in securities that may have limited liquidity because of the size of the positions, and their value is typically based upon the most recent market data (sales price, bid or ask), which generally would reflect normal market conditions at the time. The value established for the private securities, restricted securities or large positions may not reflect accurately the amount that could be realized if the securities were sold or short positions were covered.

Options. The Underlying Funds may write or purchase options. The writing or purchasing of an option involves the risk of losing the entire investment in such option, causing significant losses to the Underlying Fund in a relatively short period of time.

Because option premiums paid or received by an Underlying Fund will be small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage. As a result, the leverage offered by trading in options could cause an Underlying Fund's asset value to be subject to more frequent and wider fluctuations than would be the case if the Underlying Fund did not invest in options.

Upon the exercise of a put option written by an Underlying Fund on securities, the Underlying Fund may suffer a loss equal to the difference between the price at which the fund is required to purchase the underlying securities and their market value at the time of the option exercise, less the premium received from writing the option. Upon the exercise of a call option on securities written by an Underlying Fund, the Underlying Fund may suffer a loss equal to the excess of the market value of the securities at the time of the option's exercise over the strike price of the call options received from writing the option.

No assurance can be given that an Underlying Manager will be able to effect closing transactions at a time when it wishes to do so. If an Underlying Manager cannot enter into a closing transaction, an Underlying Fund may be required to hold securities that it might otherwise have sold, in which case it would continue to be at market risk on the securities and could have higher transaction costs, including brokerage commissions, upon the sale of securities.

Arbitrage/Correlation Risk. The Underlying Funds may engage in various types of arbitrage. Arbitrage involves the purchase of an asset and the concurrent sale of that asset in a different market, or the sale of a related asset, in order to capture price discrepancies between markets or related assets. Arbitrage strategies involving related assets carry the risk that the value of the related assets will not track or affect each other in the manner anticipated by the Underlying Manager. Arbitrage strategies generally assume the price of related assets will converge to some historic or quantitative relationship, and that price discrepancies from this relationship will disappear. In the event the price discrepancies do not disappear or if the price discrepancies increase, the Underlying Fund could lose money on an arbitrage trade.

Underlying Managers may make certain speculative purchases of securities. Such purchases may include securities of companies that are involved in, or which such Underlying Managers believe will be involved in, corporate restructurings, that they believe are undervalued because of an

extraordinary event, or that are expected to undergo a change in value because of an expected occurrence. Underlying Managers may also make concentrated investments in securities of companies that may be or may become targets for takeovers. If those Underlying Managers purchase securities in anticipation of an acquisition attempt or reorganization or with the intention of influencing the management and policies of the issuer of the securities, and an acquisition attempt or reorganization does not in fact occur or they are not able to so influence the issuer of the securities, those Underlying Managers may sell the securities at a material loss.

In most forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (for example, for failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution to the investor of cash or a new security the value of which may be less than the purchase price of the security in respect of which such distribution was made.

Over-the-Counter Trading of Derivative Instruments. The Underlying Managers may use derivative instruments. Derivative instruments that may be purchased or sold by the Underlying Managers are expected to consist regularly of instruments not traded on an exchange. The risk of non-performance by the obligor on such an instrument may be greater, and the ease with which the Underlying Manager can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between bid and asked prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions.

Hedging Transactions. The Underlying Managers may utilize a variety of financial instruments such as derivatives, options, interest rate swaps, caps and floors and forward contracts, both for investment purposes and for risk management purposes. Hedging also involves special risks including the possible default by the other party to the transaction, illiquidity and, to the extent that the Underlying Manager's assessment of certain market movements is incorrect, the risk that the use of hedging could result in losses greater than if hedging had not been used. The Underlying Managers are subject to the risk of failure or default by the counterparty to such a transaction. The Underlying Managers will have contractual remedies pursuant to the agreements related to the transaction (which may or may not be meaningful, depending on the financial position of the defaulting counterparty).

Volatility. Some of the Underlying Managers may hold a relatively limited number of investments or a relatively large weighting in a small number of securities. Thus, the aggregate returns realized by the Fund may be adversely affected by a small number of investments. Furthermore, while the Fund's assets may be allocated among Underlying Managers with differing styles and techniques, there are no fixed allocation percentages. There is the risk that a disproportionate share of the Fund's assets may be committed to one or more strategies or techniques.

One of the objectives of the Fund is to try to moderate downside volatility; however, there is no assurance that this objective will be met. In any event, SP does not believe that downside

volatility can be eliminated within the Fund's strategy. Volatility within any Underlying Manager's portfolio will affect the overall volatility of the Fund, and at any point in time the allocation of the Fund assets among Underlying Managers may not be effective in moderating overall volatility.

Concentration of Investments. An Underlying Manager's investment portfolio (on account of size, investment strategy and other considerations) may be confined to the securities of relatively few issuers. An Underlying Manager may not be subject to any particular limits as to concentration in particular issuers or types of investments. By concentrating investments in several relatively large security positions or industries relative to Fund capital, a loss in any one position or an unexpected change in a sector in which the Fund is invested through an Underlying Manager could materially reduce the Fund's performance.

General Risk Considerations

Economic Conditions. Changes in economic conditions, including, for example, interest rates, inflation rates, industry conditions, government regulation, competition, technological developments, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the activities and prospects of the Fund. None of these conditions is within the control of SP, and there is no assurance that SP or the Underlying Managers will anticipate these developments. This should also be noted with respect to the Fund's investment in fixed-income securities. For example, an increase in overall interest rates could depress the investment value and consequently the price of bonds then held by the Underlying Funds. The value of these securities may also be affected by non-payment of interest due on them, or liquidation or dissolution proceedings with respect to their issuers.

Illiquidity of Investment in the Fund / Restrictions on Withdrawal. An investment in the Fund is generally highly illiquid. Interests in the Fund are generally not transferable, and both partial and total withdrawals are subject to restrictions and the possibility of deferrals in their payment. Fund Investors are generally not permitted to make a withdrawal from the Fund prior to 25 months from the date of their investment with respect to each capital contribution. (However, this does not affect the rights of withdrawal of other capital not subject to the restriction.) In addition, withdrawals are generally only permitted as of the end of each calendar year and require 6 months' advance notice. The General Partners may generally waive withdrawal restrictions or notice requirements in their discretion. Furthermore, the Partnership invests in investment partnerships with limited liquidity. Accordingly, an investment in the Fund is a relatively illiquid investment and involves a high degree of risk. Only Fund Investors who are financially able to maintain their investment for an indefinite period of time and who can afford a loss of all or a substantial part of their investment should consider a subscription for interests in the Fund.

Fund Expenses. The expenses of the Fund (including the payment of its pro rata share of certain expenses of the Underlying Funds in which the Fund invests) may be a higher percentage of net assets than would be found in other investment entities. The Fund will bear its pro rata share of expenses of any entity in which the Fund invests, including fixed fees and any incentive allocations or other performance compensation.

There may be a significant portfolio turnover rate associated with an Underlying Fund's investments, and therefore commensurately high brokerage fees may be incurred. Moreover, such turnover rate will be out of the direct control of the Fund. Performance-based compensation, payable to the General Partners, an Underlying Fund or an Underlying Manager, may encourage the making of riskier or more speculative investments. Performance-based compensation may also create an incentive for SP or Underlying Managers to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. In addition, the Fund may be required to pay a performance fee or allocation to Underlying Managers who make a profit for the Fund in a particular fiscal year even though the Fund may in the aggregate incur a net loss for such fiscal year.

Due Diligence Considerations. SP will conduct due diligence which SP believes is adequate to select Underlying Managers with which to invest the Fund's assets. However, due diligence is subjective, is not foolproof and may not uncover problems associated with a particular Underlying Manager. SP may rely upon representations made by Underlying Managers, accountants, attorneys, administrators, prime brokers, and/or other investment professionals. If any such representations are misleading, incomplete or false, this may result in the selection of Underlying Managers which might have otherwise been eliminated from consideration had fully accurate and complete information been made available to SP. However, even exhaustive due diligence may not protect against subsequent fraud by an Underlying Manager.

Risk of Fraud. Although SP intends to employ reasonable diligence in evaluating Underlying Managers and Underlying Funds, no amount of diligence can eliminate the possibility that one or more Underlying Managers may engage in improper or fraudulent conduct, including improper accounting practices and unsupportable valuations of assets.

The Fund has broad and flexible investment authority. SP may have additional investment strategies or methods of analysis, or engage in additional activities, other than those described herein. The foregoing list of risk factors is not an exhaustive explanation of the risks involved in an investment in the Fund. It is critical that investors refer to the Fund's Governing Documents for a more complete understanding of the Fund's investment objectives and strategies. The information contained in this Item 8 is a summary only and is qualified in its entirety by the Fund's Governing Documents.

An investment in the Fund may be deemed speculative and is not intended as a complete investment program. There can be no assurance that the investment objective of the Fund will be achieved. The Fund is designed only for experienced and sophisticated persons who are able to bear the risk of substantial impairment or total loss of their investment in the Fund. The Fund may not be appropriate for Fund Investors who have a short-term focus.

ITEM 9 – DISCIPLINARY INFORMATION

SP and its employees have not been involved in any legal or disciplinary events that require disclosure in response to this Item 9.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As disclosed in Item 4, SP acts as the investment manager to the Fund. The General Partners, general partners of SP, also act as the general partners of the Fund. Because the General Partners and SP are affiliated, there is a disincentive for the General Partners to replace SP as investment manager to the Fund.

One of the General Partners, Lesser, is the president and single member of Alpina Management, L.L.C., which is the investment adviser of St. Moritz 2000 Fund, Ltd. (“St. Moritz”), a British Virgin Islands private investment fund with only non-U.S. persons as investors. Lesser is also a director of St. Moritz. St. Moritz invests in offshore investment funds, some or all of which may be managed by the same or affiliates of the same Underlying Managers of the Underlying Funds. While the strategies of St. Moritz and the Fund are similar, the execution of the strategies in the respective portfolios may be materially different. The Fund and St. Moritz may buy and sell interests in affiliated entities at different times and in different relative amounts. SP believes that the investment or disinvestment by the Fund or St. Moritz is unlikely to be material to the investment of the other, but it is possible that it could have some adverse effect on the Fund.

Lesser also serves on the valuation committee of one of the Underlying Funds. He does not receive any fees for his service. The valuation committee, consisting of representatives of several of the investors, meets telephonically each quarter to review the valuations by the Underlying Manager. The valuation committee has no authority to set valuations different from those determined by the Underlying Manager or an independent appraiser, although it might influence the determination. SP believes that service on this valuation committee is useful in the monitoring of the Underlying Funds on behalf of SP. Because the valuation committee has no authority to set valuations, SP believes that Lesser’s service on the valuation committee does not present a material conflict of interest.

From time to time, Underlying Managers have proposed Lesser as a director of companies in which the Underlying Funds invest. He has served and will serve only as an independent director and he has not been and will not be a representative of the Underlying Fund or the Underlying Manager on the board of directors. Lesser is compensated as a director directly by companies for which he serves, and he receives no compensation or direction from the Underlying Funds or the Underlying Managers. This arrangement may create a conflict of interest because it creates the possibility that Lesser could be more likely to recommend that the Fund make an investment or continue an investment in the Underlying Fund whose Underlying Manager proposed him or might propose him as a director. This risk is mitigated because Lesser has no control over the investments selected by the Underlying Fund and the Underlying Manager and because the other General Partners are made aware of Lesser’s related directorships, and they periodically review the Fund’s portfolio.

Another of the General Partners, Spoor, is separately registered with the SEC as an investment adviser under the Advisers Act. Spoor may recommend an investment in the Fund to certain of his qualified advisory clients, and some of his advisory clients are already Fund Investors.

Another of the General Partners, Young, is the president and sole shareholder of Spoor Behrins Campbell & Young Securities Corp. (“SBCY”), which is registered with the SEC as an investment adviser under the Advisers Act. Young, in his individual capacity as a General Partner, may recommend an investment in the Fund to certain qualified advisory clients of SBCY, and some of SBCY’s advisory clients are already Fund Investors.

Fund Investors are not charged any placement or referral fees in connection with such referrals, but such Fund Investors are subject to the Management Fee, fixed allocation and performance allocation applicable to Fund Investors generally. See Item 5 for more details regarding the fees payable by a Fund Investor. The General Partners may have a conflict of interest when recommending the Fund to a prospective Fund Investor because the General Partners receive compensation from the Fund; such compensation may be greater than the compensation otherwise received by a General Partner with respect to the prospective Fund Investor. To minimize this conflict of interest, prospective Fund Investors are provided with copies of the Fund’s Governing Documents which provide details on all of the fees paid and allocations made to the General Partners. See Item 11 for a discussion of additional potential conflicts of interest.

Certain inherent conflicts of interest arise from the General Partners carrying on investment activities for themselves and for other accounts or clients, including clients of other advisory entities controlled by one or more of the General Partners (“Other Accounts”). These potential conflicts are explained below and in Item 11.

One or more of the General Partners or an affiliate may act as general partner, manager, or investment adviser to Other Accounts (including other funds-of-funds) now or in the future, and the investment strategy for such Other Accounts may be similar or may vary from that of the Fund. As a result, the Fund may face competition from these Other Accounts for investment opportunities and for the time and attention of the General Partners and the availability to the Fund of appropriate investments may be reduced. The General Partners will not be required to refrain from any other activity nor disgorge any profits from any such activity and will not be required to devote all or any particular part of its time and effort to the Fund and its affairs. The General Partners may also serve as consultant to, or a partner or a shareholder in, other investment funds, companies and investment firms. Certain investments may or may not be appropriate for both the Fund and for Other Accounts advised or managed by the General Partners or their affiliates. Investment decisions for the Fund and for such Other Accounts are made with a view to achieving their respective investment objectives and after consideration of such factors as their current holdings, the current investment views of the General Partners, availability of cash for investment, and the size of their positions generally. A particular investment (including related investments) may be bought or sold for only the Fund or only one or more Other Accounts or in different relative amounts or at different times. Likewise, a particular investment may be bought for the Fund or one or more Other Accounts when one or more Other Accounts are selling the same security. In addition, purchases or sales of the same or related investment may be made for two or more of the Other Accounts and the Fund, on the same date. In effecting transactions, it may not always be possible, or consistent with the possibly differing investment objectives or circumstances of the various Other Accounts and of the Fund, to take or liquidate the same investment positions at the same time or at the same prices.

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

Description of SP's Code of Ethics

SP has adopted a Code of Ethics (the "Code of Ethics") pursuant to Advisers Act Rule 204A-1 for purposes of establishing the standards of business conduct and fostering a culture of honesty and accountability and assisting those covered by the Code of Ethics to comply with the Advisers Act. The Code of Ethics is applicable to the General Partners of SP and the Fund and employees of SP, the Fund and the General Partners (collectively, "Covered Persons"). A copy of the Code of Ethics will be supplied upon request to any Fund Investor or prospective Fund Investor in the Fund.

Among other things, the Code of Ethics (i) requires that all Covered Persons comply with federal securities laws, (ii) sets forth restrictions on the provision of gifts and other benefits, (iii) requires that all employees report to SP their personal securities holdings and transactions in reportable securities, and that SP review such reports, (iv) requires all Covered Persons to obtain pre-approval of all transactions in reportable securities; and (v) contains policies and procedures designed to prevent the misuse of material, non-public information. All Covered Persons are required to certify their compliance with the Code of Ethics. Covered Persons who fail to observe the Code of Ethics and related compliance policies risk serious sanctions, including dismissal and personal liability.

SP, the General Partners, its employees, affiliates or their related persons and, if applicable, their respective spouses, may buy, sell or otherwise invest in securities for their own accounts that they also recommend to the Fund. Such transactions may also include trading in securities in a manner that differs from or is inconsistent with advice given to the Fund. Under the Code of Ethics, no Covered Person shall acquire or divest beneficial ownership of any securities in a limited offering (such as an initial public offering) or private placement without the prior written approval of the Chief Compliance Officer, who will be provided with full details of the proposed transaction (including a written statement whether the investment opportunity arose by virtue of the Covered Person's activities on behalf of SP or the Fund). Such transactions will be reviewed in the best interests of the Fund and will be denied if the Chief Compliance Officer believes the investments would have adverse consequences for the Fund. If approved, the investments will be subject to continuous monitoring for possible future conflicts. Included in such private placements are investments in the Fund or the Underlying Funds in which the Fund has invested or may invest.

SP serves as the investment adviser to the Fund. SP, the General Partners, its employees, affiliates or their related persons and, if applicable, their respective spouses, may also invest directly in the Fund. The fact that such persons have a financial ownership interest in the Fund creates a potential conflict in that it could cause SP to make different investment decisions than if they did not have such a financial ownership interest. Further, the General Partners receive a fixed allocation based on a percentage of capital accounts of Fund Investors (excluding the General Partners, their affiliates and their spouses) and receive allocations based on performance. The fixed allocation is payable without regard to the overall success or income earned by the

Fund and therefore may create an incentive on the part of SP to raise or otherwise increase assets under management to a higher level than would be the case if SP were receiving a lower or no fixed allocation. The receipt of performance allocations by the General Partners may create an incentive for SP to make investments for the Fund that are riskier or more speculative than it otherwise would.

Furthermore, although the Fund is currently SP's only advisory client, SP, the General Partners and their respective affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships, or from engaging in other business activities, even though such activities may be in competition with the Fund and/or may involve substantial time and resources of SP. These activities could be viewed as creating a conflict of interest in that the time and effort of the members of SP and its affiliates are not devoted exclusively to the business of the existing advisory client (i.e., the Fund), but are allocated between the business of the existing advisory clients and the management of the monies of future funds and accounts managed by SP. SP uses its best judgment to be fair and equitable to all advisory clients to minimize this conflict of interest.

Insider Trading & Market Manipulation

SP has adopted policies and procedures concerning the misuse of material non-public information that are designed to prevent insider trading by Covered Persons. No Covered Person may trade in violation of the law, either personally or on behalf of others (such as the Fund), while in the possession of material, nonpublic information, nor may any Covered Person communicate material, nonpublic information to others in violation of the law.

Gifts and Entertainment

The Code of Ethics also includes a policy regarding the acceptance and offer of anything of value from or to any person or entity that does or seeks to do business with or on behalf of SP or the Fund. The policy includes reporting procedures that must be followed by Covered Persons.

Interest in Client Transactions

A General Partner or its affiliate may recommend an investment or divestment in the Fund to a client of an affiliated advisory entity or to another person, with whom there is another business relationship. Before an investment by such person is accepted by the Fund, the relationship must be reported to the Chief Compliance Officer, with a certification that the person has been informed that the General Partner is a General Partner of SP and the Fund. If approved by the Chief Compliance Officer, such prospective Fund Investor will be provided, if not previously provided, with copies of the Fund's Governing Documents which outline the specific compensation paid or allocated to the General Partners and their affiliates.

ITEM 12 – BROKERAGE PRACTICES

The Fund does not normally have a broker, as it does not typically own securities directly other than interests in Underlying Funds. When the Fund directly owns other securities, which is expected to occur primarily upon a distribution of securities by an Underlying Fund, the Fund will select a broker on the basis of best execution.

SP evaluates best execution based on a variety of factors, including the ability to achieve prompt and reliable executions at favorable prices; the operational efficiency with which transactions are effected; the financial strength, integrity and stability of the broker; the quality, comprehensiveness and frequency of available research and related services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying SP's other selection criteria. While SP generally will seek reasonably competitive commission rates, the Fund will not necessarily pay the lowest commission available. All brokerage commissions and related transaction costs are borne directly by the Fund and thus indirectly by the Fund Investors.

SP does not permit Fund Investors to direct brokerage.

SP does not expect to enter into any soft dollar arrangements.

Because the Fund is SP's sole client, SP does not aggregate the purchase or sale of securities for multiple accounts.

ITEM 13 – REVIEW OF ACCOUNTS

Lesser, the Fund's Managing Partner, generally reviews the Fund's positions and monitors the Underlying Managers on an ongoing basis. Lesser may consider information from a variety of sources, including expectations of relative risks and rates of return, characteristics of the Underlying Managers and general market conditions, in making determinations about the Fund's investments.

As described above in Item 8, the process for both selecting new and monitoring current Underlying Managers may include periodic communications by telephone, in person, or otherwise, as well as the review of pertinent documents and reports. The process also involves an effort to understand the Underlying Manager's performance and the reasons for the Underlying Manager's performance, to ascertain any material changes in approach, and to anticipate characteristics of the strategy in the future.

Further, the General Partners periodically review the Fund's investments to ensure consistency with applicable law and regulations and with stated investment guidelines and objectives.

SP furnishes to the Fund Investors as soon as practicable, and in any case within 180 days, after the end of each fiscal year an annual report containing audited financial statements examined by the Fund's independent auditor. Fund Investors also receive after the end of each quarter a commentary about the Fund's performance and an unaudited statement of the value of the Fund Investor's capital account. All such reports are written. Monthly information about unaudited performance and valuation is available telephonically or in writing upon specific request. In addition to the foregoing, certain Fund Investors may, from time to time, negotiate the right to receive more frequent or detailed reports than other Fund Investors.

Fund Investors are also supplied with Schedules K-1 and other applicable tax information.

Representatives of SP may be made available for discussions with Fund Investors on a periodic or agreed-upon basis.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

SP does not currently make cash or other payments in return for Fund Investor solicitations.

SP reserves the right to enter into written arrangements with third parties to act as solicitors or placement agents for SP's investment advisory business, including the sale of Fund interests. Compensation for such solicitors and placement agents may be payable out of the fees and allocations payable or made to SP and the General Partners, and generally will not increase the fees and allocations payable by Fund Investors. Because of such compensation, solicitors and placement agents have a substantial financial interest in selling interests and shares in the Fund to its clients and others. All such compensation would be fully disclosed to each affected Fund Investor consistent with applicable law.

ITEM 15 – CUSTODY

SP and its affiliates are deemed to have “custody” of the assets of the Fund within the meaning of Rule 206(4)-2 under the Advisers Act, because the General Partners serve as general partners of the Fund.

The Fund does not currently have a custodian, because the Fund does not typically own securities other than interests in Underlying Funds. When the Fund holds other securities directly, such assets will be held at a major brokerage firm, which will also serve as the custodian for such assets.

To comply with Rule 206(4)-2, the Chief Compliance Officer will ensure that each Fund is audited annually by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. generally accepted accounting principles, and that the results of the annual audits are distributed to each Fund Investor within 180 days of the Fund’s fiscal year end. Fund Investors should carefully review the audited financial statements of the Fund upon receipt. If a Fund Investor has invested in the Fund and has not received such financial statements in a timely manner, such Fund Investor should contact SP immediately.

ITEM 16 – INVESTMENT DISCRETION

SP has full discretionary authority to manage the investments of the Fund in accordance with the Fund's Governing Documents. The authority to make all investment decisions, including the selection of Underlying Managers, is entrusted to the complete discretion of SP. Accordingly, no prospective Fund Investor should invest in the Fund unless such Fund Investor is willing to entrust all aspects of the management of the Fund's investments to SP.

As explained in Item 4 above and pursuant to the Governing Documents, the Fund Investors generally do not have the ability to impose limitations on SP's discretionary authority.

Prospective Fund Investors are provided with an offering memorandum prior to their investment and are encouraged to carefully review the offering memorandum, along with all other relevant Governing Documents, and to be sure that the proposed investment is consistent with their investment goals and tolerance for risk. Prospective Fund Investors must also execute a subscription agreement, which constitutes a legal, valid and binding obligation of the Fund Investor, enforceable in accordance with its terms, and a limited partnership agreement.

ITEM 17 – VOTING CLIENT SECURITIES

Although the Fund has not officially delegated proxy voting authority to SP and such votes are typically executed by the General Partners in their capacity as general partners of the Fund, the General Partners will abide by SP's Proxy Procedures with respect to all proxy votes executed on behalf of the Fund as if such proxies were voted by SP on behalf of the Fund.

SP has adopted written Proxy Voting Policies and Procedures as required by Rule 206(4)-6, governing conflict of interest resolution, disclosure, reporting and recordkeeping relating to voting proxies. The Proxy Voting Policies and Procedures are intended to facilitate compliance with the Proxy Voting Rule and other applicable fiduciary obligations under rules and regulations of the SEC and interpretations of its staff.

Pursuant to its policies, SP does not normally vote proxies for any publicly-traded securities. However, SP would generally vote proxies for Underlying Funds.

To the extent that SP receives proxies for the Underlying Funds, SP is guided by general fiduciary principles. SP need not vote all proxies held by the Fund. However, if SP does vote, SP shall cast ballots in a manner it believes to be consistent with the interests of the Fund and Fund Investors and shall not subordinate Fund interests to its own. If SP votes a proxy for a publicly-traded security, it will be guided by the same general fiduciary principles.

SP votes proxies in the manner that it believes is consistent with efforts to achieve the Fund's stated objectives. SP follows procedures that are designed to identify conflicts or potential conflicts that could arise between its own interests and those of the Fund. If it is determined that any such conflict or potential conflict is not material, SP may vote proxies notwithstanding the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, the Chief Compliance Officer will work with appropriate personnel to agree upon a method to resolve such conflict before proxies affected by the conflict are voted.

Fund Investors are not permitted to direct how proxies will be voted in a particular solicitation.

To receive a record of proxy votes of the Fund or for more information related to the voting policies and procedures, including requesting a copy of our Proxy Voting Policies and Procedures, please contact the Chief Compliance Officer.

ITEM 18 – FINANCIAL INFORMATION

SP does not require or solicit prepayment of more than \$1,200 in fees per Fund or Fund Investor, six months or more in advance.

SP has never been the subject of a bankruptcy petition and is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to the Fund.