

ADV PART 2A: FIRM BROCHURE



March 25, 2013

Standard General L.P.
767 Fifth Avenue, 12th Floor
New York, NY 10153
Tel: (212) 257-4701 • Fax: (212) 257-4738

This Brochure provides information about the qualifications and business practices of Standard General, L.P. (“Standard General” or the “Adviser”). If you have any questions about the contents of this Brochure, please contact Joseph Mause at (212) 257-4720 or by email at jmause@standgen.com. 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, and references in this Brochure to Standard General as a “registered investment adviser” are not intended to imply a certain level of skill or training.

Additional information about Standard General is also available on the SEC’s website at www.adviserinfosec.gov.

This Brochure does not constitute an offer to sell or a solicitation of an offer to purchase any interest in any investment fund and may not be relied upon by you in evaluating the merits of investing in the investment funds described herein. An offer to invest in a fund will only be made by means of a confidential private placement memorandum and in accordance with applicable securities laws. Potential investors should review the applicable confidential private placement memorandum for a description of the material terms (including risk factors, conflicts of interests, investment strategies, fees and charges and tax aspects) relating to each investment fund.

Item 2. Material Changes

This annual brochure dated March 2013 updates the amended brochure filed in October 2012. This document should be reviewed in its entirety as some changes to the document may be considered material to some readers and immaterial to others. Changes of note have been made to the following sections:

- Item 4A,E. Advisory Business
- Item 5A. Fees and Compensation
- Item 10C. Other Financial Industry Activities and Affiliations
- Item 14. Client Referrals and Other Compensation
- Item 17. Proxy Voting

Item 3. Table of Contents

| | | |
|----------|---|---------|
| Item 1. | Cover Page | Page 1 |
| Item 2. | Material Changes | Page 2 |
| Item 3. | Table of Contents | Page 3 |
| Item 4. | Advisory Business..... | Page 4 |
| Item 5. | Fees and Compensation..... | Page 5 |
| Item 6. | Performance Based Fees and Side-By-Side Management | Page 8 |
| Item 7. | Types of Clients | Page 8 |
| Item 8. | Methods of Analysis, Investment Strategies and Risk of Loss | Page 9 |
| Item 9. | Disciplinary Information | Page 20 |
| Item 10. | Other Financial Industry Activities and Affiliations..... | Page 20 |
| Item 11. | Code of Ethics, Interest in Client transactions, and Personal Trading | Page 22 |
| Item 12. | Brokerage Practices and Trade Error Policy | Page 24 |
| Item 13. | Review of Accounts | Page 26 |
| Item 14. | Client Referrals and Other Compensation | Page 27 |
| Item 15. | Custody | Page 27 |
| Item 16. | Investment Discretion | Page 28 |
| Item 17. | Proxy Voting | Page 28 |
| Item 18. | Financial Information..... | Page 29 |

Item 4. Advisory Business

Item 4A

Standard General was founded in 2007 and became registered with the SEC as an investment adviser on December 9, 2009. Standard General provides discretionary investment advisory services including, but not limited to, managing and directing the investment and reinvestment of assets for pooled investment vehicles organized as private investment funds and a single-investor fund (each a “Fund” or “Advisory Client” and together the “Funds” or “Advisory Clients”).

An affiliate of Standard General, Standard General GP LLC, is the general partner (the “General Partner”) of the Funds that are organized as limited partnerships.

Standard General has a material relationship with Reservoir Capital Group, L.L.C. (“Reservoir”) which is a non-affiliated investment adviser. Reservoir manages a number of investment funds that serve as non-managing members of the General Partner and limited partners of Standard General, but Reservoir does not exercise any control over investment decisions of the Funds. Reservoir contributed and maintains a significant investment in certain of the Funds which are managed by Standard General.

Standard General’s principal owner is Standard General Holdings, L.P, an entity that is controlled by Soohyung Kim (as Chief Executive Officer) and owned (indirectly) by Soohyung Kim and other Standard General employees.

Item 4B

Standard General provides discretionary investment advisory services including, but not limited to, managing and directing the investment and reinvestment of assets for the Funds.

Standard General seeks to maximize returns by opportunistically employing a variety of strategies within the broad securities markets. The Funds have extensive flexibility in the instruments in which they may invest and the investment techniques they may use to achieve the investment objective. Such investments may involve a significant degree of risk of capital loss.

A key principle of Standard General’s investment program is a reliance on intensive primary research and fundamental analysis. In reviewing each potential investment or position, Standard General adheres to a disciplined assessment process. This rigorous process includes both quantitative and qualitative analysis of a company’s business, industry trends, competitive position and financial performance, among other items, as well as the valuation of its assets, an evaluation of the company’s management team, and an assessment of any legal or other contingent risks. Standard General approaches investing in public securities of companies as it would a potential owner buying a private business. In Standard General’s approach, companies are reduced down to stream of cash flows, and these cash flows are valued by their prospects and volatility. Once the valuation analysis is complete, Standard General looks broadly across capital

structures (broadly defined as secured loans, bonds and equities) as well as across both public and private companies to consider the market signals from each distinct asset class.

Standard General looks for securities that are absolutely or relatively mis-priced by the market and looks to construct positions that can profit as these valuation discrepancies normalize. Standard General's investment philosophy also emphasizes event discipline. Standard General looks to position the Funds in those discrepancies that it expects to close out within a year due to identified catalysts. While many of these catalysts are passive (events that Standard General cannot impact), Standard General is always looking for opportunities to work with other securities holders or companies themselves to create catalysts that will correct those mis-pricings.

Item 4C

In general, Standard General neither tailors its advisory services to the individual needs of investors in the Funds ("Investors"), nor accepts Investor-imposed investment restrictions. As noted above, when deemed appropriate for a large or strategic investor, Standard General may create a Fund based on the preferences of a single-investor or may manage a separately managed account.

Standard General, in its sole discretion, may enter (and has previously entered) into agreements ("side letters") with one or more Investors (including but not limited to large, strategic and/or affiliated Investors), concerning an Investor's investment in one or more of the Funds, whereby such Investors are provided with terms and conditions that are more favorable than those applicable to the other Investors in the Funds. Side letters may address various terms, including but not limited to fees, reporting, lock-ups, capacity and/or withdrawal/redemption rights. The other investors generally have no recourse against the Funds or Standard General in the event that certain investors receive additional or different rights, terms or other benefits as a result of such Side Letters. In addition, future investors may receive more favorable terms after the date of this Brochure.

Item 4D

Standard General does not participate in wrap fee programs.

Item 4E

As of February 1, 2013, Standard General manages \$728,100,000 of client assets on a discretionary basis. Standard General does not currently manage any client assets on a non-discretionary basis.

Item 5. Fees and Compensation

Item 5A

Standard General typically charges fees that are based upon a set percentage of assets under management and performance. The amount of the Management Fee depends on the investor's

choice of share tranche and lockup period, and ranges from 0% to 2.0% of the Capital Account of the investor. For Standard General Fund L.P., Standard General Offshore Fund Ltd. and Standard General Focus Fund L.P., the amount is calculated and payable quarterly as of the first day of each calendar quarter. The calculation and payment of the Management Fee is pro-rated for any period that is less than a full month or quarter, as applicable. Any such prepaid fees, not subsequently earned through continuing management services would automatically be refunded.

Standard General or our affiliates, Standard General GP LLC, are entitled to receive from the Funds an annual performance-based profit allocation (the “Performance Allocation”) generally at the end of each year. The Performance Allocation rate depends on the Investor’s choice of Fund and share tranche. The Performance Allocation amount will not exceed 25% of the increase in the value of each investor’s investment, subject to a high water mark described below. The Performance Allocation is generally allocated at the end of each fiscal year and immediately prior to a withdrawal occurring prior to the end of any fiscal year.

If a loss occurs that results in the value of an Investor’s investment being less than the highest value of such investment through the close of any year since admission (or in the year of such Investor’s admission, lower than the initial amount of capital contributed by such Investor to the relevant Fund) (the “High Water Mark”), then no Performance Allocation is charged on subsequent increases in the value of each investor’s investment, if any, until such time as the value of the investor’s investment is equal to the High Water Mark. Withdrawals by an Investor will result in a proportional reduction of the High Water Mark.

The Management Fee and the Performance Allocation may be waived, reduced or rebated by a Fund, Standard General or our affiliates for any Investor, including for investments we or our affiliates make and/or for investments made by the Principals, our employees and their family members.

It is critical that Investors refer to their respective Fund’s governing documents for a complete understanding of how Standard General is compensated for its advisory services. The information contained herein is a summary only and is qualified in its entirety by the relevant Fund governing documents.

Item 5B

Standard General (or an affiliate) deducts fees from Investors’ assets invested in the Funds. Investors do not have the ability to choose to be billed directly for fees incurred.

It is critical that Investors refer to their respective Fund’s governing documents for a complete understanding of how fees are deducted from their assets. The information contained herein is a summary only and is qualified in its entirety by the relevant Fund governing documents.

Item 5C

The Funds typically bear respective Operating Expenses. Operating Expenses include, without limitation, with respect to a Fund or a Master Fund, as applicable, indemnification expenses;

commissions; clearing fees; research fees and expenses; fees, interest and other costs on margin accounts or other financings or re-financings; accounting and legal fees and disbursements (including legal fees related to the protection of its investments); accounting, administration, audit and tax preparation expenses; borrowing charges on securities sold short; custodial fees; bank service fees; expenses incurred in connection with the admission of additional investors or the acceptance of additional contributions from any limited partners of the Fund or the Master Fund; expenses incurred in connection with any meeting of the partners of the Fund or the Master Fund; expenses in connection with transactions directed to broker-dealers (whether or not such direction is in partial recognition of investment research and information furnished or expenses for services rendered by broker-dealers in the execution of such orders and the use of such research and other services provided by such broker-dealers); directors' and officers' insurance premiums; investment and trading consultant expenses; investment related travel expenses; expenses in connection with proposed transactions (including transactions that fail to close); expenses related to communicating with investors and any other reasonable expenses (as determined by the General Partner in its sole discretion) related to the purchase, sale, holding or transmittal of Fund or Master Fund assets or liabilities; and any Management Fee, RSP Management Fee, Performance Allocation or RSP Performance Allocation or other management fee or incentive fee payable by a Feeder Fund. A Feeder Fund will also bear its pro rata share of the Master Fund's Operating Expenses.

Please note that Investors may indirectly incur brokerage and other transaction costs related to their investment in the Funds. Please see Item 12 of this brochure for a more detailed discussion of Standard General's brokerage practices.

In consideration for the Management Fee, Standard General is responsible for its own general operating and overhead costs including salaries, fringe benefits, rent, office equipment, fire and theft insurance and other general overhead costs.

It is critical that Investors refer to the relevant governing documents for a complete understanding of fees and expenses they may pay. The information contained herein is a summary only and is qualified in its entirety by such documents.

Item 5D

As noted in Item 5.A above, Management Fees are generally charged quarterly in advance based on the value of the relevant assets as of the first day of the quarter.

As also mentioned in Item 5.A above, the calculation and payment of the Management Fee is pro-rated for any period that is less than a full month or quarter, as applicable. Any such prepaid fees, not subsequently earned through continuing management services would automatically be refunded.

It is critical that Investors refer to the relevant offering documents and other governing documents for a complete understanding of how they can obtain a refund and withdraw or redeem. The information contained herein is a summary only and is qualified in its entirety by such documents.

Items 5E through 5E.4 are “Not Applicable” since Standard General does not accept compensation for the sale of securities or other investment products.

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

As described in Item 5.A above, Standard General (or an affiliate) receives performance-based compensation from certain of the Advisory Clients. While each Fund managed by Standard General pays performance-based compensation, it should be noted that Standard General reserves the right to reduce, waive or calculate differently such fees for certain Investors.

In addition, it should be noted that the possibility that Standard General (or an affiliate of Standard General) may receive performance-based compensation creates a potential conflict of interest in that it may create an incentive to make investments that are riskier or more speculative than in the absence of such a performance-based fee.

Investors are provided with clear disclosure as to how performance-based compensation is charged with respect to a particular Fund and the risks associated with such performance-based compensation prior to making an investment.

Standard General recognizes that it is a fiduciary and as such must act in the best interests of the Funds and Investors. Further, Standard General recognizes that it must treat all clients fairly and must refrain from favoring one Advisory Client’s interests over another’s.

Item 7. Types of Clients

Standard General provides investment advisory services to certain private investment funds, single investor funds, and may in the future provide advisory services to institutional clients, trusts, pension funds, etc. Investments in the Funds are generally restricted to Investors who qualify as “accredited investors,” as that term is defined under Rule 501(a) of Regulation D of the Securities Act of 1933 and “qualified purchasers” as that term is defined under the Investment Company Act of 1940 or are non-U.S. investors invested in Standard General’s offshore Funds. Generally, the minimum initial investment in a Fund is typically \$5 million, which amount is subject to waiver at the discretion of Standard General.

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

Item 8A

Methods of Analysis

A key principle of Standard General’s investment program is a reliance on intensive primary research and fundamental analysis. In reviewing each potential investment or position, Standard General adheres to a disciplined assessment process. This process includes both quantitative and qualitative analysis of a company’s business, industry trends, competitive position and financial performance, among other items, as well as the valuation of its assets, an evaluation of the company’s management team, and an assessment of any legal or other contingent risks.

Standard General approaches investing in public securities of companies as it would a potential owner buying a private business.

A critical element of Standard General's due diligence process is the dialogue that is fostered with company management, its competitors, suppliers and customers to understand fundamental performance in the context of business conditions. For event-driven investments, Standard General may reach out to lawyers, financial advisors and regulatory bodies in order to grasp the risks involved in a given investment. Standard General may also employ consultants and industry specialists to better understand the competitive dynamics in a specific industry.

Standard General also conducts a detailed review of a company's capital structure to determine which security or instrument represents the most appropriate investment vehicle or whether relative value trading opportunities exist. The approach is agnostic as to any particular asset class of securities. As a result, positions are taken in a variety of securities, including, without limitation: secured and unsecured loans, senior and subordinated debt securities, vendor and trade claims, convertible securities, preferred stock, warrants and equity. Fixed income investments may be either performing or non-performing and may include government obligations and structured credit. In addition, various derivatives, including options, swaps, futures, forward contracts and repurchase agreements on various financial instruments, currencies and commodities may be used for hedging and as independent investment opportunities.

Investment Strategies

The Funds typically seek to maximize returns by opportunistically employing a variety of strategies within the broad securities markets. Standard General has extensive flexibility in the instruments in which it may invest and the investment techniques it may use to achieve its investment objective. Such investments may involve a significant degree of risk of capital loss.

Standard General seeks to acquire securities in companies that are valued at a discount (or in the case of a short position, a premium) to their intrinsic value. Both long and short positions, or a combination of both, are taken.

Standard General's focus on fundamental value opportunities often contemplates accepting a longer-term investment horizon. To mitigate the potential volatility of this approach, both passive and active event discipline are overlaid on the investment process. By taking into consideration the timing of anticipated material events and corporate processes, Standard General evaluates associated risks and their potential impact on returns. Furthermore, Standard General will, if the situation is deemed appropriate to do so, actively seek to create events that will help an investment meet a Fund's objectives.

Applying the investment process outlined above, Standard General seeks to construct individual positions (which can consist of one or more securities or instruments) that have optimal risk versus reward characteristics under a probable set of outcomes. A Fund's portfolio consists of a selection of these positions whose exposures are sized by relative attractiveness of risk versus reward. Standard General intends to focus exposures amongst the best opportunities and does not

intend to employ excessive amounts of leverage across the portfolio. While the investment approach tends to minimize frequent portfolio turnover, an important element of Standard General's approach is active portfolio risk management and monitoring of investment positions. Standard General continually reviews each investment to determine whether anything has changed subsequent to the initial investment decision that impacts the risk or potential return, and to assure early recognition of any diminution in the value of an investment.

Standard General's portfolio risk management process is as follows: Within any given individual position, the first consideration is to assume only those risks that are worthy of being assumed—balancing the potential for profits and losses and the probabilities of outcomes—and to hedge out other, unwanted risks that can be isolated from the primary investment thesis. The risks of each prospective position having been isolated as such, positions are notionally sized so as to limit the impact to an appropriate level given the occurrence any specific adverse event. Lastly, each potential investment is evaluated for relative diversity in comparison to the existing portfolio. Standard General seeks to limit the amount of autocorrelation between any two positions to the same adverse event.

There are circumstances in which it may be advantageous to establish arrangements under which particular investments are held directly by the Fund or the Offshore Fund (or other clients of Standard General) while the economic benefits and risks of those investments are shared by the Fund and the Offshore Fund (or such other clients). Such arrangements may entail the creation of special purpose vehicles, derivative contracts and other mechanisms for sharing risk and reward. Standard General seeks to ensure that all such arrangements result in a fair and equitable sharing of risk and reward, taking into consideration any financing or other incremental costs.

It is critical that Investors refer to the relevant governing documents for a complete understanding of Standard General's methods of analysis and investment strategies. The information contained herein is a summary only and is qualified in its entirety by such documents.

Item 8B

Short Sales

A Fund's investment portfolio may include short positions. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the Investor to profit from a decline in the price of a particular security to the extent that such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to a Fund of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Short sale transactions have been subject to increased regulatory scrutiny in response to recent market events, including the imposition of restrictions on short selling certain securities and reporting requirements. A Fund's ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior trading activities of a Fund. Additionally, the SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

Regulatory authorities may from time-to-time impose restrictions that adversely affect a Fund's ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, a Fund may not be able to effectively pursue a short selling strategy due to a limited supply of securities available for borrowing. A Fund may also incur additional costs in connection with short sale transactions, including in the event that it is required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow a security is not guaranteed and a Fund is subject to strict delivery requirements. The inability of a Fund to deliver securities within the required time frame may subject a Fund to mandatory close out by the executing broker-dealer. A mandatory close out may subject a Fund to unintended costs and losses. Certain action or inaction by third-parties, such as executing broker-dealers or clearing broker-dealers, may materially impact a Fund's ability to effect short sale transactions. Such action or inaction may include a failure to deliver securities in a timely manner in connection with a short sale affected by a third-party unrelated to a Fund.

Illiquid Investments

A Fund may invest in securities and other assets, which are subject to legal or other restrictions on transfer or for which no liquid market exists, certain of which may be allocated to a Special Investment Account. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and a Fund may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over the counter markets. A Fund may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. An investment in a Fund is suitable only for certain sophisticated investors who do not require immediate liquidity for their investments.

General Economic and Market Conditions

The success of a Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a Fund's investments), and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect, among other things, the level and volatility of securities' prices, the liquidity of a Fund's investments and the availability of certain securities and investments. Volatility or illiquidity could impair a Fund's profitability or result in losses. A Fund may maintain substantial trading positions that can be materially adversely affected by the level of volatility in the financial markets — the larger the positions, the greater the potential for loss. In the Fall of 2008, global markets experienced unprecedented volatility and losses. The effects thereof are continuing and there can be no assurance that a Fund will not be materially adversely affected.

Concentration of Investments

A Fund may at certain times hold relatively few investments. A Fund could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected, including as a consequence of the default of the issuer or its insolvency.

Over-the-Counter Trading

A Fund may purchase or sell instruments not traded on an exchange. Over-the-counter instruments, unlike exchange traded instruments, are two-party contracts with price and other terms negotiated by the buyer and seller. The risk of nonperformance by the obligor on such an instrument is greater and the ease with which a Fund can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between "bid" and "asked" prices for such instruments. Over-the-counter instruments are also not subject to the same type of government regulation as exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions.

Off-Balance Sheet Risk

A Fund may invest in financial instruments with off-balance sheet risk. These instruments include futures contracts, forward contracts, swaps and securities and writing options contracts. An off-balance sheet risk is associated with a financial instrument if: (i) the instrument exposes a Fund to an accounting and economic loss in excess of a Fund's recognized carrying value in the financial instrument (if any); or (ii) the ultimate liability associated with the financial instrument has the potential to exceed the amount a Fund recognizes as a liability in its statements of assets and liabilities.

Systemic Risk

Credit risk may also arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a “systemic risk” and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which a Fund will interact on a daily basis.

Hedging Transactions

A Fund may utilize a variety of financial instruments, such as short sales, options, swaps, caps and floors, and futures and forward contracts and similar derivatives, both for investment purposes and for risk management purposes. While a Fund may enter into hedging transactions to seek to reduce risk, such transactions may not be fully effective in mitigating the risks in all market environments or against all types of risk (including unidentified or unanticipated risks), thereby incurring losses to a Fund. In addition, such hedging transactions may result in a poorer overall performance for a Fund than if it had not engaged in any such hedging transactions. Moreover, it should be noted that (1) the Investment Manager may determine not to hedge against, or may not anticipate certain risks and (2) a Fund will always be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular securities and counterparties).

Liquidity Risks

Liquidity may be essential to a Fund’s business. Under certain market conditions, such as during volatile markets or when trading in a security or market is otherwise impaired, the liquidity of a Fund’s portfolio positions may be reduced. During such times, a Fund may be unable to dispose of certain assets, which would adversely affect a Fund’s ability to rebalance its portfolio or to meet withdrawal requests. In addition, such circumstances may force a Fund to dispose of assets at reduced prices, thereby adversely affecting a Fund’s performance. If there are other market participants seeking to dispose of similar assets at the same time, a Fund may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if a Fund incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, a Fund’s counterparties could incur losses of their own, thereby weakening their financial condition and increasing a Fund’s credit risk to them.

Competition; Availability of Investments

Certain markets in which a Fund may invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can be no assurance that a Fund will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other pooled investment vehicles, the public equity markets and other investors may reduce the availability of investment opportunities. There has been significant growth in the number of

firms organized to make such investments, which may result in increased competition to a Fund in obtaining suitable investments.

It is critical that Investors refer to the relevant governing documents for a complete understanding of Standard General's methods of analysis and investment strategies. The information contained herein is a summary only and is qualified in its entirety by such documents.

Item 8C

Equity Securities

A Fund's investment portfolio will include long and short positions in common stocks, preferred stocks and convertible securities of U.S. and foreign companies. A Fund also may invest in depositary receipts relating to foreign securities. The value of a Fund's equity securities will vary in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete and general market and economic conditions. A Fund's investments in equity securities of U.S. public companies may include securities that are listed on U.S. securities exchanges as well as unlisted securities that are traded over-the-counter. Equity securities of companies traded over-the-counter may not be traded in the volumes typically found on a national securities exchange. Consequently, a Fund may be required to dispose of such securities over a longer (and potentially less favorable) period of time than is required to dispose of the securities of listed companies.

Purchasing Securities of Initial Public Offerings

From time to time a Fund may purchase securities that are part of initial public offerings. The prices of these securities may be very volatile. The issuers of these securities may be undercapitalized, have a limited operating history, and lack revenues or operating income without any prospects of achieving them in the near future. Some of these issuers may only make available a limited number of shares for trading and therefore it may be difficult for a Fund to trade these securities without unfavorably impacting their prices. In addition, investors may lack extensive knowledge of the issuers of these securities.

Preferred Stocks

Preferred stock generally has a preference as to dividends and upon liquidation over an issuer's common stock, but ranks junior to debt securities in an issuer's capital structure. Preferred stock generally pays dividends in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock also may be subject to optional or mandatory redemption provisions.

Distressed/Bankruptcy Investing

A Fund may invest in unrated or “distressed” securities, i.e., securities of companies that are experiencing significant financial or business difficulties, including companies involved in debt restructurings, in bankruptcy or other reorganization and liquidation proceedings. Standard General may also purchase financial instruments of companies that have low credit quality, and purchase securities and loans that are in default. Although such investments may result in significant returns, they typically involve a high degree of risk. Among the problems involved in investments in such issuers is the fact that it frequently may be difficult to obtain information as to the conditions of such issuers. Restructurings or reorganizations may fail to be completed or be substantially delayed and expected returns on their securities may never materialize. In addition, a significant period of time may pass between the time at which a Fund makes its investment in distressed securities and the time that any such reorganization is completed. During this period, it is unlikely that a Fund will receive any dividend, interest or other disbursements on the distressed securities; a Fund will be subject to significant uncertainty as to such successful completion and a Fund may be required to bear certain expenses to protect its interest in the course of negotiations surrounding any potential reorganization. Furthermore, nonperforming assets by their nature may prove uncollectible or not yield appreciable returns for considerable periods of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in such assets, loans or claims is unusually high. Information necessary to properly evaluate a distress situation may be difficult to obtain or be unavailable and the risks attendant to a transaction may not necessarily be identifiable or susceptible of considered analysis at the time of investment. There is no assurance that a Fund will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or rehabilitation of a distressed asset or adequate realization upon such assets and claims. A Fund’s performance may be substantially impaired by unsuccessful distressed or low credit investments. Optimal returns on distress situations may often require active participation in the transaction. While Standard General may on occasion seek representation or an active role in such matters, its commitments to various advisory activities may preclude extensive involvement and it may be unsuccessful in obtaining significant influence as to particular distressed investments.

Convertible Securities

Convertible securities in which a Fund may invest include both convertible debt and convertible preferred stock. Such securities will generally provide higher yields than the underlying equity securities, but will offer lower yields than similarly-rated securities which are not convertible. The value of convertible securities may be adversely affected by changes in interest rates or in an underlying equity security. Such securities may cease to be rated or suffer a rating reduction subsequent to purchase by a Fund, which would have an adverse effect on price.

Micro, Small and Medium Capitalization Companies

A Fund may invest its assets in the stocks of companies with micro- or small- to medium-sized market capitalizations. The Investment Manager believes they often provide significant potential for appreciation, but those stocks, particularly micro- and small-capitalization stocks, involve

higher risks in some respects than do investments in stocks of larger companies. For example, prices of micro- and small-capitalization and even medium-capitalization stocks are often more volatile than prices of large capitalization stocks and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, “blue-chip” companies. In addition, because of thin trading in some micro- and small-capitalization stocks, an investment in those stocks may be illiquid.

Debt Securities

A Fund may invest in private and government debt securities and instruments of U.S. and non-U.S. issuers, including, without limitation, bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by a government or one of its agencies or instrumentalities; and commercial paper. Certain of the debt instruments in which a Fund invests may be unrated, and whether or not rated, the debt instrument may have speculative characteristics. The value of fixed income securities in which a Fund may invest will change in response to fluctuations in interest rates. The issuers of such instruments may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer’s ability to make timely payment of interest and principal. In addition, an economic recession could severely disrupt the market for these securities and may have an adverse impact on the value of such instruments. It is also likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Derivative Instruments in General

In managing a Fund, the Investment Manager may use various derivative instruments, including options, futures, forward contracts, swaps and other derivatives, which may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Use of derivative instruments presents various risks, including the following:

- **Marking Risk** — Derivatives, especially over-the-counter derivatives engaged in as a privately negotiated contract against a principal counterparty, may be subject to adverse valuations reflecting the counterparty’s marks (or valuations), which might not correspond to the valuations of other market or exchange-traded instruments.
- **Tracking Risk** — When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent a Fund from achieving the intended hedging effect or expose a Fund to the risk of loss.
- **Liquidity Risk** — Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets a Fund may not be able to close out a position without incurring a loss.

- **Leverage Risk** — Trading in derivative instruments can result in large amounts of leverage. Thus, the leverage offered by trading in derivative instruments may magnify the gains and losses experienced by a Fund and could cause a Fund's net asset value to be subject to wider fluctuations than would be the case if a Fund did not use the leverage feature in derivative instruments.
- **Hedging Risk** — When a derivative is used as a hedge against an opposite position that a Fund also holds, any loss generated by the derivative should be substantially offset by gains on the hedged investment, and vice versa. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. In addition, there is no guarantee a hedge will have its intended effect of minimizing risk.
- **Investment Risk** — When a Fund uses derivatives as an investment vehicle to gain market exposure, rather than for hedging purposes, any loss on the derivative investment will not be offset by gains on another hedged investment. A Fund is therefore directly exposed to the risks of that derivative. Gains or losses from derivative investments may be substantially greater than the derivative's original cost.
- **Availability Risk** — Derivatives may not be available to a Fund upon acceptable terms. As a result, a Fund may be unable to use derivatives for hedging or other purposes.
- **Credit Risk** — When a Fund uses derivatives, especially over-the-counter derivatives, it is subject to the risk that the other party to the agreement will not be able to perform.

Swap Transactions

A Fund may engage in swap transactions. Currency swaps involve the exchange of cash flows on a notional amount of two or more currencies based on their relative future values. An equity swap is an agreement to exchange streams of payments computed by reference to a notional amount based on the performance of a basket of stocks or a single stock. A Fund will usually enter into swaps on a net basis, i.e., the two payment streams are netted out in a cash settlement on the payment date or dates specified in the agreement. A Fund receives or pays, as the case may be, only the net amount of the two payments. A Fund may employ swaps for speculative purposes, such as to obtain the price performance of a security without purchasing it in cases where, for example, the security is illiquid, unavailable for direct investment or available only on less attractive terms.

Unlike futures and options on futures contracts and commodities, swap contracts are not traded or cleared by an exchange or clearinghouse. A Fund will be subject to the risk of counterparty default on its swaps. Since swaps do not generally involve the delivery of underlying assets or principal, any loss would likely be limited to the net amount of payments required by contract. In some swap transactions, the counterparty may require a Fund to deposit collateral to support

its obligation under the swap agreement. If the counterparty to the swap defaults, a Fund would lose the net amount of payments that it is contractually entitled to receive, as well as any collateral deposits made with the counterparty.

Forward Trading

Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in forward markets due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which the Investment Manager would otherwise recommend, to the possible detriment of a Fund. Market illiquidity or disruption could result in significant losses to a Fund.

Call Options

There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

Put Options

There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Stock Index Options

A Fund may also purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market for the purpose of realizing its investment objectives or for the purpose of hedging its portfolio. A stock index fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes will depend upon the extent to which price movements in a Fund's portfolio correlate with price movements of the stock indices selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether a Fund realizes gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by a Fund of options on stock indices will be subject to the Investment Manager's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments.

Warrants

Warrants will enable a Fund to purchase a specified number of shares of an issuing corporation at a specified price during a specified period of time. Warrants involve the risk of a loss of the purchase value of the warrant if the right to subscribe to additional shares is not executed prior to the warrants' expiration. The effective price paid for the warrant, when added to the subscription price of the offered security, may in fact be in excess of the value of the offered security if there is no appreciation in such security.

Currency Exchange Exposure

A Fund may invest a portion of its assets in the securities of non-U.S. issuers and other instruments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. A Fund, however, values its securities and other assets in U.S. dollars. A Fund may or may not seek to hedge its non-U.S. currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time when a Fund wishes to use them, or that hedging techniques employed by a Fund will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of a Fund's positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of the U.S. dollar compared to the other currencies in which a Fund makes its investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of a Fund's securities in their local markets and may result in a loss to a Fund. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on a Fund's non-U.S. dollar investments. Furthermore, a Fund may incur costs in connection with conversions between various currencies. Non-U.S. currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to a Fund at one rate, while

offering a lesser rate of exchange should a Fund desire immediately to resell that currency to the dealer. A Fund intends to conduct its currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward, futures or commodity options contracts to purchase or sell non-U.S. currencies. Most of a Fund's currency exchange transactions are expected to occur at the time securities are purchased and to be executed through the local broker or custodian acting for a Fund.

Item 9. Disciplinary Information

Standard General and its employees do not have any material legal or disciplinary events to be disclosed.

Item 10. Other Financial Industry Activities and Affiliations

Items 10.A and 10.B are "Not Applicable" as neither Standard General nor its management persons are registered or have an application pending to register as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading adviser, or an associated person of the foregoing entities.

Item 10C

As discussed above, an affiliate of Standard General, Standard General GP LLC, is the general partner of the Funds that are organized as limited partnerships.

In addition, although not a related person, please note the following arrangements in place at Standard General:

Reservoir Capital Group, LLC: Standard General has a material relationship with Reservoir which is a non-affiliated investment adviser. Reservoir manages a number of investment funds that serve as non-managing members of the General Partner and limited partners of Standard General, but they do not exercise any control over investment decisions of the Funds. Reservoir contributed and maintains a significant investment in certain of the Funds which are managed by Standard General. In addition, Standard General and Reservoir are located at the same address.

Outside Activities: The General Partner, Standard General and Soohyung Kim will devote such time to the Funds' business as they, in their sole discretion, deem to be necessary to manage and supervise the Funds' business and affairs in an efficient manner. The General Partner, its affiliates and agents, officers, directors and employees of the General Partner and its affiliates may engage in or possess interests in other business ventures and may engage in other activities of any kind and description, independently or with others, including, without limitation, ventures involving investing in securities or managing or participating in other investment funds, which ventures may be similar to and competitive with the Funds. Neither a Fund nor any Investor has the right to participate in any other ventures or activities of the General Partner or its affiliates or to the income or proceeds derived therefrom solely by virtue of being an Investor in a Fund.

Employees of Standard General currently serve on boards of directors or executive committees or in other management capacities at companies in which the Funds invest, either directly or indirectly. Serving in such a capacity may expose such employee, and by association Standard General and the Funds, to certain limitations on the ability to trade the securities of the issuer company and certain conflicts of interest. As a result of such service, an employee may become aware, from time to time, of material non-public information about the company in which the Funds invest, and the employee's knowledge is likely to be attributed to Standard General and the Funds; therefore, the Funds' ability to trade the securities of such company may become substantially restricted. The Funds' ability to buy and sell such securities may be limited to such times as company insiders are permitted to do so. Such limitations may cause the Funds to forgo sales that it would otherwise make, thereby exposing the Funds to losses, or to forgo purchases, thereby exposing the Funds to lost opportunities. Standard General and the Funds may also be subject to Section 16 of the Securities Exchange Act of 1934, as amended, including the disclosure requirements, the restrictions on purchases and sales, and the disgorgement of profits in certain circumstances. An employee serving as a director of a company owned, directly or indirectly, by the Funds may also face a conflict between the fiduciary duties owed by such employee to the Funds and the duties owed to such company. In such circumstances, an employee may act in ways that are in the best interests of such company but not the Funds. Standard General maintains internal compliance policies that are intended to minimize the negative effects of such conflicts if they arise, and intends to prevent employees from taking such positions when, in Standard General's determination, the potential risks to the Funds outweigh the potential benefits. However, there can be no assurance that permitting the board membership of an employee will not result in less favorable results for the Funds than if the employee was not permitted to serve in such capacity. Any compensation related to such board or executive committee position will inure to the benefit of the respective Fund, not to the Standard General employee who serves in such capacity.

Item 10D

Standard General does not utilize third party investment advisory services.

Item 11. Code of Ethics, Interest in Client Transactions and Personal Trading

Item 11A

Standard General's Code of Ethics (the "Code") is designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 ("Advisers Act"). The Code applies to Standard General's access persons (which term includes all employees of Standard General) and sets forth a standard of business conduct that takes into account Standard General's status as a fiduciary and requires access persons to place the interests of Advisory Clients above their own interests.

Among other things, the Code (i) requires that all employees comply with federal securities laws, (ii) requires that all employees submit to Standard General reports containing their personal securities holdings and transactions in reportable securities, and that Standard General review such reports, (iii) requires all employees to obtain pre-approval of certain types of investments; and (iv) contains policies and procedures designed to prevent the misuse of material, non-public

information. All access persons are provided with a copy of the Code and are required to acknowledge receipt of the Code, and certify compliance therewith, on at least an annual basis.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by access persons. Standard General's access persons must provide the Chief Compliance Officer with a list of their personal brokerage accounts and an initial holdings report within 10 days of becoming an access person. In addition, Standard General's access persons must submit annual holdings reports and quarterly transaction reports in accordance with Rule 204A-1.

In addition, the Code of Ethics ensures the protection of nonpublic information about the activities of the Funds. Investors or prospective Investors may obtain a copy of Standard General's Code of Ethics by contacting the Chief Compliance Officer, Joseph Mause at (212) 257-4720 or by email at jmause@standgen.com.

Item 11B

As explained in Item 10 above, Standard General serves as the investment manager to the Funds and as such recommends interests in the Funds to prospective Investors. Standard General (or its affiliates) has a material financial interest with respect to fees paid by Investors. Management Fees are payable without regard to the overall success or income earned by the Advisory Clients and therefore may create an incentive on the part of Standard General to raise or otherwise increase assets under management to a higher level than would be the case if Standard General were receiving a lower or no management fee. Performance-based fees may create an incentive for Standard General to make investments that are riskier or more speculative than in the absence of such performance-based compensation. Advisory Clients and Investors are provided with clear disclosure as to how performance-based compensation is charged and the risks associated with such performance-based compensation prior to making an investment.

Standard General, its employees or their related persons may also invest directly in any one, some or all of the Funds. It should be noted that investments in the Funds made by such parties may not be subject to the asset or performance-based fees described above. The fact that Standard General's principals and employees have financial ownership interests in the Funds also creates a potential conflict in that it could cause Standard General to make different investment decisions than if such parties did not have such financial ownership interests.

It should also be noted that Standard General and its affiliates may give advice and recommend the purchase or sale of securities and other financial instruments, or buy or sell such securities, and instruments for their own account or that of certain Advisory Clients, which advice or instruments may differ from advice given to, or instruments recommended or bought or sold for, certain other Advisory Clients, even though their investment objectives may be the same or similar.

As stated in Item 11 herein, in order to address these potential conflicts and in recognition of Standard General's fiduciary obligations to its Advisory Clients and Standard General's desire to maintain its high ethical standards, Standard General has adopted a Code of Ethics containing

provisions designed to: (i) prevent improper personal trading by Standard General's access persons; (ii) prevent improper use of material, non-public information about securities recommendations made by Standard General or securities holdings of the Funds; (iii) identify conflicts of interest; and (iv) provide a means to resolve any actual or potential conflict in favor of the Funds.

Item 11C

Standard General believes that high ethical standards are essential for the success of Standard General and to maintain the confidence of its Advisory Clients. The Code is designed to ensure that the personal securities transactions of Standard General and its affiliates, officers and employees (and members of their families) do not conflict with transactions effected on behalf of the Advisory Clients. Employees of Standard General must (i) place the interests of Advisory Clients first, (ii) avoid taking inappropriate advantage of their positions within the firm, and (iii) conduct their personal securities transactions in full compliance with the Code. As required by Rule 204A-1 of the Advisers Act, Standard General requires its access persons to report their securities transactions on a quarterly basis and disclose their securities holdings upon becoming an access person and promptly notify the firm of any changes to their accounts. Standard General also limits and monitors the personal trading of its access persons. In particular, access persons are generally precluded from directly or indirectly engaging in any personal trading in any security for an account in which the employee has a beneficial ownership unless the transaction occurs in an exempted security (as defined in Standard General's Code of Ethics) or the employee has received prior written consent from one the CCO. Standard General reserves the right to disapprove any proposed transaction. In addition, access persons must pre-clear: (i) direct or indirect purchase or sale of beneficial ownership in a security in an initial public offering; (ii) direct or indirect purchase or sale of beneficial ownership in a security in a limited offering, which includes but is not limited to U.S. and offshore hedge funds, private equity funds & venture capital funds; (iii) direct or indirect purchase or sale of any security that may be purchased or sold by an Advisory Client or Fund, excluding shares issued by registered open-end or closed-end funds (i.e. mutual funds), bank certificates of deposit, exchange traded funds, local and state municipal bonds and shares in unit investment trusts; and (iv) transactions involving options on exchange traded funds or options on closed-end funds. Lastly, Standard General maintains a Restricted List containing the names of securities which the firm and access persons are generally prohibited from trading.

Standard General also maintains policies and procedures regarding insider trading that are designed to prevent the misuse of material, non-public information. Standard General's personnel are required to certify their compliance with the Code of Ethics and such insider trading policies and procedures on at least an annual basis.

Item 12. Brokerage Practices

Item 12A.1

Standard General recognizes its duty to obtain "best execution" for its Advisory Clients. In selecting brokers or dealers to execute transactions, Standard General is not required to solicit

competitive bids and does not have an obligation to seek the lowest available commission. Portfolio transactions are allocated to brokers in consideration of a broker's ability to effect the transactions, its facilities, reliability and financial responsibility and the provision or payment by the broker of the costs of research and brokerage products and services which are of benefit to the Advisory Clients, Standard General and/or its affiliates. Standard General may not necessarily negotiate "execution only" commission rates and may "pay up" for research and other services provided by the broker through the commission rate ("soft dollars"). However, since commission rates are generally negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may result in higher transaction costs than would be otherwise obtainable.

Standard General may authorize the payment and reimbursement of brokerage commissions that may be in excess of the lowest rates available to brokers who execute transactions for the Advisory Clients and who supply or pay for (or rebate a portion of the brokerage commissions) the cost of property or services such as research, news and quotation equipment and publications utilized by Standard General, provided that such arrangements are within the safe harbor for "soft dollars" under Section 28(e) of the Securities Exchange Act of 1934, as amended. Accordingly, the commission rates charged to the Advisory Clients may be higher than those charged by other brokers who may not offer such services. The selection of a broker (including a prime broker) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services may be influenced by, among other things, the provision by the broker of the following: capital introduction, marketing assistance, consulting services with respect to technology, operations, equipment and office space, commitment of capital, access to company management and access to deal flow.

If a research product or service has both a research and non-research use, an allocation must be made between the research and non-research functions, with the portion allocable to research being paid with commission dollars and the non-research portion being paid by Standard General. An allocation of the cost of the product or service will be made according to its use (i.e., the component that provides assistance to Standard General in the investment decision-making process vs. the component that relates to non-research activities). The allocation will generally be made on the basis of the percentage of time devoted to Standard General's use of the product for research vs. non-research applications, or such other appropriate measure of the value of the product for each use as the Chief Financial Officer determines to be appropriate, both initially and upon subsequent periodic review.

Standard General may also combine purchase or sale orders on behalf of the Advisory Clients with orders for other accounts managed by Standard General, the General Partner or affiliates thereof and allocate purchases or sales, typically on an average price basis, among such accounts wherein orders placed during a trading day are placed on behalf of the Advisory Clients, the General Partner, or their affiliates and allocated among such accounts using an average price.

Notwithstanding this authorization, Standard General currently does not utilize "soft dollars" and has no future intent on utilizing "soft dollars."

Item 12A.2

Standard General may place transactions with a broker-dealer that (i) provides Standard General with the opportunity to participate in capital introduction events sponsored by the broker-dealer, or (ii) refers Investors to the Funds (or an affiliate). Because such referrals, if any, are likely to benefit Standard General and its affiliates but provide an insignificant (if any) benefit to Investors, Standard General may have a conflict of interest with the Funds when allocating Fund brokerage business to a broker who has referred Investors to the Funds. To prevent Fund brokerage commissions from being used to pay Investor referral fees, Standard General does not allocate Fund brokerage business to a referring broker unless Standard General determines in good faith that the commissions payable to such broker-dealer is consistent with seeking best execution; provided Standard General is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of Investors.

Item 12B

If Standard General determines to buy or sell the same security on behalf of more than one Advisory Client (based upon the investment mandates of such Advisory Clients), it may, but shall be under no obligation to, aggregate, to the extent permitted by applicable law and regulations, the securities to be purchased or sold in order to seek more favorable prices, lower brokerage commissions or more efficient execution. In such case, Standard General will place an aggregate order with the broker on behalf of all such accounts in order to ensure fairness for all accounts; provided, however, that trading shall be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy. Standard General will determine the appropriate number of shares to place with brokers and will select the appropriate brokers based upon Standard General's determination of who will likely provide best execution, except for those accounts with specific brokerage direction (if any).

In executing bunched transactions for Advisory Client accounts placed at the same time and at the same price with the same broker, trades are generally allocated on the basis of the relative asset size of each participating Advisory Client. It should be specifically noted that the investment strategy employed by a particular Advisory Client will also govern whether an Advisory Client will participate in a particular transaction. All determinations as to whether an Advisory Client will participate in a particular security transaction will be made by Standard General. In some circumstances, it may be appropriate for Standard General to buy or sell a security on behalf of more than one Advisory Client over a period of time. For example, if Standard General is buying a small capitalization and/or relatively illiquid security for more than one Advisory Client, it may wish to fill the order over a period of days or even weeks. In such instances, although it may not be possible to aggregate orders to be entered for all of the Advisory Clients, Standard General still must allocate Advisory Clients' orders on an equitable basis. Standard General reflects the executed allocation on the internal trade ticket.

Please note that situations may occur where one of Standard General's Advisory Clients could be disadvantaged because of the investment activities conducted by Standard General for one or more of its other Advisory Clients.

Item 13. Review of Accounts

Item 13A

Soohyung Kim is the Chief Investment Officer of Standard General and is responsible for all investment decisions. Mr. Kim is assisted by a team of investment professionals (the “Investment Team”). The portfolios are constantly reassessed with regard to investment policy, the suitability of the investments used to meet policy objectives, cash availability and the investment objectives of the portfolio. Members of the Investment Team review daily each investment to determine whether anything has changed subsequent to the initial investment decision that impacts the risk or potential return, and to assure early recognition of any diminution in the value of an investment. While the investment approach tends to minimize frequent portfolio turnover, an important element of Standard General’s approach is active portfolio risk management and monitoring of investment positions. The Chief Financial Officer regularly reviews the portfolio and trading activity while the Chief Investment Officer completes a top-level review of current inventory and trading activity and is the ultimate decision-makers with respect to trade issues.

Item 13B

Please see Item 13.A. The accounts are reviewed regularly.

Item 13C

Investors receive monthly account statements from the Fund Administrator. Generally, Investors also receive unaudited performance monthly and a written update of Standard Generals activity on a quarterly basis. In addition, audited financial statements are typically sent to Investors within 90-120 days of the end of the fiscal year.

Item 14. Client Referrals and Other Compensation

Item 14B

Standard General may enter into written arrangements with third parties to act as solicitors for its investment management business. Standard General currently has no such agreements for referrals of investors. Standard General may on occasion, compensate individuals for client referrals where no formal arrangement exists. All such compensation will be fully disclosed to each client consistent with applicable law. The Investor will incur no additional costs or expenses as a result of any such compensation arrangements. All such referral activities will be conducted in accordance with SEC Rule 206(4)-3 under the Advisers Act.

Item 15. Custody

Standard General maintains the assets of the Funds in accounts with a “qualified custodian” pursuant to Rule 206(4)-2 under the Advisers Act and notify clients in writing of the qualified custodian’s name, address and the manner in which the assets are maintained promptly when the account is opened and following any changes to this information. Standard General has

established prime brokerage and custodial arrangements for the Funds with Goldman Sachs & Co. (One New York Plaza, 44th Floor, New York, NY 10004), UBS Prime Client Services (1285 Avenue of the Americas, 8th Floor, New York, NY 10019), Deutsche Bank Securities Inc. (60 Wall Street, New York, NY 10005) and JP Morgan Clearing Corp. (383 Madison Avenue, New York, NY 10179). Goldman Sachs is the primary prime broker of the Funds. JP Morgan, UBS and Deutsche Bank are utilized on a secondary basis. Goldman Sachs, JP Morgan, UBS and Deutsche Bank generally serve as the primary custodians for the cash assets and a majority of the securities held by the Funds. Cash may also be held at JP Morgan Chase Bank.

Pursuant to Rule 206(4)-2 under the Advisers Act, Standard General reasonably believes that all Investors are provided with audited financial statements for their respective Fund prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles, within 120 days of the end of such Fund's fiscal years (i.e., generally by April 30). Investors should carefully review the audited financial statements of the Funds upon receipt.

Item 16. Investment Discretion

Standard General has discretionary authority to manage securities accounts on behalf of the Advisory Clients. Standard General is authorized to make transaction recommendations for the Advisory Clients. As explained in Item 8.A above, each Fund's investment strategy is set forth in detail in the respective Fund's private offering memorandum. Investors do not have the ability to impose limitations on Standard General's discretionary authority. Investors must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool, and Investors in the domestic limited partnerships must execute a limited partnership agreement.

As noted in Item 4.A and Item 7 above, Standard General may establish one or more Managed Accounts, based on the preferences of a single investor or a group of investors. Such customized Advisory Clients may have the same or different investment strategies as the other Funds managed by Standard General. In addition, such customized Advisory Clients may have the same or different terms (including but not limited to investment minimums, fees, liquidity and/or transparency).

Item 17. Proxy Voting

It is the policy of Standard General to vote proxies in the interest of maximizing value for the Funds. Standard General will vote in a way that it believes, consistent with its fiduciary duty, will cause the value of the issue to increase the most or decline the least. Consideration will be given to both the short and long term implications of the proposal to be voted on when considering the optimal vote.

Prior to voting any proxies, the Chief Financial Officer or Chief Investment Officer will determine if there are any conflicts of interest related to the proxy in question. If a conflict is identified, the Chief Investment Officer will then make a determination (which may be in consultation with the Chief Financial Officer and outside legal counsel) as to whether the conflict

is material or not. If no material conflict is identified pursuant to these procedures, the Chief Investment Officer will make a decision on how to vote the proxy in question. The Chief Financial Officer or his designee will deliver the proxy in accordance with instructions related to such proxy in a timely and appropriate manner.

In certain situations, the firm may also decide that abstaining from voting is in the best interests of the Funds. Standard General is not required to vote every proxy and such abstention from voting should not necessarily be construed as a violation of Standard General's fiduciary obligations. Standard General shall at no time ignore or neglect its proxy voting responsibilities. However, there may be times when refraining from voting is in the client's best interest, such as when Standard General's analysis of a particular proxy reveals that the cost of voting the proxy may exceed the expected benefit to the client (i.e., casting a vote on a foreign security may require that the adviser engage a translator or travel to a foreign country to vote in person).

If you have any questions about these procedures or if you would like detailed information of how any proxies were actually voted please contact the Chief Compliance Officer at (212) 257-4720.

Item 18. Financial Information

Item 18B

Standard General is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.