

SeaStone Capital Management, L.P.
Part 2A of Form ADV
The Brochure

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This brochure provides information about the qualifications and business practices of SeaStone Capital Management, L.P. ("SeaStone" or the "Company") and certain of its affiliates. If you have any questions about the contents of this brochure, please contact us at (212) 610-9057. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration with the SEC should not be assumed to imply a certain level of skill or training.

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

Material Changes

In April 2012, SeaStone filed its initial application to register as an investment adviser with the SEC. Accordingly, this is the first firm brochure compiled by SeaStone to provide investors with clearly written, meaningful, current disclosure of its business practices, conflicts of interest and background of its advisory personnel. We encourage all recipients of this brochure to read it carefully in its entirety.

In the future, this section will identify and discuss material changes to our business since the last update to make clients and investors aware of information that may be important to them.

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Advisory Business

SeaStone is an investment adviser organized as a limited partnership under the laws of the State of Delaware, with a principal place of business in New York City. SeaStone Capital Management GP, L.L.C. is the general partner to the Company.

The Company was founded in 2012 by Kenney Oh, who currently serves as the Portfolio Manager and Chief Executive Officer. In addition to Mr. Oh's ownership interest in the Company, SeaStone maintains a strategic relationship with a New York based investment firm, Reservoir Capital Group, L.L.C. ("Reservoir"), which is a non-managing member of the SeaStone Advisors, L.L.C. (the "General Partner") and a limited partner of SeaStone. Reservoir has made an investment in a separately managed account advised by the Company, as well as an investment in a private pooled investment vehicle advised by the Company.

SeaStone serves as an investment manager and provides investment advisory services on a discretionary basis to (i) an institutional investor with a separately managed account (the "SMA"), and (ii) private pooled investment vehicles (the "Funds", and collectively with the SMA, the "Client Accounts") that are offered to investors satisfying the applicable eligibility and suitability requirements, either in private offerings within the United States or in offshore transactions. SeaStone Advisors, L.L.C. is a related entity of SeaStone and serves as the General Partner to the U.S.-based Funds.

The Company's primary focus is on long and short investments in publicly traded equity and equity-linked securities. However, SeaStone may opportunistically invest in various other financial instruments as the Company believes market conditions warrant.

SeaStone provides investment advice directly to the Funds and not individually to investors in the Funds (the "Investors"). The Company may enter into side letters with Investors in the Funds at its discretion, but, in general, manages the assets of the Funds in accordance with the terms of each Fund's governing documents, which include, as applicable, any confidential explanatory or private placement memorandum, limited partnership agreement, memorandum and articles of association, investment management agreement, investment advisory agreement and other applicable governing documents (the "Governing Documents"). The Funds and SMA are managed *pari passu* to the extent possible, taking into consideration individual account restrictions and *de minimus* considerations.

As of April 17, 2012, the Company did not manage any assets, but anticipates the commencement of the management of the Client Accounts on or around June 1, 2012.

Fees and Compensation

Compensation received by the Company is generally comprised of fees based on a percentage of assets under management and performance-based amounts. SeaStone's investment advisory fees are generally charged and collected in accordance with the Governing Documents. The Company is paid a quarterly management fee (the "Management Fee"), calculated, accrued, and payable in advance as of the beginning of each calendar quarter, equal to 0.375% of the net asset value of each Investor's capital account, which equates to 1.5% per annum. The Management Fee for any calendar quarter will be calculated after taking into account withdrawals as of the end of the prior calendar quarter and subscriptions as of the beginning of such calendar quarter. In addition, the Management Fee will be prorated for contributions made during any calendar quarter.

For Investors in the Funds they may be assessed up to a 4% early withdrawal fee in the event that a redemption is requested before the completion of a "lock-up period. The early redemption fee is payable to the Fund. The actual distribution of assets following an Investor's withdrawal request may be subject to at least 95% of the requested withdrawal amount being paid within 30 days after the withdrawal date with the balance being paid within a reasonable time after the Fund's annual audit. The management fees are deducted directly from the investor's account.

In addition to the Management Fee, Investors will bear indirectly the fees and expenses charged to the Funds. Those fees include Organizational Expenses, Investment Expenses, and Operating Expenses. The term "Organizational Expenses" means the expenses incurred by the Funds, as applicable, in connection with its organization. The term "Investment Expenses" means the expenses associated with the investment program of the Funds, as applicable, which includes, without limitation: (i) brokerage expenses, commissions, dealing and spread costs (which vary depending on a number of factors, including, without limitation, the bank, broker or dealing counterparty utilized for the transaction, the particular instrument traded and the volume and size of the transaction), execution, give-up, exchange, clearing and settlement charges, initial and variation margin, principal, regulatory commissions and fees, delivery, custodial fees, escrow expenses, insurance costs, third party research, interest and borrowing charges on margin accounts and other indebtedness, bank, broker and dealer service fees, interest expenses and consulting, risk reporting services, advisory, investment banking and other professional fees relating to particular investments or contemplated investments and all other research expenses (including, without limitation, travel expenses related to research) and all other expenses directly or indirectly related to the Fund's investment program; and (ii) the Management Fee. The term "Operating Expenses" means the Fund's, as applicable, operating expenses, including, without limitation, administrative expenses, custodial expenses, legal expenses, internal and external accounting expenses,

audit and tax preparation expenses, interest, taxes, costs, all expenses incurred in connection with the offer and sale of interests or interests in the Fund, as applicable, and all other expenses associated with the operation of the Fund, as applicable, including, without limitation, all extraordinary expenses.

In addition to the Management and other fees noted above, the General Partner receives an annual performance-based allocation equal to 20% of net profits (including unrealized gains) allocated to the Funds (the "Performance Allocation"). As a result, the performance-based compensation could be based on unrealized gains that Client Accounts may never realize. The Performance Allocation is subject to a loss carry forward provision, the "modified high water mark". The modified high water mark accrues a Performance Allocation equal to 10% of net profits until 200% of the loss for a given Investor is recovered adjusted proportionately for withdrawals.

Fees and terms are not negotiable except in limited circumstances at the Company's sole discretion. SeaStone and/or the General Partner, in its discretion reserves the right to reduce or waive fees and/or certain terms, including but not limited to, waiving lock-up periods, waiving performance based fees, reducing or waiving asset based fees. Consequently, certain Investors may have more advantageous investment terms than others with respect to the amount of the Management Fee, decreased lock-up periods, increased transparency of Fund holdings, and other Fund matters. Such "side letter arrangements" will generally not be made available to all Investors.

Investment management fees and expenses paid to the Company by the SMA are set forth in the SMA's investment advisory agreement. All SMAs that would be managed by the Company in the future would similarly be guided by the terms of the applicable investment advisory agreement. Fees charged by SeaStone are negotiated with each SMA. In addition to SeaStone's investment management, SMAs bear trading costs, including brokerage fees. For information on brokerage transactions and costs, please see *Brokerage Practices*.

SMAs remit payment of their management and performance based fees to the Company. The Company's service may be terminated by either party upon written or oral notification in accordance with the applicable contractual notice of termination. Upon termination, the fees charged for advisory services will be pro-rated and a refund for any unearned fees will be issued. SMAs are responsible to pay for services rendered until the termination of the agreement. Performance-based compensation with respect to the SMA is calculated in accordance with the SMA's investment advisory agreement.

Performance based compensation may create an incentive for the Company to make investments that are riskier or more speculative than would be the case in the absence of a right to performance-based compensation. Additionally, performance based compensation may create an incentive to favor Client Accounts that pay higher performance based compensation in the allocation of investment opportunities.

Performance-Based Fees and Side-by-Side Management

The Company receives performance-based fees from each Client Account, however some Client Accounts pay a higher performance based fee. While SeaStone may have an incentive to favor these accounts, all Client Accounts are managed *pari passu* to the extent possible, taking into consideration individual account restrictions and de minimus considerations. In addition, SeaStone has a fiduciary obligation to use its best efforts to ensure that no Client Account is treated unfairly in relation to any other Client Account in the allocation of securities or investment opportunities or in the order in which transactions are executed. Accordingly, the Company seeks to allocate orders and investment opportunities among its Client Accounts in a manner that it believes is equitable and over time in the best interests of all the Client Accounts.

Types of Clients

SeaStone's clients consist of the Funds and the SMA.

Investors in the Funds must be (i) "qualified purchasers" within the meaning of the Investment Company Act of 1940 or (ii) "accredited investors" within the meaning of Regulation D under the Securities Act of 1933. In addition, each U.S. Investor in any of the Funds that is charged the performance based fee, must also satisfy the eligibility requirements of a "qualified client" as set forth in Rule 205-3 under the Investment Advisers Act of 1940 ("Advisers Act").

The minimum investment required to invest in the Funds is described in the applicable Fund's Governing Documents. The Company, in its sole discretion, may waive or reduce any minimum investment amount in certain circumstances.

Methods of Analysis, Investment Strategies, and Risk of Loss

Investment Program

The investment objective is to earn attractive long-term risk-adjusted returns with a focus on downside protection and minimizing permanent loss of capital. **No assurance, however, can be given that the Funds' investment objective will be achieved, and investment results may vary substantially on a monthly, quarterly, annual and/or other periodic basis.** The Company believes that the investment objective can be achieved by constructing a concentrated investment portfolio driven by a fundamental, bottom-up, research driven approach that is opportunistic and flexible in finding inefficiencies across industries and geographies in all parts of a company's capital structure. The Company's primary focus is expected to be long and short investments in publicly traded equity and equity-linked securities. In addition, the Company will invest the Client Accounts' assets opportunistically in long and short fixed income and fixed income-linked securities, where the Company believes that market conditions warrant. Although the Client Accounts' investments are expected to be principally comprised of publicly listed equities, subject to certain investment limitations (as discussed below), the Company has wide discretion in determining the securities, commodities, physical assets and/or other financial instruments or other assets in which the Client Accounts will invest. Such securities, commodities, physical assets and/or other financial instruments or other assets may be issued by U.S. or non-U.S. entities and/or be located inside or outside the United States, and may include, without limitation: public and private common and preferred stock; capital stock; shares of beneficial interest; partnership interests and similar financial instruments (except for other private pooled investment vehicles other than certain money market funds that may be used for cash management purposes); interests in real estate (including real estate investment trusts) and real estate related partnerships, securities and/or assets; other physical or discreet assets; market index proxies; corporate, municipal and other bonds, notes, bills, debentures and other debt obligations (whether subordinated, convertible or otherwise); debt obligations convertible into equity; commodities; currencies; loans; accounts and notes receivable and payable held by trade or other creditors; executory contracts; interests in money market and similar funds; obligations of the United States, any state thereof, non-U.S. governments and instrumentalities of any of them; commercial paper; other obligations and instruments or evidences of indebtedness of whatever kind or nature, in each case of any person, corporation, government or other entity whatsoever, whether or not publicly traded or readily marketable; reserves; interest rate, currency, commodity, equity and other derivative products, including, without limitation, (i) forwards and futures contracts (and options thereon); (ii) swaps, options, warrants, caps, collars, floors and forward rate agreements, (iii) spot and forward currency transactions; and (iv) agreements relating to or securing such transactions; participations in any of the foregoing; or such other instruments or assets as identified by the Company. The Client Accounts may also act as a lender, underwriting structured debt obligations to select borrowers whom the Company determines to be creditworthy and sufficiently collateralized.

In addition, SeaStone may make speculative investments in debt securities (including, without limitation, fixed income and convertible securities and bonds of foreign corporate and sovereign issuers), bank debt, physical commodities and distressed debt. Furthermore, although the Company anticipates that it will primarily invest the Client Accounts' assets in developed markets, the Company may also invest opportunistically in emerging markets where the Company believes there are substantial dislocations that create compelling opportunities.

Investment Philosophy

The Company believes that capital markets provide pockets of inefficiency in changing ways. The Company believes that these inefficiencies are generally a result of one or more of the following:

- *Complexity.* – Complexity (such as a complicated holding company structure or diverse business lines) can result in securities that are mispriced from their fundamental value (as perceived by the Company) due to the difficulty of appropriately evaluating the securities, the time commitment required to make such an evaluation or other factors.
- *Fundamental Change.* – A company may be subject to a fundamental change (e.g., changing regulatory environment, competitive dynamics, technology, etc.). This may result in uncertainty which the Company believes is often mispriced, either due to the market placing a risk premium on the security that overcompensates (or undercompensates) for the underlying uncertainty, or resulting from the growth or decline of a business that may be misunderstood or other factors.
- *Liquidity Events.* – Liquidity events (such as forced selling of a spun-off security due to market capitalization restrictions, buying of a security due to a newly announced dividend policy by income investors or turnover of an event-focused shareholder base after the completion of a merger) may create inefficiencies because, among other things, buyers and/or sellers driven by technical, non-fundamental reasons can create dislocations versus intrinsic value given their buy and sell decisions are not necessarily driven by whether or not the security price reflects intrinsic value
- *Under-followed Situations.* – Securities can be mispriced due to the fact that investors and/or analysts are not focused on or do not have enough information or guidance regarding a security.
- *Mismatched Investor Duration.* – Due to varying investment horizons of market participants, opportunities can arise or exist because the time to value realization may be too long for a marginal investor or the pathway to value realization may be perceived to be too volatile, even though the Company believes that the absolute risk-reward of the opportunity is compelling.

The Company seeks to capitalize on the perceived categories of inefficiencies that result from the drivers listed above. These categories of inefficiencies may include, but are not limited to:

- Underappreciated Assets
 - Hidden or undervalued assets
 - Underutilized balance sheets
 - Quality of business model
- Misunderstood Growth

- Secular industry shifts
 - Regulatory impact on growth
 - Powerful unit economics
 - Cyclical turning points
- Misestimated Risk
 - Legal/regulatory changes
 - Changing competitive dynamics
 - Macroeconomic factors
 - Appropriate capital utilization
 - Concern driven by motivation of selling shareholders
- Misjudged Economic Earnings
 - True earnings power of the business
 - Accounting driven earnings complexity
 - Merger pro forma earnings
 - Low capital intensity to drive growth
 - Complexities around balance sheet dynamics (pension underfunding, working capital changes, etc.)

The Company will seek to determine how to unlock the inefficiencies of a particular investment. However, this determination is expected to vary based on the situation. In cases where the inefficiency is more perception-driven, the Company will generally require hard catalysts to change that perception. In other cases, the Company will generally allow the compounding of cash flows or growth to drive value realization.

Investment Approach

The Company's investment approach is to seek to construct a concentrated investment portfolio driven by a fundamental, bottom-up, research-driven process. The Company's investment team will attempt to identify opportunities that exhibit inefficiencies that lead to a security being mispriced. Given the expected concentration of the Fund's investment portfolio, the investment team will conduct detailed and thorough diligence on these investments. This diligence incorporates:

- Quantitative Research
 - Financial analysis. – The investment team will generally build a detailed model that includes a combination of historical and projected income statement, cash flows and balance sheet. In addition, the company's financial statements will be reviewed.
 - Accounting analysis. – The company's accounting policies and procedures will be evaluated to normalize and represent what the Company believes is the true ongoing economic earnings for the business. Among other things, this can incorporate analysis of deferred and prepaid revenue accounting (especially as it relates to contract based accounting), amortization of intangibles, depreciation policies, expense capitalization policies, interest rate swaps and zero coupon instruments, treatment of tax expense and net operating loss carry forwards, treatment of reserves for receivables, returns and other items or other factors.
 - Document analysis. – For companies that have more financial leverage, the investment team will seek to evaluate available financial covenants to understand the potential triggers and limitations arising from the balance sheet. The analysis will

generally entail understanding differentials between documentation of different securities within the company's capital structure and the opportunities or threats it may present.

- Valuation analysis and assessment of risk/reward of investment. – The investment team's diligence contributes to assessing the appropriate valuation for a security based on, among other things, projected cash flows, the various risks to those cash flows and the appropriate discount rate or multiple for those cash flows. The investment team will typically look at some combination of comparable company valuations, precedent transactions, historical valuation, replacement cost and discounted cash flows to evaluate every investment. The investment team will also typically create various scenarios and price targets in order to better assess the risk/reward of an investment.
- Qualitative Research
 - Business analysis. – This analysis usually involves understanding critical business lines at a company. The analysis generally includes an evaluation of the unit economics of the business, cost structure, growth of the end markets, distribution to those markets, existing and new product portfolio, new business opportunities or other factors.
 - Industry analysis. – Some of the key components to industry analysis are an evaluation of overall supply/demand and pricing over time, drivers of demand, ease or difficulty of supply additions, components of supply curve, ultimate market size, displacement threats to market, regulatory structure of and changes to industry or other factors.
 - Competitive analysis. – This includes analysis of concentration or fragmentation of competition, cost position of competition, changes in market share, product comparisons or other factors.
 - Evaluation of management
 - Assessment of value realization catalysts
- Field research
 - Discussions with company management
 - Discussions with competitors, suppliers, customers and ex-employees
 - Analysis of industry data
 - Discussions with industry experts and consultants
 - Understanding of consensus expectations

The research is typically followed by an overall assessment of the investment merits and risks which contributes to determining the sizing and potential hedging of the investment. Position-level reviews are supplemented by active monitoring and management of aggregate exposures and concentration to mitigate portfolio risk. Portfolio management will generally incorporate top down assessments regarding overall macroeconomic conditions, broad market valuations, investor sentiment, and the regulatory and political climate to determine areas of investment opportunity and risk management focus.

The Fund may utilize various strategies to hedge equity market, credit spreads, interest rate, commodity, currency exchange and/or other risks. Such strategies may include the use of options, swaps, futures, forward contracts, other derivative and other financial instruments. Although such instruments are expected to be used primarily for hedging purposes, they may at times be used for speculative purposes as well.

Investment Risks

An investment in the Client Accounts entails a significant degree of risk and therefore should be undertaken only by investors capable of evaluating the risks of the Client Accounts and bearing the risks it represents. Set forth below is a non-exhaustive list of such risks:

1. Risk of Loss. An investment in the Client Accounts is speculative and involves significant risk. The profitability of the Client Accounts ultimately depends upon SeaStone correctly assessing the future price movements of the securities, commodities and other financial instruments in which the Client Accounts invests as well as the movement of interest rates. Such price movements may be volatile and are subject to numerous factors which are neither within the control of nor predictable by the Company. Such factors include, without limitation, a wide range of economic, political, competitive, market, legal, operational and other conditions or events (including, without limitation, natural disasters, acts of terrorism or war) which may affect investments in general or a specific security, commodity or other financial instrument in which the Client Accounts invest. There can be no assurance that SeaStone will be successful in accurately predicting price movements. Accordingly, Investors may incur substantial losses on their investments in the Client Accounts, and it is possible that the Client Accounts' performance will fluctuate substantially from period to period.
2. Market Volatility. As a general matter, the prices of certain of the assets in which the Client Accounts will invest have recently exhibited high volatility in line with the heightened volatility and fluctuations of global capital markets. Price movements of these assets may be influenced by, among other things, interest rates, credit trends, changing supply and demand relationships, regulatory changes and fiscal and monetary programs and policies of governments. There can be no assurance that the Company will be successful in accurately predicting price and interest rate movements despite efforts to identify and hedge such risks when necessary.
3. Leverage. The Client Accounts retain the right to utilize leverage, and may do so through short selling, options and other instruments (including, without limitation, derivatives) and arrangements with embedded leverage. While strategies, techniques and instruments that employ leverage increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. If the Client Accounts use leverage with respect to a position, any losses would be more pronounced than if leverage were not used, and a relatively small price movement in a security or other financial instrument may result in immediate and substantial losses to the Client Accounts, including, without limitation, losses in excess of the amount invested. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of the Client Accounts. In addition, the lender or counterparty, as the case may be, may have a security interest in, or otherwise acquire, all or a portion of the Client Accounts' assets. In the event that the Client Accounts default under any such arrangement, such lender or counterparty may have the right to become or remain the owner of all or that portion of the Client Accounts' assets secured pursuant to such arrangement. If such arrangement is terminated, the Client Accounts' ability to meet its investment objective may be adversely impaired. The Client Accounts will bear all of the costs and expenses incurred in connection therewith, including, without limitation, any interest expense charged on funds borrowed or otherwise accessed.

In addition, certain securities, commodities and other financial instruments which the Client Accounts acquire may incorporate a certain, and sometimes high, degree of embedded leverage.

Accordingly, even if not leveraged in the sense of being acquired with borrowings, the Client Accounts may have highly leveraged exposure to certain securities, commodities and other financial instruments it acquires.

4. Liquidity. Some of the investments that are made by the Client Accounts will lack liquidity or be thinly traded. This could present a problem in realizing the prices quoted and in effectively trading the position(s). In many situations, the Client Accounts may invest in less liquid investments which could result in significant loss in value should the Client Accounts be forced to sell the less liquid investments as a result of rapidly changing market conditions or as a result of margin calls or other factors. In certain circumstances, the Client Accounts may also be contractually prohibited from disposing of investments for a specified period of time. Accordingly, the Client Accounts may be forced to sell its more liquid positions at a disadvantageous time, resulting in a greater percentage of the portfolio consisting of less liquid investments.

The disposition of less liquid investments often requires more time and results in higher transaction costs than the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

5. Concentration of Holdings. At any given time, the Client Accounts' assets are expected to become highly concentrated within a particular company, industry, asset category, trading style or financial or economic market. In such event, the Client Accounts' portfolio will be more susceptible to fluctuations in value resulting from adverse economic conditions affecting the performance of that particular company, industry, asset category, trading style or financial or economic market, than a less concentrated portfolio would be. As a result, if the Client Accounts' investment portfolio becomes concentrated, its aggregate return may be volatile and may be affected substantially by the performance of only one or a few holdings. SeaStone is not obligated to hedge the Client Accounts' positions. Nonetheless, it is anticipated that the Client Accounts would limit specific industry and company concentration risk.
6. Equity Risks. The Client Accounts will invest in equities and equity derivatives. The value of these instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Client Accounts may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Company's expectations or if equity markets generally move in a single direction and the Client Accounts have not hedged against such a general move. In its equity derivatives, the Client Accounts are exposed to risks that issuers will not fulfill their contractual obligations to the Client Accounts, such as, for example, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.
7. Preferred and Hybrid Securities Risks. The Client Accounts may invest in preferred stock and hybrid securities, which may have special risks. Preferred and hybrid securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If the Client Accounts own a preferred or hybrid security that is deferring its distributions, the Client Accounts may be required to report income for tax purposes even though they have not yet received such income. Some preferred and hybrid securities are non-cumulative, meaning that the dividends do not accumulate and need not ever be paid.

There is no assurance that dividends or distributions on non-cumulative preferred securities in which the Client Accounts invest will be declared or otherwise made payable or paid. Preferred and hybrid securities are subordinated to bonds and other debt instruments in an issuer's capital structure in terms of priority to corporate income and liquidation payments and, therefore, will be subject to greater credit risk than more senior debt instruments. Because preferred stock and hybrids are generally junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of such instruments than senior debt securities with similarly stated yield characteristics. Preferred and hybrid securities may be substantially less liquid than many other securities, such as common stocks or U.S. government securities.

8. Convertible Securities Risks. The Client Accounts may invest in convertible securities. Convertible fixed income securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. As with all fixed income securities, the market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the convertible security tends to reflect the market price of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis and thus may not decline in price to the same extent as the underlying common stock. Convertible securities rank senior to common stocks in an issuer's capital structure and consequently entail less risk than the issuer's common stock. The Client Accounts may invest in convertible securities of any maturity and will determine whether to hold, sell or convert any security in which it has invested, depending upon the Company's outlook for the market value for such security and the security into which it converts.
9. Fixed-Income Investments; High-Yield Securities. The value of the fixed-income securities in which the Client Accounts may invest will change as the general levels of interest rates fluctuate. When interest rates decline, the value of the Client Accounts' fixed-income securities can be expected to rise. Conversely, when interest rates rise, the value of such securities can be expected to decline. In addition, the Client Accounts may invest in high-yield securities. High-yield securities are rated below investments grade, and are commonly known as "junk bonds". Securities which are in the lower-grade categories generally offer a higher current yield than is offered by higher-grade securities of similar maturities, but they also generally involve greater risks, such as greater credit risk, greater market risk and volatility, and greater liquidity concerns (including, without limitation, the possibility of default or bankruptcy of the issuers of such securities).
10. Small Companies. The Client Accounts may invest a portion of their assets in securities of small and/or unseasoned companies with small market capitalization. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. Such companies may not be well-known to the investing public, may not have significant institutional ownership and may have cyclical, static or only moderate growth prospects. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, the Client Accounts may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the lower trading volume of smaller company securities.

Smaller capitalization securities may be followed by relatively few securities analysts with the result that there tends to be less publicly available information concerning these securities compared to what is available for exchange-listed or larger companies. The securities of these companies may have limited trading volumes and may be subject to more abrupt or erratic market movements than the securities of larger, more established companies or the market averages in general, and the Client Accounts may be required to deal with only a few market makers when purchasing and selling these securities. Transaction costs in smaller capitalization stocks may be higher than those for larger-capitalized companies. It is anticipated that the Client Accounts would limit investments in smaller-capitalization companies and would generally require higher risk-reward ratios.

11. Event-Driven Investments. The Client Accounts may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs or other catalytic changes or similar transactions. Investing in the securities of such companies, as well as certain distressed securities, will be subject to so-called "event risk", *i.e.*, the risk that the transaction in question will simply fail to conclude as contemplated or will be delayed or modified in a manner detrimental to the Client Accounts in the transaction. Numerous factors, including, without limitation market or industry developments, economic factors, regulatory clearance requirements and management or workforce issues, can cause an announced transaction to be abandoned, delayed or modified. Where a security to be issued in a proposed merger or exchange offer has been sold short by the Client Accounts in the expectation that the short position will be covered by delivery of such security when issued, failure of the merger or exchange offer to be consummated may force the Client Accounts to cover its short position in the market at a higher price than its short sale, resulting in a loss. These losses can be substantial. If a transaction is delayed significantly, the Client Accounts' capital may be committed to the transaction during the period of the delay and interest charges on funds borrowed to finance its investment in connection with the transaction may be incurred. These interest charges may be greater than the profit realized upon the disposition of the securities, in which case the Client Accounts would realize a loss on the transaction.
12. Short Sales. The Client Accounts will sell securities short. Selling securities short risks losing an amount greater than the proceeds received. Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. The Client Accounts may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if the Client Accounts are otherwise unable to borrow securities which are necessary to cover its positions. Although the Client Accounts may utilize short selling as a hedging technique, short selling may also be used for speculative purposes.
13. Options. The Company may utilize options in furtherance of its investment strategies. Option positions may include both long positions, where the Client Accounts are the holder of put or call options, as well as short positions, where the Client Accounts are the seller (writer) of an option. Although option techniques can increase investment return, they can also involve a higher level of risk compared with their underlying securities. For example, the expiration of unexercised long options effectively results in loss of the entire cost, or premium paid for the option. Conversely, the writing of an uncovered put or call option can involve, similar to short selling, a theoretically unlimited risk of an increase in the Client Accounts' cost of selling or purchasing the underlying securities, commodities or other financial instruments in the event of exercise of the option.

14. Hedging Transactions. Hedging involves special risks, including, without limitation, the possible default by the other party to the transaction, illiquidity and, to the extent the Company's view as to certain market movements is incorrect, the risk that the use of hedging could result in losses greater than if such investment strategies had not been used. The Company may utilize financial instruments for risk management purposes. The success of the hedging strategy of the Client Accounts will be subject to the Company's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Because the characteristics of many assets change as markets change or time passes, the success of the Client Accounts' hedging strategy will also be subject to the Company's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Fund than if it had not engaged in any such hedging transactions. For a variety of reasons, SeaStone may not seek to hedge certain portfolio holdings, or may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Moreover, the portfolio may be exposed to certain risks that cannot be hedged.

When conducted outside the United States, hedging may not be regulated as rigorously as in the United States, may not involve a clearing mechanism and related guarantees and will be subject to the risk of governmental actions affecting trading in, or the prices of, foreign securities, currencies and other instruments. The value of positions taken as part of non-U.S. hedging also could be adversely affected by (i) other complex foreign political, legal and economic factors; (ii) lesser availability of data on which to make trading decisions than in the United States; (iii) delays in the Client Accounts' ability to act upon economic events occurring in foreign markets during non-business hours in the United States; (iv) the imposition of different exercise and settlement terms and procedures and margin requirements than in the United States; and (v) lower trading volume and liquidity.

15. Non-U.S. Investments. The Client Accounts may invest a portion of its assets in non-U.S. securities and interests denominated in non-U.S. currencies and/or traded outside of the United States, including, without limitation, emerging market securities and interests. Such investments require consideration of certain risks not typically associated with investing in securities traded in the United States or other assets. Such risks include, among other things, unfavorable currency exchange rate developments, restrictions on repatriation of investment income and capital, imposition of exchange control regulation, confiscatory taxation and economic or political instability in foreign nations. In addition, there may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States, and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies.
16. Emerging Markets. Investment in emerging market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may carry the risks of less publicly available information, more volatile markets, less strict securities market regulation, less favorable tax provisions, a greater likelihood of severe inflation, unstable currency, war and expropriation of personal property. In addition, the Client Accounts' investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When

seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported.

17. Substantial Positions in Portfolio Companies. From time to time the Client Accounts may acquire positions in the securities of particular companies that, by itself or when combined with positions held in other investment funds and accounts sponsored, managed and/or otherwise advised by the General Partner, the Company and their respective affiliates, comprise a substantial percentage of those companies' outstanding securities. The General Partner, the Company, their respective affiliates and/or the Client Accounts may be required to file with regulatory authorities reports of beneficial ownership of securities. In these cases, it may be difficult to liquidate or reduce the Client Accounts' position in these securities, preventing the Client Accounts from realizing profit or avoiding loss. In addition, there may be other circumstances under which the aggregate holdings of a security by the Client Accounts and other accounts sponsored, managed and/or otherwise advised by the General Partner, the Company and their respective affiliates, or the involvement of the General Partner, the Company and/or their respective affiliates with the issuer of that security, limit the Partnership's ability to liquidate or reduce its position. The General Partner, the Company and their respective affiliates may at times attempt to influence management of a particular company or exercise control of a company.
18. Sovereign Debt. The Client Accounts may invest in debt securities issued by governments and their agencies, including governments of emerging markets. Investing in instruments of government issuers in emerging markets may involve significant economic and political risks. Holders of certain emerging market instruments may be requested to participate in the restructuring and rescheduling of these obligations and to extend further loans to their issuers. The interests of holders of emerging market instruments could be adversely affected in the course of restructuring arrangements. Sovereign debt rated below investment grade by a nationally recognized bond rating organization is regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations.
19. Derivative Instruments. The Client Accounts may invest capital with or through third parties through swaps, total return swaps and other derivative instruments. The Company may take advantage of opportunities with respect to certain other derivative instruments that are not currently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with their investment objectives and legally permissible. Special risks may apply to instruments that are invested in by the Client Accounts in the future that cannot be determined at this time or until such instruments are developed or invested in by the Client Accounts. Certain swaps, total return swaps and other derivative instruments may be subject to various types of risks, including, without limitation, market risk, liquidity risk, the risk of non-performance by the counterparty, including, without limitation, risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.
20. Futures. The Client Accounts will employ futures contracts, or options on such contracts, which involve the future purchase or sale of securities, commodities, financial instruments or market

baskets of securities, such as various securities indices. Use of futures contracts and options thereon involve the contractual commitment to purchase or sell the underlying instrument at a future date. The eventual price of such instrument may be influenced by a broad variety of market, economic and issuer-specific events and risks, many of which may be difficult to predict or assess. Futures trading involves relatively small invested capital relative to risk exposure and therefore can increase, perhaps significantly, portfolio volatility and exposure to loss.

Cash settlement of expiring futures or option contracts typically are settled based on their "Special Opening Quotation". Final settlement typically will occur on the morning following the last day of trading when all open positions will be marked to a Special Opening Quotation based on the opening values of the component stocks in the index, regardless of when those stocks open on expiration day. If a stock does not open on that day, its last sale price will be used in the Special Opening Quotation. Because the settlement quotation is computed on the basis of the opening trade prices and opening trades occur at different times in the morning, the Special Opening Quotation may or may not be within the cash index prices on expiration day. This may induce inaccuracies if the Special Opening Quotation differs from the close of the previous night, and therefore, the cash settlement price may be difficult to assess.

21. Swap Agreements. The Client Accounts may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Client Accounts' exposure to long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, corporate borrowing rates or other factors such as security prices, baskets of equity securities or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The Client Accounts are not limited to any particular form of swap agreement if consistent with the Client Accounts' investment objective and policies. Swap agreements tend to shift the Client Accounts' investment exposure from one type of investment to another. For example, if the Client Accounts agree to exchange payments in dollars for payments in non-U.S. currency, the swap agreement would tend to decrease the Client Accounts' exposure to U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Client Accounts' portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Client Accounts. If a swap agreement calls for payments by the Client Accounts, the Client Accounts must be prepared to make such payments when due. This is only true in default and not part of mark-to-market. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Client Accounts.
22. Other Derivative Instruments. The Client Accounts may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Client Accounts and legally permissible. Special risks may apply to instruments that are invested in by the Client Accounts in the future that cannot be determined at this time or until such instruments are developed or invested in by the Client Accounts. Certain swaps, options and other derivative instruments may be subject to various types of risks, including, without limitation, market risk, liquidity risk, the risk of non-performance by the counterparty, including, without limitation, risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

23. Futures Trading. The Client Accounts may engage in the trading of futures, including, without limitation options on futures, spot instruments and over-the-counter derivatives, for speculative and proprietary purposes. These types of trades are highly specialized and have specific risks. Commodity futures trading may be less liquid due to, among other things, position limits and price limits imposed by the CFTC and certain exchanges. If prices fluctuate beyond such limits, the Client Accounts may be prevented from immediately liquidating unfavorable positions and may be subject to substantial losses. In addition, commodity futures prices are highly volatile, and are influenced by events such as changing supply and demand relationships, government programs and policies and changes in interest rates and other national and international political and economic events. As the Client Accounts may generally trade commodity futures using low margin deposits, the Client Accounts may employ a high degree of leverage with respect to such positions. As a result, a small change in price in a commodity futures contract could result in substantial losses, including, without limitation, losses greater than the amount invested in such contract. The Client Accounts may also trade over-the-counter instruments with third parties. The risk of counterparty nonperformance can be significantly greater in the case of these substantially unregulated over-the-counter instruments as opposed to exchange-traded instruments and, as a result, prices for such instruments may not be readily available.
24. Relative Value and Arbitrage. The Client Accounts may engage in various types of arbitrage and relative value trading strategies. These strategies are based on the apparent presence of pricing inefficiencies and the expectation that these anomalies will revert to historical averages over time. Certain types of arbitrage involve the purchase of an asset and the concurrent sale of that asset in a different market, the purchase of an asset and concurrent sale of a related asset, and yield curve arbitrage. Such strategies frequently require the use of leverage in order to profit from small pricing discrepancies between markets or related assets. A variety of factors may cause prices to diverge further, rather than converge, which may cause the Client Accounts to sustain losses.
25. Temporary Investments in Liquid Assets. The Client Accounts may at times keep a portion of its assets in cash, cash equivalents or other liquid assets, including, without limitation, currencies, bank deposits, certificates of deposit, bankers acceptances, one or more short duration funds (including, without limitation, money market instruments or investments in shares or units of money market funds) and/or government securities (both short-term and long-term). Such investments may be financed by entering into repurchase agreements and/or reverse repurchase agreements with the Client Accounts' brokers or by other means. Partners should be aware that such investments usually produce a lower return than other investments contemplated by the Client Accounts and, therefore, may impact the overall performance of the Client Accounts. The fact that a portion of the Client Accounts' assets are held in cash or cash equivalents should not be taken as an indication that the Client Accounts have not fully invested all of its assets. Further, Investors should not assume that an investment in the Client Accounts is less risky due to the fact that the Client Accounts may, from time to time, hold a significant portion of its assets in cash and cash equivalents.
26. Market Dislocation and Illiquidity. Relatively recent events in the sub-prime mortgage market and other areas of the fixed income markets in the United States have caused significant dislocations, illiquidity and volatility in the structured credit, leveraged loan and high-yield bond markets. These events have had repercussions on the global financial markets, including, without limitation, the markets in which the Client Accounts trades and invests, by restricting the availability of credit generally and reducing liquidity levels across virtually all markets globally. The foregoing events could lead to an overall weakening of the U.S. and global economies. Any

resulting economic downturn could adversely affect certain of the Client Accounts' investments. Such marketplace events also may restrict the ability of the Client Accounts to sell or liquidate investments (including, without limitation, equity investments) at favorable times and/or for favorable prices and/or cause the Client Accounts to have limited access to credit. The Client Accounts may be adversely affected by a decrease in market liquidity (e.g., by impairing the Client Accounts' ability to adjust its positions and risk in response to trading losses or other adverse developments). The size of Client Accounts' positions may magnify the effect of a decrease in market liquidity for the instruments traded. Changes in the overall market leverage (e.g., deleveraging or liquidations by other market participants of the same or similar positions) also may adversely affect the Client Accounts' positions.

27. Currency Risk. The Company generally may or may not cause the Client Accounts to enter into arrangements in an attempt to hedge the Client Accounts' exposure to significant currency fluctuations between the U.S. Dollar and other currencies. Therefore, the Client Accounts may be exposed to fluctuations in currency and interest rates to the extent the movement in such rates affect the Client Accounts' portfolio. Price movements of currencies and interest rates are difficult to predict accurately because they are influenced by, among other things, changing supply and demand relationships; governmental, trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. Governments from time to time intervene in certain markets in order to influence prices directly. SeaStone cannot guarantee that the Client Accounts' portfolio will not be affected substantially by currency price and interest rate movements and the Client Accounts may suffer significant losses as a result thereof.
28. Inflation Risk. Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the Client Accounts purchase a 5-year bond in which it can realize a coupon rate of five percent (5%), but the rate of inflation is six percent (6%), then the purchasing power of the cash flow has declined. For all but inflation linked bonds, adjustable bonds or floating rate bonds, the Client Accounts, if it were to invest in bonds, would be exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.
29. Systemic Risk. World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in the Client Accounts losing substantial value caused predominantly by liquidity and counterparty issues, which could result in the Client Accounts incurring substantial losses.
30. General Economic Conditions. The success of any investment activity is affected by general economic conditions, which include the level and volatility of interest rates, credit spreads and equity valuations and the extent and timing of investor participation in the markets for both equities and interest-sensitive instruments. Unexpected volatility or illiquidity in the markets in which the Client Accounts hold positions could cause the Client Accounts to incur losses.
31. Frequency of Trading. Some of the strategies and techniques employed by the SeaStone may require frequent trades to take place and, as a consequence, portfolio turnover and brokerage commissions may be greater than for other investment entities of similar size.

The foregoing list of certain risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Client Accounts. Prospective Investors should read the entire Memorandum and consult with their own advisors before deciding to invest in the Client Accounts.

Disciplinary Information

Neither the Company nor any of its officers, directors, employees or other management persons, have been involved in any legal or disciplinary events in the past 10 years that would be material to an Investor's or SMA account owner's evaluation of SeaStone or its personnel.

Other Financial Industry Activities and Affiliations

SeaStone provides investment advice to the Client Accounts. The General Partner is affiliated with the Company by common ownership. Additionally, the Funds themselves may be considered related entities of SeaStone.

As mentioned in the *Advisory Business* section, SeaStone has a strategic relationship with an investment firm that has agreed to provide a significant capital contribution to the Funds, as well as an investment in the SMA. Although SeaStone and Reservoir have a strategic relationship, SeaStone is operated independently from the management of Reservoir. Otherwise, SeaStone and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

Pursuant to Rule 204A-1 of the Advisers Act, SeaStone has adopted a written Code of Ethics (the "Code") predicated on the principal that the Company owes a fiduciary duty to the Client Accounts and the underlying Investors. The Code is designed to address and avoid potential conflicts of interest and is applicable to all officers, directors, members, partners or employees of the Company (the "Employees"). SeaStone requires its Employees to act in the Client Accounts' best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

SeaStone's Code, among other things, governs personal trading by its Employees. All Employees are prohibited from trading in securities, subject to certain limited exceptions, and also requires Employees to (i) pre-clear certain personal securities transactions, (ii) report personal securities transactions on at least a quarterly basis, and (iii) provide the Company with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such Employees have a direct or indirect beneficial interest.

A copy of the Code is available upon request.

Brokerage Practices

Selection of Brokers

In making its decisions regarding the allocation of brokerage transactions for the Client Accounts, SeaStone seeks to obtain best execution, taking into account the following factors: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer; (iv) the quality, comprehensiveness, and frequency of available research services considered to be of value to the Company and its Client

Accounts; (v) the value of brokerage services over and above trade execution provided to the Company and its Client Accounts; and (vi) the competitiveness of commission rates in comparison with other broker-dealers satisfying the Company's other selection criteria.

In selecting brokers or dealers to execute transactions, SeaStone is not required to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Company's practice to negotiate "execution only" commission rates, thus the Client Accounts may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

The Client Accounts may be deemed to be paying for research and other services with "soft" or commission dollars. Although the Company believes the Client Accounts will benefit from many of the services obtained with soft dollars generated by the Client Accounts' trades, they will not benefit exclusively. SeaStone and/or its affiliates may also derive direct or indirect benefits from some or all of these services, particularly to the extent that the Company uses "soft" or commission dollars to pay for expenses they would otherwise be required to pay themselves. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; hardware, software, data bases and other news, technical and telecommunications services and equipment utilized in the investment management process; and items that a broker-dealer acquires from third parties (such as quotation equipment). To the extent that portions of the services provided by the brokerage firms fall outside the safe harbor, SeaStone allocates the costs of such products between their research and non-research uses, and uses soft dollars to pay only for the portion allocated to research uses. The non-research portion is paid for by SeaStone or charged to the Client Accounts if permitted by the Governing Documents for the Funds and SMAs.

Section 28(e) of the Exchange Act provides a "safe harbor" to investment managers who use commission dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the manager in the performance of 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 U.S. Federal law. SeaStone's investment personnel will determine in good faith that the commissions are reasonable in relation to the value of the brokerage and research services received. When SeaStone uses brokerage commissions to obtain research or other products or services, it receives a benefit because it does not have to produce or pay for such products or services. SeaStone may have an incentive to select a broker-dealer based on its interest in receiving research or other products or services, rather than on an account's interest in receiving most favorable execution.

Trade Aggregation and Allocation

It is SeaStone's practice, where possible, to aggregate transactions for the Client Accounts for the purchase or sale of the same security. Such aggregation may enable the Company to achieve more efficient execution or to provide for equitable treatment among Client Accounts. Client Accounts participating in aggregated trades will generally be allocated securities based on the average price achieved for such trades. The Funds are invested in accordance with a single strategy and generally invest *pari passu*, or on a pro-rata basis with trades generally being executed on an aggregate basis among the Funds. Exceptions to this allocation methodology include, but are not limited to, differing legal or tax prohibitions among the Funds, addressing issues which do not equally impact each of the Funds, and rebalancing due to disparities in capital activity (redemptions/subscriptions) in one or more of the Funds. Accordingly, the Funds, may experience some performance dispersion and there can be no assurance that a particular order or investment opportunity will be allocated in a particular manner. This issue may similarly occur in the SMA.

Allocations will be made among Client Accounts eligible to participate in initial public offerings ("IPOs") and secondary offerings on a pro rata basis, except when the Company determines in its discretion that a pro rata allocation is not appropriate, which may include a Client Account's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and an Investor's or SMA account owner's status as a "restricted person" under applicable regulations. Accordingly, SeaStone allocates IPOs or allocates the profit and loss from IPOs only to those Investors in the Funds who may, pursuant to FINRA Rule 5130, participate in such allocations.

Principal and Cross Trades

SeaStone does not engage in principal trades. On occasion, for the purposes of rebalancing as described above, the Company will execute cross trades among the Client Accounts.

Trade Errors

Trade and other clerical errors attributable to SeaStone resulting in losses will be reimbursed by the Company, unless the Company would be indemnified for such expenses under the applicable Governing Documents, and any gains realized by a Client Account will remain in the Client Account. Netting of gains and losses for a Client Account is permitted in circumstances in which more than one transaction must be effected to correct one or more trade errors made as a result of a single investment decision. Netting of gains and losses may also be permitted in circumstances in which multiple trade errors resulting from more than one investment decision occur in the same Client Account within the same day. Any netting of gains and losses will be reviewed on a case-by-case basis in consultation with the Chief Financial Officer and must be approved by the CCO or, in his or her absence, the Chief Executive Officer.

Review of Accounts

The Client Account portfolios are reviewed with regard to positions held, risk, exposure and proper settlement on a daily basis by the Portfolio Manager and Chief Executive Officer, investment professionals, in-house operations and other advisory personnel, where appropriate.

Investors receive monthly capital account statements directly from the Client Accounts' Administrator, a monthly portfolio summary, and quarterly performance letters from the Company. The Funds receive annual audited financial statements prepared by the auditor for the Funds.

The SMA is subject to an annual audit, for which the Company has no responsibility.

Client Referrals and Other Compensation

SeaStone does not currently directly or indirectly compensate any person for Investor/SMA referrals, but reserves the right to do so in the future.

Custody

With the exception of investments in "privately offered securities" per Rule 206(4)-2 under the Advisers Act (i.e., the custody rule), all Client Account assets are held in custody by unaffiliated broker/dealers or banks acting in the capacity as "qualified custodians."

Notwithstanding the foregoing, SeaStone Advisors' role as General Partner to the Funds enables SeaStone personnel to access Fund assets and SeaStone has developed procedures that ensure the safeguarding and protection of those assets. Such procedures include, among other things, the separation of functions and dual signatory approvals for the distribution of Fund capital.

The Funds are subject to an annual audit and the audited financial statements are distributed to the Investors. The audited financial statements will be prepared in accordance with generally accepted accounting principles, issued with an unqualified opinion, and distributed by March 31 of the year after Funds' fiscal year end.

Investment Discretion

SeaStone buys and sells securities and other instruments for its Clients Accounts on a discretionary basis in a manner consistent with each Client Account's investment objectives and restrictions, as set forth in the Governing Documents.

SeaStone is authorized to make the following determinations in accordance with each Client Account's objectives and restrictions without obtaining prior consent from any client or investor: which securities or instruments to buy or sell; the total amount of securities or instruments to buy or sell; the executing broker or dealer for any transaction; and the commission rates or commission equivalents paid to third-parties for transactions.

Voting Client Securities

SeaStone has adopted and implemented written policies and procedures governing the voting of securities.

It is the policy of the Company to exercise its proxy voting rights in the best interest of its Client Accounts, taking into consideration all relevant factors, including without limitation, acting in a manner that the Company believes will (i) maximize the economic benefits to the relevant Client Account and (ii) promote sound corporate governance by the issuer.

SeaStone has in place voting procedures designed to enable the Company to resolve material conflicts of interest that may arise between the Company, the Client Accounts, and the Investors, before exercising voting rights.

All proxies that the Company receives will be treated in accordance with these policies and procedures. A copy of SeaStone's written proxy voting policies and procedures, as well as a record of how the Company has voted in the past, will be maintained and available for review upon written request.

Financial Information

SeaStone has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage its Client Accounts.