



FIRM BROCHURE AND BROCHURE SUPPLEMENT

BOWERY INVESTMENT MANAGEMENT, LLC

**1325 Avenue of the Americas, 28th Floor
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This brochure provides information about the qualifications and business practices of Bowery Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us by telephone at 212.259.4300. The information in this brochure has not been approved or verified by the Securities and Exchange Commission or any state securities authority.

Additional information about Bowery Investment Management, LLC is available on the website maintained by the Securities and Exchange Commission at www.adviserinfo.sec.gov.

August 2012

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Material Changes

Our firm brochure and brochure supplement were prepared for the first time in June 2012. This section is used to identify any material changes made since the last version. This version incorporates changes to reflect that we manage five private investment funds in addition to Bowery Focused Credit, L.P. The firm brochure and brochure supplement are updated annually and when material changes occur. If at any time you would like to receive a copy of the current firm brochure, please contact us by telephone at 212.259.4300.

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Brochure Supplement for Vladimir Jelisavcic

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Item 4

Advisory Business

Bowery Investment Management, LLC (the “Investment Manager”) was organized as a limited liability company under the laws of the State of Delaware in 2012. Its principal office is in New York, New York.

The Investment Manager provides discretionary investment portfolio management services to Dover Master Fund II, L.P. and Dover Offshore Fund II, Ltd., both of which are Cayman Islands entities. As a feeder fund, Dover Offshore Fund II, Ltd. invests substantially all of its assets in Dover Master Fund II, L.P., the master fund. In addition, the Investment Manager provides discretionary investment portfolio management services to the following four Delaware limited partnerships at the direction of their respective general partners listed below (each a “General Partner”):

Partnership	General Partner
Bowery Focused Credit, L.P.	Bowery GP, LLC
Bowery Institutional Opportunity Fund, L.P.	Bowery Opportunity Management, LLC
Bowery Opportunity Fund, L.P.	Bowery Opportunity Management, LLC
Bowery Special Equities Fund, L.P.	Bowery Opportunity Management, LLC

Each General Partner was organized as a Delaware limited liability company in 2012 and shares its principal office with the Investment Manager. In reliance on the position expressed in the no-action letter of the Securities and Exchange Commission (the “SEC”) dated January 18, 2012 addressed to the Business Law Section of the American Bar Association, the General Partners do not intend to register separately with the SEC as investment advisors. The only natural person or entity that owns twenty-five percent or more of the Investment Manager or a General Partner is Vladimir Jelisavcic.

The Investment Manager also provides sub-advisory services that are advisory in nature (the “Sub-Advisory Account”). In this case, the client may accept or reject investment recommendations and the client assumes sole authority to execute investment recommendations. The Investment Manager may enter into other such agreements in the future.

In this firm brochure and brochure supplement, the terms “we,” “our,” and “us” refer to the Investment Manager or a General Partner, or all of these entities, as the context requires. References to a “Fund” means one of the Cayman Islands entities or the Delaware limited partnerships named in the preceding paragraph, as the context requires, and references to the “Funds” means these entities as a group.

The Funds are private investment funds that invest in securities and other financial instruments. The Investment Manager tailors the investment advice given to each Fund and manages its assets in an attempt to meet the investment objective and other terms specified in the governing documents of the Fund. The investment objective of each Fund is described in detail in the most current version of its private offering memorandum (each a “POM”). In general, the investment objectives of the Funds are to maximize the total return of a portfolio of distressed and high-yield investments, including but not limited to corporate bonds, bank loans, equity securities, total-return swaps, and other derivatives. Distressed investments may be found among financially troubled companies, companies currently in bankruptcy, highly leveraged companies, and companies that have recently been restructured. Any specific limitations or restrictions on the particular securities or types of securities in which a Fund may invest are described in its POM. Under specific economic or market conditions in which the Investment Manager believes that the portfolio of a Fund would benefit from one or more temporary defensive positions, the Investment Manager may invest the assets of the Fund in, among other things, securities issued by the United States government (such as Treasury bills, notes, and bonds), in cash, money-market mutual funds, certificates of deposit, bank time deposits, and bankers’ acceptances, and in other short-term debt interests.

The Investment Manager does not call any of the services that it provides financial planning or some similar term. In the future, the Investment Manager may provide investment management services to other private investment funds and managed accounts on either a discretionary or a non-discretionary basis. In addition, the Investment Manager provides sub-advisory services to the investment manager of a private investment fund. The Investment Manager receives a fixed fee for sub-advisory services that are non-discretionary in nature. The Investment Manager may enter into other such arrangements in the future.

As of July 31, 2012, the Investment Manager managed \$107,413,833 in assets on a discretionary basis. This figure represents regulatory assets under management as reported in Part 1A of Form ADV.

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Fees and Compensation

Asset-Based Fees and Performance-Based Compensation

The POM of each Fund describes the fees and compensation that we charge. These fees and compensation consist of an asset-based management fee and performance-based compensation. Asset-based fees are calculated based on the net asset value of each Fund, prior to the accrual of the management fee and any performance-based compensation, on the last day of each calendar quarter. In general, the management fee is deducted quarterly directly from Fund assets, and any performance-based compensation is allocated following the close of the fiscal year.

Each Fund that is organized as a Delaware limited partnership will pay any performance-based compensation to its General Partner, rather than the Investment Manager. The Investment Manager will receive any performance-based compensation paid by a Fund that is organized in the Cayman Islands. Performance-based compensation will be based on a share of capital gains on or capital appreciation of Fund assets, at the feeder-fund level when a master-feeder structure is used. The fiscal years of the Funds end on December 31. Whether we will be entitled to performance-based compensation in any particular year will be determined as of December 31 of that year, except with respect to (1) investors who withdraw from a Fund as of a date other than December 31 or (2) a Fund that calculates performance-based compensation based on a period of several years. Any performance-based compensation will be subject to a high watermark. In other words, if an investor in a Fund were to suffer an aggregate loss of capital during a fiscal year, no performance-based compensation would be due with respect to that year until the loss of capital was first recovered.

At our discretion, we may waive all or a portion of any asset-based fee or performance-based compensation. For example, a waiver or reduction may apply for our employees and members of their immediate families.

Each of Bowery Focused Credit, L.P. and Bowery Special Equities Fund, L.P. prohibits withdrawals of investor capital during the first six months after the issuance of the relevant limited partner interest, and Bowery Opportunity Fund, L.P. prohibits these withdrawals during the first twenty-four months after issuance. Once the lock-up period has elapsed, full or partial withdrawals of investor capital are permitted as follows:

Fund	Frequency	Notice Period
Bowery Focused Credit, L.P.	Quarterly	At least 90 but no more than 104 days
Bowery Opportunity Fund, L.P.	Annually	At least 90 but no more than 104 days
Bowery Special Equities Fund, L.P.	Monthly	At least 30 days

A Fund may pay an investor withdrawal proceeds in kind, including in the form of non-voting, non-redeemable equity interests in a special-purpose vehicle that will share in future profits and losses derived from assets held by the Fund on the redemption date that are difficult to value or illiquid, or both. In general, with respect to transactions that are carried out on the basis of the investment objective and strategy of the Fund as an ongoing investment enterprise, any such special-purpose vehicle will make periodic distributions of proceeds, net of expenses, as underlying positions are realized and will not participate in new investment opportunities. The Investment Manager or an affiliate of the Investment Manager will generally manage the special-purpose vehicle and will typically charge an administrative fee to defray the costs and expenses of its management activities. Additional information about withdrawals of investor capital is included in the POMs.

As described in the POMs, each Fund charges a withdrawal reduction fee when an investor is permitted to withdraw all or a portion of his investment on a date other than a standard withdrawal date. In addition, as described in its POM, Bowery Focused Credit, L.P. charges a rescission fee when an investor is permitted to rescind a notice of withdrawal previously submitted.

The Investment Manager has discretion to agree with an investor in a Fund to waive or modify the application of any provision of the investment terms applicable to the investor in a side letter or in another manner, generally without obtaining the consent of the other investors in the Fund. The terms of a side letter may include, among other things, lock-up waivers, asset-based fee rebates, and other types of more favorable fees or liquidity terms. In addition, the Investment Manager may grant additional transparency or another form of additional disclosure with respect to the performance or operation of a Fund to an investor without obtaining the consent of, or granting similar rights to, other investors in the Fund. Some investors in a Fund may negotiate a most-favored-nation provision that permits them to elect to receive the benefit of any modifications or waivers of terms that another investor in the Fund negotiates in the future. The Investment Manager may be obligated to disclose to other investors in a Fund who have most-favored-nation status that particular terms are being offered to other investors in the Fund through side letters and, in some cases, to offer those terms to other investors who have most-favored-nation status.

Fixed Fees

The Investment Manager receives a fixed fee for providing services to the Sub-Advisory Account.

Trade Claim Sourcing Commissions

The Investment Manager pays customary trade claim sourcing commissions to some of its employees. Each Fund reimburses the Investment Manager for these commissions that relate to the trade claim transactions of the Fund, which are in addition to the asset-based fee and performance-based compensation described above. This practice may present a potential conflict of interest and may give our employees an incentive to recommend investment products based on the potential for commission compensation, rather than on the investment objective of the Fund. The Investment Manager attempts to mitigate this potential conflict of interest by providing disclosure to investors and by requiring the portfolio manager to approve the purchase of a trade claim for which an employee is eligible to receive a commission.

Transaction-Based Fees and Compensation

From time to time, in connection with trade claim sourcing efforts on behalf of the Funds, the Investment Manager may become aware of the existence of a marketable trade claim that is not consistent with the investment objectives of one or more Funds due to the nature, size, or other characteristic of the trade claim. In these cases, the Investment Manager may purchase the trade claim for one or more Funds with an intention to resell the claim in the near term. In

the alternative, the Investment Manager may identify a trade claim that (1) is too large to meet the investment criteria of any Fund due to position concentration, size, or liquidity considerations or (2) would cause investors in a Fund to incur adverse tax consequences, such as the recognition of unrelated business taxable income or unwanted effectively connected income. In these circumstances, the Investment Manager may purchase and sell the trade claim for its own account or may arrange a direct transaction between a third-party buyer and seller in order to generate a fee for itself. The practice of the Investment Manager has been voluntarily to reduce the amount of the management fee next payable by Bowery Institutional Opportunity Fund, L.P. and Bowery Opportunity Fund, L.P. by the amount of the fee received in a direct transaction, net of any commission paid.

Other Fees and Expenses

Each Fund has paid the expenses of its organization. Each Fund bears ongoing investment-related costs, including but not limited to custodial, legal, research-related consulting, and other professional expenses. In addition, each Fund incurs brokerage and other transaction costs as described in the section entitled “Brokerage Practices.” Finally, a Fund may incur fees and expenses payable to third-party service providers, such as insurance, audit fees, tax-preparation fees, director fees, and administration fees. The POM of each Fund discusses these other expenses and costs in greater detail.

As part of an overall investment strategy, the Investment Manager may invest some assets of the Funds in mutual funds and exchange-traded funds (each an “ETF”). Mutual funds and ETFs incur a separate layer of management fees and other expenses that are in addition to the fees and performance-based compensation that we charge.

Item 6

Performance-Based Fees and Side-by-Side Management

As more fully described in the section entitled “Fees and Compensation,” we may earn performance-based compensation from the Funds. The potential to earn performance-based compensation may create an incentive for us to make investments on behalf of a Fund that are riskier or more speculative than would be the case in the absence of this compensation. Further, performance-based compensation may be earned based on unrealized gains that a Fund never actually realizes. We seek to address this conflict of interest by disclosing the risk to investors and by instituting a supervisory structure that generally requires multiple layers of review for decisions involving trade allocation. We have adopted policies and procedures that require our employees to act in the best interests of clients.

Item 7

Types of Clients

The Investment Manager furnishes investment management services to the Funds, which are private investment funds. The initial subscription minimum and the additional subscription minimum for each Fund are disclosed in its POM. In the future, the Investment Manager may provide investment management services to other private investment funds and managed accounts on either a discretionary basis or a non-discretionary basis.

Each United States investor who participates in one of the Funds is required to meet certain suitability and net worth qualifications, such as by qualifying as an accredited investor within the meaning of rule 501 of Regulation D under the Securities Act of 1933 or a qualified purchaser as defined in the Investment Company Act of 1940. In addition, each United States investor is required to satisfy the suitability requirements for a qualified client imposed under rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”), which restricts who is allowed to incur performance-based fees. Interests in the Funds are offered only to prospective investors who satisfy the applicable eligibility and suitability requirements for either private placement transactions within the United States or offshore transactions. Typically, these investors are institutions and high net-worth individuals.

Item 8

Methods of Analysis, Investment Strategies, and Risk of Loss

Investing in distressed companies is a form of event-driven investing. We base our decision to invest on the potential occurrence of an event that would enable a Fund to realize a return on its investment, such as (1) the confirmation of a bankruptcy plan of reorganization, (2) a liquidation that distributes cash or securities, or both, or (3) the maturity of a financial asset, like a bond or an account receivable. The types of securities and other instruments in which the Funds invest are typically speculative and involve a substantial degree of risk. Therefore, a prospective investor in one of the Funds should meet suitability standards and be able to bear the risks involved. Investors should be prepared to bear the potential loss of all of the capital that they have invested.

In addition, each investment strategy that we use involves material risk factors. Material risk factors related to a distressed-debt strategy include price and market volatility, domestic or international economic and political developments, incorrect analysis, restrictions on marketability or illiquidity of securities and instruments, and lengthy delays in bankruptcy reorganizations. Material risk factors related to a special-situation equity strategy include price and market volatility, domestic or international economic and political developments, incorrect analysis, interest-rate fluctuations, and changes in exchange rates and exchange-control regulations. The POM of each Fund discusses in detail specific risks applicable to an investment in that Fund. In an attempt to achieve the investment goals of one or more of the Funds, we may engage in investment strategies that include derivatives and foreign-exchange contracts.

We use fundamental analysis to identify investment opportunities for the Funds in distressed debt and special-situation equity securities. We consider potential investments by analyzing the operations of an issuer, its long-term ability to generate cash flow, its place in its industry, and the future of the industry itself. We seek to identify issuers with a strong franchise that is not easily duplicated. Our investment research focuses on intensive analysis that measures the value of a distressed issuer and its surviving business. The research may include a liquidation analysis of the value of enterprise assets and how that value may be distributed to creditors in a bankruptcy proceeding. We may value liabilities of an issuer based on perceived market prices in an attempt to determine the current market value of company debt.

We source new ideas through direct sector and industry research, the media, public filings, broker-dealers, and professional relationships. We also hold frequent investment meetings in which our analysts present new ideas and discuss developments in existing portfolio securities.

When we believe it appropriate relative to the risk involved, we may invest on behalf of the Funds in more than one segment of the capital structure of an issuer while we monitor and assess the range of scenarios in which the issuer may emerge from bankruptcy, may pursue a liquidation, or may complete a balance-sheet restructuring. From time to time, conflicts may arise because our portfolio decisions regarding a Fund may either harm or benefit other Funds, the Investment Manager, or the General Partner. For example, when we believe it to be in the best interests of one or more Funds, we may pursue or enforce rights available to creditors with respect to an issuer in which these Funds holds debt; those activities may have an adverse effect on the equity holdings of other Funds. We seek to make decisions with respect to each Fund that are in its best interest without regard to the impact of the decision on other Funds or our own interests. As a result, activities on our own behalf or on behalf of one Fund may negatively impact the prices, availability, liquidity, and terms of the investments of other Funds, and transactions for one Fund may be effected at prices or terms that are less favorable than would otherwise have been the case. We have the absolute discretion to determine how best to deal with conflicts that may arise relating to investments in different parts of the capital structure of an issuer. We consult our chief compliance officer when an actual or potential conflict of interest is identified.

We generally use one or more prime brokers to conduct any short selling, including arranging, confirming, and documenting the availability of the borrowed security. If a prime broker is not used in a short sale, then the employee who places our trade is responsible for ensuring that we have arranged for and documented the borrowing of the security sold short. Before we use a broker-dealer to short sell a hard-to-borrow security, our chief compliance officer reviews and approves the procedures of the broker-dealer for obtaining and confirming borrowings of the security sold short.

Item 9

Disciplinary Information

This item is not applicable.

Item 10

Other Financial Industry Activities and Affiliations

The Investment Manager and the General Partner are under common control. Also under common control with the Investment Manager and the General Partner is Longacre Fund Management, LLC, an investment advisor registered with the SEC, and several other investment advisors that are relying advisors with respect to Longacre Fund Management, LLC based on the position expressed in the SEC no-action letter dated January 18, 2012 addressed to the Business Law Section of the American Bar Association. The Investment Manager has a sub-management agreement with Longacre Fund Management, LLC to assist in the management of Bowery Focused Credit, L.P.

The Investment Manager serves as investment manager to the Funds. The General Partner serves as general partner of the Funds that are Delaware limited partnerships. In the future, the Investment Manager may provide investment management services to additional private investment funds and managed accounts on either a discretionary basis or a non-discretionary basis. Our employees are not able to devote all of their efforts to any single clients. On occasion, the interests of one client may conflict with those of another.

Our chief compliance officer is an attorney who practices through a professional services corporation. She serves as chief compliance officer for several other investment advisors and one broker-dealer. In her capacity as chief compliance officer for the broker-dealer, she is a registered representative of the broker-dealer but does not engage in trading activities. She is also licensed in the State of New York as a real estate broker. We believe that these arrangements create no material conflicts of interest.

Item 11

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

We owe a fiduciary duty to our clients. As a result, we have instituted a code of ethics applicable to all access persons within the meaning of the rules under the Advisers Act. All employees of the Investment Manager are treated as access persons for purposes of our code of ethics and its personal-trading requirements, and the family members who share a household with an employee and entities controlled by an employee are also required to adhere to the personal-trading requirements. We require our employees to avoid activities, interests, and relationships that appear to run contrary to the best interests of our clients. At

all times, our employees are instructed (1) to place client interests ahead of our own and their own interests, (2) to obtain preclearance of specified personal securities transactions, (3) to report personal securities transactions at least quarterly, (4) to provide a detailed summary of investments that they beneficially own upon commencement of employment and quarterly thereafter, (5) to abide by our insider-trading policy, (6) to avoid taking advantage of their position of employment, such as by accepting gifts from people who wish to conduct business with us, other than in accordance with our gift policy, and (7) at all times to be in full compliance with the federal securities laws, including but not limited to the Advisers Act. Upon request, we will furnish any investor or prospective investor with a copy of our code of ethics.

Subject to the restrictions and approval requirements described here, our code of ethics permits an employee to trade in individual equity securities and corporate bonds in accounts that we do not manage. Specifically, if an employee owns securities that we are restricted from trading by the federal securities laws or our own policies and procedures (such as when we are in possession of material nonpublic information), the employee is prohibited from selling or otherwise transferring his investment and from purchasing an additional investment of any kind in the issuer.

Notwithstanding this restriction but subject to the preclearance and reporting policies set forth in our code of ethics, we permit an employee to invest in mutual funds, municipal bonds, ETFs, hedge funds, master limited partnerships traded on exchanges or organized as funds and other similar pass-through investments, and foreign-government securities denominated in foreign currencies. We also permit an employee to engage a third party to manage a personal brokerage account so long as the employee has no direct or indirect influence or control over the management of the account. Opening such a brokerage account requires the approval of the chief compliance officer, who will review the investment management agreement and obtain a written confirmation from the third-party manager that no direct or indirect influence or control will be exercised.

We do not expect our employees to have any significant investments in the securities other than ETFs held by the Funds or related securities like warrants, options, or futures contracts on those securities. In addition, we do not expect our employees to be buying or selling securities other than ETFs for the Funds at or about the same time that they are buying or selling those securities for their own accounts. Finally, we do not expect our employees to buy or sell for the Funds securities other than ETFs in which they have a material financial interest.

Our policy is to prohibit principal transactions. Consequently, neither we nor any employee may engage in a principal transaction with one of the Funds. We have no proprietary trading accounts. However, if we and our control persons own more than twenty-five percent of a Fund, we would treat the Fund as a proprietary account. We would not permit direct transactions between that Fund and other Funds. A transaction in which a Fund treated as a proprietary account and other Funds trade in the same security in opposite directions may be permitted, but only if the transaction were executed using separate counterparties or using the same counterparty on two different days.

From time to time, we may receive material nonpublic information about an issuer in connection with our activities on behalf of the Funds, such as bank-level information with respect to a company. The possession of this information may prevent us from trading in the securities of the issuer. This trading restriction is necessary to comply with the federal securities laws but may disadvantage the Funds.

Item 12

Brokerage Practices

We seek to obtain best execution in making decisions regarding brokerage allocation for the Funds, taking into account factors such as: the ability of the broker-dealer to effect prompt and reliable executions at favorable prices (including any applicable dealer spread or broker commission); the operational efficiency with which transactions are effected, taking into account the size of the order and the difficulty of execution; the level of anonymity provided; the frequency of any errors committed by the broker-dealer; the access of the broker-dealer to liquidity and investment opportunities; the financial strength, integrity, and stability of the broker-dealer; the quality, comprehensiveness, and frequency of available research services that we consider to be of value; and the competitiveness of commission rates in comparison with other broker-dealers that satisfy our other selection criteria. We are permitted to pay higher execution prices for the purchase of securities from, and to accept lower execution prices for the sale of securities to, broker-dealers that provide us with investment and research information. In addition, since commission rates in the United States are negotiable, our decision to select a broker-dealer on the basis of considerations beyond applicable commission rates may at times result in transaction costs that are higher than would otherwise be obtained. Although we generally seek competitive commission rates and commission-rate equivalents, the Funds will not necessarily pay the lowest commission rate or equivalent. Nevertheless, we will have formed a belief that the execution prices or commissions paid are reasonable in relation to the overall brokerage and research products and services that we receive.

We may occasionally participate in opportunities or source investments, including trade claims, from or through investors in the Funds, entities that are related to these investors, or unaffiliated counterparties with which we have ongoing business relationships that are unrelated to buying and selling financial instruments. These transactions may give the appearance of a conflict of interest. Our chief compliance officer reviews all potential conflicts of interest that we identify in an effort to ensure that the investment sources are capable of providing the best price and overall execution given the prevailing facts and circumstances.

Soft Dollars

Soft dollars are credits generated from client transactions with broker-dealers that are made available to provide research or other services or products to investment advisors. We do not currently maintain any formal soft-dollar arrangements. However, some broker-dealers provide us with proprietary and third-party research and access to brokerage products and

services like trading desks, investor conferences, and broker-sponsored management team dinners. We have determined that we would receive most of these services regardless of the level of commissions that our transactions generate. Therefore, we do not believe that we are paying up for research and other brokerage products and services.

Section 28(e) of the Securities Exchange Act of 1934 provides that a person who exercises investment discretion with respect to an account is not deemed to have acted unlawfully or to have breached a fiduciary duty solely by reason of having caused the account to pay a broker-dealer more than the lowest available commission if the person determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services that the broker-dealer provides. If in the future we enter into a formal soft-dollar arrangement, we intend to acquire only brokerage and research products and services that fall within the safe harbor afforded by section 28(e).

In receiving research, trading-desk access, and other brokerage products or services, we receive a benefit because we do not have to produce or pay for the research, products, or services. Consequently, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than the interests of the Funds in receiving most favorable execution. In some circumstances, we may cause the Funds to pay commissions, markups, or markdowns that are higher than those charged by other broker-dealers in return for the products and services that we receive. We have determined that we would receive most of these services regardless of the level of commissions that our transactions generate, and we do business only with broker-dealers whose prices and commissions we have determined to be reasonable in relation to the overall brokerage and research products and services provided.

We do not direct brokerage to particular broker-dealers solely due to the receipt of particular research and other products and services. Rather, we evaluate all of the previously described factors in determining where to execute transactions. We do not have an obligation to direct a specific amount of commissions or transactions to any particular broker-dealer.

We use the research, trading-desk access, and other benefits received from broker-dealers to benefit or serve all of the Funds. We do not seek to allocate these benefits proportionately to the Funds based on trading activity or the commissions that their transactions generate.

Referrals

In selecting or recommending a broker-dealer to execute transactions, we do not consider whether we will receive investor referrals from the broker-dealer or another third party. To the extent that we receive these referrals, they do not constitute a material aspect of our marketing efforts. Nevertheless, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving referrals, rather than on the interests of the Funds in receiving most favorable execution.

Trade Allocation and Aggregation

We require all trades to be allocated in a manner that treats each Fund fairly. Our portfolio manager is responsible for determining trade allocations. Generally, trades are executed as a block on behalf of those Funds for which we deem an investment to be suitable based on investment objectives and other relevant factors that are described below. We generally aggregate trades for investments that traditionally allow for trade aggregation. If aggregated trades are not filled at a uniform price, then to the extent possible we allocate the trades so that the order for each Fund is filled at the same effective price. There may be times when a trade is allocated to a single Fund to the exclusion of other Funds. For example, trades may not be aggregated due to significant cash flow into or out of particular Funds. Specifically, this result may occur when we raise cash to fund withdrawals or rebalance positions after subscriptions or for other reasons.

Our portfolio manager issues written trade-allocation instructions to our trader before each trade. In doing so, he may indicate that our regular allocation procedure should be applied for one or more specific Funds. Our regular procedure is allocate purchases, sales, short sales, and purchases to cover short sales *pro rata* among the Funds for which the transaction is appropriate based upon the approximate relative net asset values of the Funds at the beginning of the month in which the transaction occurs, unless the portfolio manager specifically identifies a Fund to which a trade should be more heavily allocated due to investor subscriptions or withdrawals, available cash balances, or the inability to sever a financial instrument. The regular allocation procedure is designed to prevent any Fund from being systematically disadvantaged over time.

We may deviate from our regular allocation procedures. For example, some instruments are not severable, and thus a particular transaction may be allocated to only one Fund. We seek to treat the Funds equitably over time and will document any deviations from our regular allocation procedures when we make specific allocation determinations, taking into account the investment objectives of the Funds, the materiality of a particular trade, and other relevant factors. We make any deviations from our regular allocation principles in a fair and equitable manner.

Partial Fills

From time to time, we may be unable to complete a purchase or sell order in a single day. In the case of a partial fill, we allocate securities *pro rata* among the participating Funds according to the original order allocation.

***De Minimis* Reallocations**

We reserve the right to reallocate securities to avoid a *de minimis* allocation. Our portfolio manager or our trader will determine what constitutes a *de minimis* allocation after giving consideration to the size of the allocation relative to the net asset value of the relevant Fund.

Cross Trades

Infrequently but from time to time, we may use cross trades. A cross trade occurs when we purchase and sell a particular investment between or among the Funds. We use cross trades only when we believe that the practice will benefit each participating Fund. We review the terms of each cross transaction, including the fairness and reasonableness of the consideration paid or received by each Fund. No Fund that is considered plan assets under the Employee Retirement Income Security Act of 1974 may engage in a cross trade. In addition, we do not engage in cross trades with respect to securities in which our trading is restricted, such as when we are in possession of potential material nonpublic information, unless an exception is available under the federal securities laws. We do not receive additional compensation when we cross trades for the Funds.

Cross trades involve the potential conflict that we will favor one Fund over others. For example, we may have an incentive to favor a Fund that generates more revenue for us based on its fee structure. As another example, we may favor a particular Fund if we and our control persons have a material ownership interest. Cross trades involve the potential conflict that we may move an investment that has performed poorly, or that we expect to perform poorly in the near future, to a particular Fund if we are unable to find a willing buyer or seller in the open market. We attempt to mitigate conflicts of this nature by providing full disclosure of our practices and through procedures requiring documentation and approval by the chief compliance officer.

Resolution of Trade Errors

Our chief financial officer, in consultation with the chief compliance officer, investigates and resolves any trade error involving our employees as soon as practicable, taking into account the facts surrounding the transaction, including the liquidity of the security involved. For example, if we have purchased less than the appropriate quantity of a security, we will place another order as soon as reasonably practicable at the price at which the security was first purchased. If we have purchased more than the intended quantity of a security for a Fund and the security is suitable for other Funds, we may allocate a portion to other Funds at the original trade date price. If we have purchased more than the intended quantity of a security, we may sell the overbought portion in the market. If an error results in a loss to a Fund, we reimburse the Fund from our error account. If the error results in a gain, the Fund retains the gain.

Item 13 Review of Accounts

Our portfolio manager makes all discretionary investment decisions. He is responsible for the ongoing monitoring and analysis of each investment and for managing the investment portfolios of the Funds for characteristics like exposure to specific investments and overall sector, geographic, and asset-class diversification. Our investment personnel review domestic

and international events on a daily basis to evaluate how the events may impact the portfolios of the Funds.

We furnish each investor in a Fund with a monthly statement of the performance and net asset value of his interest in the Fund. We provide investors with Form K-1 tax statements, as required, and annual audited financial statements prepared in accordance with accounting principles generally accepted in the United States. In addition, upon request, we provide investors with performance estimates and reports, quarterly performance-attribution reports, and monthly transparency reports.

Item 14

Client Referrals and Other Compensation

The broker-dealers with which the Funds or we have entered into prime brokerage arrangements may occasionally provide us with introductions to potential investors. Prime brokers provide capital introduction services to introduce hedge-fund managers to potential investors, typically through individual meetings or in a conference format that includes other unaffiliated investment advisors. Although prime brokers customarily do not charge a fee for capital-introduction services, receiving these services raises a potential conflict of interest. For example, we may have an incentive to use the services of a specific prime broker because of its ability to raise capital for us. In addition, we benefit from arrangements in which investors are referred to us because our management fees are generally based upon a percentage of assets managed and our performance-based compensation is generally based upon a percentage of net profits on assets under management. In other words, the more assets we manage, the higher our management fee income and potentially our performance-based compensation will be.

A direct conflict is also presented because prime brokers generally increase their revenues when we raise capital. A prime broker or its affiliates generally receive fees and commissions when we use its services as a qualified custodian, from securities transactions, and from lending securities to the Funds as part of an investment strategy like short selling. The availability to us of these products and service does not require us to commit any specific amount of business, such as assets under custody or trading commissions, to the prime broker. In addition, capital introduction programs do not represent a material aspect of our marketing efforts.

Item 15

Custody

Rule 206(4)-2 under the Advisers Act imposes obligations on us relating to the custody of client funds and securities. To discharge these obligations, we supervise the completion of an annual audits of the Funds by an independent public accountant, as well as the distribution of audited financial statements prepared in accordance with accounting principles generally accepted in the United States, to investors within 120 days following the end of the fiscal year of each Fund.

The independent public accountant that conducts the audits for the Funds is registered with the Public Company Accounting Oversight Board and subject to its regular inspections.

Item 16

Investment Discretion

The Investment Manager buys and sells securities and other instruments on a discretionary basis in a manner consistent with the investment objective, guidelines, and restrictions of each Fund as set forth in its POM. The Investment Manager is authorized to determine, in accordance with these objectives, guidelines, and restrictions but without obtaining the consent of any investor, (1) which securities or other financial instruments to buy or sell, (2) the total amount of securities or other financial instruments to buy or sell, (3) the executing broker-dealer for any transaction, and (4) the commission rates or commission equivalents charged for transactions. Investors in the Funds may not limit the discretionary authority of the Investment Manager.

In addition to any formal investment objective, guidelines, or restrictions contained in the POM of a particular Fund, we maintain informal risk management guidelines that may vary from time to time. These guidelines may address the number of core positions, a maximum sector exposure, a maximum illiquid-asset exposure, a maximum short exposure, and geographic diversification.

Item 17

Voting Client Securities

In accordance with section 206(4)-6 of the Advisers Act, we have implemented written policies and procedures governing proxy voting. Our policy requires us to vote proxies in the best interests of the Funds. We are permitted to abstain from proxy votes when voting would be costly or impractical or when we otherwise deem voting unnecessary or unwarranted in our commercially reasonable discretion. For example, if a proxy statement were written in a language other than English, obtaining a reliable translation might be uneconomic based on the relative value of the security in Fund portfolios.

The Investment Manager is responsible for voting proxies and does not accept direction from Fund investors. The trader maintains (1) a record of each abstention or vote cast, (2) as reasonably available, any documentation or explanation that supports the rationale for each abstention or vote cast, and (3) a record of each request for proxy-voting records and our response. We use reasonable efforts to prepare documentation supporting the rationale for our votes, but only when we do not vote in line with management or when we abstain from voting. Otherwise, one of our employees will have reviewed the proxy-voting matter and agrees with management. When Funds are organized in a master-feeder structure, proxy voting typically occurs at the master-fund level.

The chief compliance officer is notified of, and maintains a record of, any conflict of interest that arises in proxy voting. Possible conflicts of interest include situations in which a third party attempts to influence our vote on a material issue or one or more Funds or an employee holds a material personal stake in an issuer or serves as an executive officer or director of the issuer. In consultation with the chief compliance officer, our portfolio manager approves the voting of all proxies that raise conflicts of interest.

Investors and prospective investors may contact us by telephone at the number on the cover page of this firm brochure to obtain a copy of our proxy-voting policy and information with respect to how we have voted securities.

Class Action Litigation

If we receive class-action documents on behalf of a Fund, we will determine whether we believe that it is in the best interest of the Fund to participate in, actively to opt out of, or to take no action with respect to the litigation. When recovery is achieved in a class action, a Fund will generally have the option either to opt out of the class action and pursue its own remedy or to participate in the recovery achieved.

Activist Activities

We may invest in types of assets that potentially enable us to play an activist role in the management of the issuer. Our active management of these assets may include, but is not limited to, participation in endorsements, ad-hoc committees, and bankruptcy hearings. These activities do not have proxy notices associated with them and thus fall outside of the specific rules adopted by the SEC. However, as a fiduciary, we seek to manage our activist activities in the best interests of the Funds.

Item 18 Financial Information

This item is not applicable.

Brochure Supplement for Vladimir Jelisavcic

We require all senior employees who are involved in determining or giving investment advice to have college educations and substantive experience in financial management. Other employees are not subject to minimum education and business standards.

Educational Background and Business Experience

Vladimir Jelisavcic has been the portfolio manager of the Investment Manager since its inception. From 1999 to the present, he has served as a principal of Longacre Fund Management, LLC, an investment advisor registered with the SEC, where he managed several private investment funds. From 1993 to 1998, Mr. Jelisavcic was an associate, rising to a vice president, in the high-yield department of Bear, Stearns & Co., Inc., where he traded distressed bank loans and private notes and identified and analyzed investment opportunities in distressed securities. In 1991, Mr. Jelisavcic worked as a law clerk for the SEC in Los Angeles. From 1987 to 1990, he worked in the tax department of Deloitte & Touche. Mr. Jelisavcic was a certified public accountant and has authored articles on trading claims and creditor rights published in the *Journal of Corporation Law*. He earned a juris doctor (professional law degree) *cum laude* from the University of Iowa College of Law in 1993 and a bachelor's degree in accounting from New York University in 1987. Mr. Jelisavcic was born in 1965.

Disciplinary Information

This item is not applicable.

Other Business Activities

This item is not applicable.

Additional Compensation

This item is not applicable.

Supervision

Our chief compliance officer has compliance oversight responsibilities for the activities of Mr. Jelisavcic. She may be reached by telephone at 845.270.9025.