

**Haidar Capital Management LLC**

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**This brochure provides information about the qualifications and business practices of Haidar Capital Management LLC (“Haidar”). If you have any questions about the contents of this brochure, please contact us at (212) 752-5077 and/or email: [earthur@haidarcapital.com](mailto:earthur@haidarcapital.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.**

**Additional information about Haidar also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Haidar is registered as an investment adviser with the SEC. Registration with the SEC does not imply a certain level of skill or training.**

**Item 2. Material Changes**

On February 9, 2012, Haidar Capital Management LLC (“Haidar”) filed its initial Form ADV, Part 2A as part of its application to register as an investment adviser with the SEC. Subsequently, on April 10, 2012, Haidar filed an amended Form ADV, Part 2A. Haidar will update this Item 2 concerning material changes when it files its annual amendment to its Form ADV, Part 2A within 90 days after the end of its fiscal year.

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#### **Item 4. Advisory Business**

Haidar is a limited liability company organized under the laws of the State of New York and has been providing investment advisory services since 1997. Haidar is wholly-owned by its managing member, Said N. Haidar.

Currently, Haidar manages and provides discretionary investment advisory services to the Haidar Funds (as defined below in this Item 4 under “Funds”). In addition, as of the date of this brochure, Haidar expects to serve as a discretionary investment adviser to invest the assets of a privately offered pooled investment vehicle managed by an unaffiliated third-party pursuant to a trading advisory agreement (the “Third-Party Fund” and, together with the Haidar Funds, the “Funds”). Haidar may also provide investment advisory services to persons, entities or pooled investment vehicles on a managed account basis (each such arrangement, a “Managed Account,” and the person(s) or entity(ies) funding a Managed Account, a “Managed Account Client”). For the purposes of this brochure, a “Client” refers to a Fund (but not the investors in a Fund) and/or a Managed Account Client, as the context requires (but does not include the Model Portfolio Client, as defined below in this Item 4 under “Model Portfolios,” unless specified otherwise).

As of February 29, 2012, Haidar had \$1,635,359,563 in regulatory assets under management. Haidar does not currently manage any Client assets on a non-discretionary basis. Haidar does not participate in any wrap fee programs.

##### **Funds**

Haidar serves as managing member to certain feeder funds (the “Domestic Feeder Funds”) that are organized domestically and as investment manager to certain feeder funds (the “Offshore Feeder Funds”) and, together with the Domestic Feeder Funds, the “Feeder Funds”) and master funds (the “Master Funds”) and, together with the Feeder Funds, the “Haidar Funds”) that are organized outside of the United States. Each Feeder Fund invests substantially all of its assets in a Master Fund. In addition to investing directly in a Master Fund, a Feeder Fund may also invest in one or more other Feeder Funds. Haidar also acts as a discretionary investment adviser to invest the assets of the Third-Party Fund. The Third-Party Fund was organized outside of the United States and serves as the master fund in a master-feeder arrangement that may include one or more feeder funds. Haidar does not otherwise manage the Third-Party Fund (or any feeder fund investing in the Third-Party Fund) or act as a general partner, managing member, director or in any similar capacity with respect to the Third-Party Fund (or any feeder fund investing in the Third-Party Fund). In each case, Haidar makes all trading and investment decisions on behalf of the Funds. Haidar does not tailor its investment advice to the needs of any investor in a Fund. Investors in a Fund cannot impose restrictions or limitations on a Fund’s investments. Further information regarding Haidar’s management of the Funds, including regarding methods of analysis and investment strategies, is provided below in Item 8.

##### **Model Portfolios**

Haidar has entered into an arrangement to provide portfolio modeling services to a non-U.S. investment manager and may enter into similar arrangements in the future with other U.S. and non-U.S. investment managers (each, a “Model Portfolio Client”), subject to any directions,

restrictions or other information communicated to Haidar by the Model Portfolio Client. The portfolio modeling services are non-discretionary and include research and buy/sell recommendations. Haidar is generally responsible for monitoring and updating the model portfolio. Haidar does not manage or have custody of any assets of the Model Portfolio Client. In addition, Haidar does not execute, and is not responsible for executing, any trades for the Model Portfolio Client in connection with Haidar's portfolio modeling services.

#### Managed Account Arrangements

As of the date of this brochure, Haidar has no Managed Account arrangements. However, in the event that Haidar were to enter into a Managed Account arrangement in the future, then Haidar would develop investment guidelines based upon the Managed Account Client's specific investment objectives. Managed Account advisory services would be governed by a written agreement ("Managed Account Agreement") between Haidar and the Managed Account Client. Haidar would manage any such Managed Accounts under a broad range of potential mandates. Managed Account Clients would be permitted to amend their investment guidelines as their needs change or impose restrictions or limitations on investing in certain securities or types of securities.

### **Item 5. Fees and Compensation**

#### Funds

Each Feeder Fund pays Haidar a management fee equal to two percent (2%) per year of the applicable Feeder Fund's net assets. Haidar also receives an annual performance-based fee from each Offshore Feeder Fund and its affiliate, Haidar Capital Advisors LLC ("Haidar Capital Advisors"), receives an allocation from each Domestic Feeder Fund, in an amount equal to twenty percent (20%) of the net profits per year, if any, of the applicable Feeder Fund, subject to a "high water mark" provision. Haidar Capital Advisors is a limited liability company organized under the laws of the State of New York and, like Haidar, is wholly-owned by its managing member, Said N. Haidar. Haidar Capital Advisors is the administrative member of the Domestic Feeder Funds and, in such capacity, receives the performance allocation (if any) payable by the Domestic Feeder Funds.

As noted above in Item 4, in addition to investing directly in a Master Fund, a Feeder Fund may also invest in one or more other Feeder Funds. A Feeder Fund will not bear a double-layering of asset-based fees or performance-based compensation in connection with its investment in a Master Fund or another Feeder Fund. Each Feeder Fund will, however, be responsible for its *pro rata* share of the expenses of the Master Fund and other Feeder Fund (if any) in which it invests. To the extent that there is a shared expense among any of the Funds, on the one hand, and Haidar, on the other hand, Haidar will allocate the expense among such Fund(s) and itself in a manner that it determines is fair and equitable under the circumstances to all parties. All Feeder Fund fees, allocations and expenses are ultimately paid on a *pro rata* basis by the investors in such Feeder Fund.

Haidar receives an asset-based fee and performance-based compensation from the Third-Party Fund and the feeder funds (if any) investing in the Third-Party Fund. The asset-based fee

is paid monthly in arrears. The performance-based fee or allocation (as applicable) is paid annually, subject to a “high water mark” provision.

See Item 6 below for more information concerning performance-based fees and allocations.

#### Model Portfolios

For its portfolio modeling services, Haidar typically receives a negotiated fee consisting of both an asset-based fee and a performance fee that are paid by the Model Portfolio Client on a quarterly basis in arrears.

#### Managed Accounts

Haidar presently does not have, and thus receives no fees from, any Managed Account Clients. In the event that Haidar were to advise a Managed Account in the future, it may be paid a management fee and/or a performance fee by such Managed Account in accordance with the terms of the applicable Managed Account Agreement.

#### Additional Expenses

In addition to the management fees and the performance-based fees and allocations described above, the Funds (and, indirectly, the investors therein) will pay such additional expenses as are disclosed in the Funds’ applicable offering documents. The expenses to be paid by each Fund vary and may include, among others, the following: (i) transaction costs and investment-related expenses incurred in connection with the Fund’s trading activities, including securities and futures brokerage, clearing, margin interest (if any), custodial expenses and any non-U.S. mutual fund expenses; (ii) legal, regulatory, accounting, auditing, tax preparation, registration fees and related fees and expenses; (iii) expenses associated with the continued offering of Fund interests or shares, which include, but are not limited to, marketing, travel and other solicitation expenses; (iv) operational expenses such as a Fund administrator’s charges and expenses, photocopying, facsimile, postage and telephone expenses; (v) research and research-related costs, fees and charges (such as data feeds, news, company reports, brokerage reports, software licenses, and Bloomberg terminals and services); (vi) extraordinary expenses (such as litigation costs and indemnification obligations), if any; (vii) foreign government fees and other equivalent expenses, if any; and (viii) interest in connection with investment-related borrowings. In addition, each Fund will bear its *pro rata* share of all expenses related to any pooled investment vehicle(s) (including, but not limited to, the Master Funds) in which such Fund invests; such charges may include management fees, performance fees, performance allocations, ordinary operating expenses (such as administration, legal, accounting and other operational costs) and extraordinary expenses (such as litigation costs and indemnification obligations), provided that such Fund will not bear a double-layering of asset-based fees or performance-based compensation in connection with its investment in another Haidar Fund. Funds also pay the fees and expenses of their prime brokers, futures commission merchants and administrators.

As described further in the respective offering documents for the Haidar Funds, generally, Haidar will bear certain overhead expenses of operating the Haidar Funds which otherwise would be allocable to the Haidar Funds.

Although Haidar presently does not have any Managed Account Clients, any future Managed Account Clients of Haidar may be expected to pay additional expenses similar to those described above, to the extent applicable, subject to the specific terms of the applicable Managed Account Agreement.

Please see Item 12 below for a discussion of Haidar's brokerage practices.

#### Additional Information About Fees, Allocations and Expenses

The specific manner in which Haidar charges management fees, performance-based fees and allocations, and expenses is established in each Client's written agreement with Haidar. Fund investors may consult the applicable Fund's offering memorandum and governing documents for a description of these charges. Generally, pursuant to the applicable governing documents for each Feeder Fund, management fees and performance-based fees and allocations are deducted directly from each Fund investor's account with the relevant Feeder Fund. Management fees, if any, are generally paid monthly in arrears. Performance fees and allocations, if any, are paid at the end of the financial year to which the fee or allocation pertains or upon a redemption from a Fund or a termination of a Managed Account.

Clients generally do not pay fees in advance. However, if a particular Client and Haidar adopt a fee arrangement that calls for payment of fees in advance, then upon redemption or termination of the advisory relationship or upon investment other than at the beginning of the normal investment cycle, Haidar will refund fees and/or charge that Client only for the actual period of time that Haidar provided advisory services.

Some or all of the foregoing fees, allocations and expenses may be negotiable in certain circumstances and may be reduced or waived in certain circumstances, including with respect to Clients or Fund investors that are employees of Haidar and other persons that are affiliated with Haidar or its affiliates.

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

Currently, Haidar's Clients (including the Model Portfolio Client) are generally charged both a management fee and a performance fee or allocation, as described above in Item 5. The performance fees and allocations are structured to comply with Section 205 of the Investment Advisers Act of 1940, as amended (the "Advisers Act").

Performance-based compensation arrangements may create an incentive for Haidar to make investments that are riskier or more speculative than would be the case in the absence of a financial incentive based on the performance of a Client's account. Performance-based compensation arrangements may also create an incentive for Haidar to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Haidar does not discriminate on an impermissible basis against one Client or group of Clients. When Haidar transacts securities for more than one Client account, the investment opportunities and trades must be allocated in a manner consistent with Haidar's fiduciary duties. Haidar will not necessarily purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible portfolios, particularly if different portfolios have materially different amounts of capital under management by Haidar or different amounts of investable cash

available or different investment guidelines, financing arrangements and/or dealer relationships. As a result, although Haidar manages portfolios with similar or identical investment objectives, or may manage accounts with different objectives that trade in the same securities, the portfolio decisions relating to these accounts, and the performance resulting from such decisions, may differ from portfolio to portfolio.

Haidar presently does not have, and thus receives no fees from, any Managed Account Clients. If in the future Haidar were to advise a Managed Account alongside the Funds, it is possible that Haidar may take different positions in the same or related securities for such Clients, such as selling certain securities short for a Fund while a Managed Account simultaneously holds the same or related securities long. In such case, Haidar may adopt side-by-side management procedures in an effort to mitigate these potential conflicts.

### **Item 7. Types of Clients**

Haidar currently provides investment advice to the Funds and non-discretionary model portfolio services to the Model Portfolio Client, as described in more detail above in Item 4. However, Haidar may advise additional or different types of clients in the future.

Each Haidar Fund is not registered under the Investment Company Act of 1940, as amended (the “1940 Act”), in reliance on the exemption provided by Section 3(c)(7) of the 1940 Act. In addition, each Haidar Fund’s interests or shares (as applicable) are not registered under the Securities Act of 1933, as amended (the “Securities Act”), or any state “blue-sky” laws; rather, they are privately offered only to qualified investors pursuant to an exemption from registration under Regulation D under the Securities Act. Each investor in the Onshore Feeder Funds must be (1) an “accredited investor” as defined in Regulation D under the Securities Act, (2) a “qualified purchaser” as defined in the 1940 Act and the regulations under the 1940 Act, and (3) a “United States person” as defined under the Internal Revenue Code of 1986, as amended (“Code”). Each investor in the Offshore Feeder Funds must be (1) an accredited investor, (2) a qualified purchaser, and (3) if a United States person under the Code, an entity that is exempt from U.S. federal income tax under Section 501 of the Code or otherwise. The minimum investment in each Feeder Fund, subject to waiver, is \$100,000.

Information concerning the requirements to invest in the Third-Party Fund (or in any feeder fund invested in the Third-Party Fund) is contained in the confidential offering memorandum of the Third-Party Fund (or of the applicable feeder fund invested in the Third-Party Fund).

If a Client or potential Client would like to open a Managed Account, the conditions for starting and maintaining a Managed Account will vary with the circumstances of each Managed Account and be negotiated and set forth on an individual basis in the relevant Managed Account Agreement.

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

The methods of analysis and investment strategies used by Haidar in managing Fund assets are summarized below. The methods of analysis and investment strategies that Haidar would use to manage assets of any Managed Account Clients would vary depending on the needs



of each Managed Account Client, but are expected to be comparable to those summarized below for the Funds. In addition, the material risks involved with each significant investment strategy and method of analysis is explained below.

### Methods of Analysis and Investment Strategies

The methods of analysis and investment strategies used by Haidar in managing assets are summarized below. Investors and prospective investors in a Fund should review the offering memorandum of the Fund in which they are invested (or are seeking to invest) for additional information about the strategies and risks associated with an investment in such Fund. For information concerning the sub-strategies identified below, please refer to confidential offering memorandum of the applicable Fund.

- *Global Macro Trading.* These strategies tend to be based on top-down economic analysis and are usually directionally biased (or unhedged) and opportunistic in nature. These strategies have few restrictions and some may argue offer the greatest potential to capitalize on investment opportunities, coupled with higher potential risks. These strategies generally will invest in any market, anywhere in the world, using any security type (stock, bonds, currencies, commodities and derivatives). Some use trading systems to generate buy and sell signals.

Sub-strategies under this category include: Global Fixed Income Trading, Discretionary Dynamic Allocation Strategies in Forex and Futures (including commodities and equities) as well as systematic strategies in Fixed Income, Forex and Futures (including commodities and equities).

- *Relative Value or Arbitrage.* This strategy attempts to take advantage of relative pricing discrepancies between financial instruments. Financial instruments are sometimes mispriced relative to an underlying security, related securities, groups of securities or the overall market. This strategy may employ mathematical, technical or fundamental analyses to identify these opportunities, and frequently hedge positions to isolate the discrepancy and minimize market risk. The investments may represent either short-term trading opportunities or longer-term fundamental judgment on the relative performance of a security.

Sub-strategies under this category include: Global Fixed Income (including Mortgage Backed Securities, High Yield Bonds and Credit Derivatives) and Market Neutral–Securities Hedging.

- *Event Driven.* Event driven strategies center on investing in securities of companies facing major corporate events. Mergers and acquisitions are the most prevalent type of event; however, restructurings, spin-offs and significant litigation also present opportunities. This strategy is research intensive and requires continual review of announced and anticipated events. The strategy's goal is to uncover investment combinations (both long and short, or either long or short) that exhibit favorable risk and reward characteristics based on the probability that the event will occur. The investments are usually hedged to ensure that the investment will generate a return that can be forecast with reasonable accuracy if events unfold as anticipated.

Sub-strategies under this category include: Merger or Risk Arbitrage, Special Situations and Distressed Securities.

- *Long/Short Equity.* This strategy employs bottom-up fundamental research to identify equity securities that either should perform well (in which case the securities will be held long) or poorly (in which case the equities will be sold short). Technical analysis may be used; however, many place those who use technical analysis in the relative value category. Typically, long/short equity techniques hold some combination of both long and short positions that will at least partly offset one another to minimize market risk.

Sub-strategies under this category include: Equity Unhedged, Value Focused, Value Growth, Aggressive Growth and Short Selling.

- *Other Investment Strategies.* Haidar may also pursue other investment strategies as it deems appropriate, including, but not limited to: long/short equity investing, investing and trading in futures, foreign currency instruments, options, total-return swaps, stock indices and exchange-traded funds or other derivative financial instruments.

### Material Risks

The following is a summary of the material risks associated with Haidar's significant methods of analyses and investment strategies for managing assets of the Funds and the Managed Account Clients (to the extent that a particular method of analysis or investment strategy applies to the relevant Managed Account). Investors and prospective investors in a Fund should review the offering memorandum of the Fund in which they are invested (or are seeking to invest) for additional information about the risks associated with an investment in such Fund.

An investment in securities involves a risk of loss that a Client or investor in a Fund should be prepared to bear. An investment in a Fund or a Managed Account is speculative and not guaranteed. Such an investment involves a substantial degree of risk and is suitable only for investors who can tolerate significant risk. The instruments in which the Funds and Managed Accounts invest may lose value. Clients and investors in the Funds may experience a loss of some or all of their investments, including losses amplified as a result of a Fund's (and, to the extent applicable, a Managed Account's) use of leverage. Past performance is not indicative of future performance, and there is no assurance that any of the Funds or Managed Accounts will achieve their investment objectives.

- *Reliance on Haidar.* The success of each strategy will be dependent on the judgment and abilities of Haidar in making trading, investment and allocation decisions for its Clients. As Haidar's managing member, Said N. Haidar will have responsibility for investment decisions made by Haidar with respect to its Clients. The loss of the services of Said N. Haidar may have a material adverse effect on the operations of Haidar and on its Clients.

- *Use of Leverage.* Haidar may use substantial leverage in trading Client assets, and it is expected that Haidar will do so to greater or lesser degrees as it determines in its discretion. The use of leverage can exacerbate losses and increase volatility. If Haidar does not sufficiently

de-leverage when necessary, there is the possibility that its Clients may be required to terminate trading altogether, thus losing all upside potential and posing a significant risk to capital. Clients might perform worse by using leverage.

- *Loss of Money Risk.* Before considering an investment in the strategy, you should understand that you could lose money.

- *Management Risk.* The investment strategies, practices and risk analysis that Haidar uses may not produce the desired results.

- *Market Changes Risk.* The value of the strategy's investments may change because of broad changes in the markets in which the strategy invests, which could cause the strategy to underperform other products with similar objectives. In addition, events in the financial sector in recent years have resulted, and may continue to result, in an unusually high degree of volatility in the financial markets, both domestic and foreign, and in the net asset values of many investment funds, including the Funds. These events have also decreased liquidity in some markets and may continue to do so. Because the situation is unprecedented and widespread, it may be unusually difficult to identify both risks and opportunities using past models of the interplay of market forces, or to predict the duration of these market events.

- *Business Risks; Economic Conditions.* Investments are subject to risk from changes in the economic climate, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, political and diplomatic events and trends, tax laws, the competency of management, and innumerable other factors, in a similar way to other industrial or commercial companies. None of these conditions are within the control of Haidar. For these and other reasons, there can be no guarantee that companies in which the Funds invest will develop as anticipated or that the consistent, absolute returns sought will actually be achieved.

- *Institutional Risk; Risk of Default or Bankruptcy of Third Parties.* Third-party brokerage firms will clear trades, maintain custody of securities and loan stock for short sales. If there were a default or bankruptcy by third parties (or other financial problems involving such third parties), including brokerage firms and banks with which Haidar does business, or to which securities have been entrusted for custodial purposes, this would likely have an adverse effect upon Client accounts. For example, if a prime broker or custodian of Haidar or its Clients were to become insolvent or file for bankruptcy, Client accounts would likely suffer significant losses with respect to any cash or securities held by such firm. Similar issues could arise with respect to transactions in securities and financial instruments that involve counterparties in over-the-counter or "interdealer" markets and also unregulated private markets. Since the participants in such markets are typically not subject to the same level of credit evaluation and regulatory oversight as are members of the exchange-based markets, this exposes Client accounts to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, which could cause a Client account to suffer a loss.

- *Illiquid Securities.* During certain market conditions, a Client account might not be able to dispose of illiquid securities promptly or at reasonable prices and might as a result

experience difficulty satisfying redemptions. There can be no assurance that a liquid market will exist for any security at any particular time. Any security, including securities determined by Haidar to be liquid, can become illiquid.

Additional material risks involved with the Global Macro Trading strategy include:

- *Foreign Securities.* Investment in equity or debt securities of non-U.S. issuers may involve certain special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting reporting and disclosure requirements than domestic issuers. The securities of some foreign governments and companies and foreign securities markets are less liquid and at times more volatile than comparable U.S. securities and securities markets.

- *Sovereign Debt Obligations.* The Funds may invest in sovereign debt obligations. Sovereign debt obligations are issued or guaranteed by a foreign government or one of its agencies, authorities, instrumentalities or political subdivisions. Investments in sovereign debt obligations involve special risks not present in corporate debt obligations. The issuer of the sovereign debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due, and the Funds may have limited recourse in the event of a default. During periods of economic uncertainty, the market prices of sovereign debt, and the Funds' net asset value, may be more volatile than prices of U.S. debt obligations. In the past, certain non-U.S. markets have encountered difficulties in servicing their debt obligations, withheld payments of principal and interest and declared moratoria on the payment of principal and interest on their sovereign debts. A sovereign debtor's willingness or ability to repay principal and pay interest in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign currency reserves, the availability of sufficient foreign exchange, the relative size of the debt service burden, the sovereign debtor's policy toward principal international lenders and local political constraints. Sovereign debtors may also be dependent on expected disbursements from foreign governments, multilateral agencies and other entities to reduce principal and interest arrearages on their debt. The failure of a sovereign debtor to implement economic reforms, achieve specified levels of economic performance or repay principal or interest when due may result in the cancellation of third-party commitments to lend funds to the sovereign debtor, which may further impair such debtor's ability or willingness to service its debts.

- *Trading in Currencies.* Trading in the interbank market will also expose the Funds to a risk of default since failure of a bank or other financial institution with which the Funds have forward contracted would likely result in a default, and thus possibly substantial losses to the Funds. In addition, the Funds will be exposed to risks associated with any government or market action that might suspend or restrict trading or otherwise render illiquid, in whole or in part, the Funds' positions. Generally, the Funds will trade currencies and financial instruments only in interbank and forward contract markets which Haidar believes to be well-established and of

recognized standing, and such trades will be effected only with financial intermediaries which Haidar believes to be creditworthy.

- *Special Risk Associated with Futures Trading.* Substantially all trading in futures has as its basis a contract to purchase or sell a specified quantity of a particular asset for delivery at a specified time, although certain financial instruments, such as market index futures contracts, may be settled only in cash based on the value of the underlying composite index. Futures trading involves trading in contracts for future delivery of standardized, rather than specific, lots of particular assets, and involves the following risks:

- o *Speculative Nature.* Futures prices are highly volatile. Price movements for the futures contracts which the Funds may trade are influenced by, among other things, changing supply and demand relationships, government, trade, fiscal, and economic events, and changes in interest rates. Governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly.

- o *Position Limits.* The Commodity Futures Trading Commission has jurisdiction to establish, or cause exchanges to establish, position limits with respect to all commodities traded on exchanges located in the United States and may do so, and any exchange may impose limits on positions on that exchange. No such limits presently exist in the forward contract market or on certain non-U.S. exchanges. Insofar as such limits do exist, all commodity accounts (including the Funds' accounts) owned, held, controlled or managed by Haidar may be combined (that is, aggregated) for position limit purposes.

- o *Price Limits.* United States commodity exchanges may limit fluctuations in futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." In addition, even if futures prices have not moved the daily limit, Haidar may not be able to execute futures trades at favorable prices if little trading in such contracts is taking place (a "thin" market).

- o *Margin.* Futures are typically traded on "margin." The "margin" is the amount of escrow or performance bond deposit that the Funds have to make and maintain with their futures commission merchants ("FCMs") to secure their future obligation to close out open positions. In the futures markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. As a result, futures contract trading typically is accompanied by a high degree of leverage. Because margin requirements normally range upward from as little as 2% or less of the total value of the contract, a comparatively small commitment of cash or its equivalent may permit trading in futures contracts of substantially great value. As a result, price fluctuations may result in a contract profit or loss that is disproportionate to the amount of funds deposited as margin. Such a profit or loss may materialize suddenly, since the prices of futures frequently fluctuate rapidly and over wide ranges, reflecting both supply and demand changes and changes in market sentiment.

- o *Brokerage Firms May Fail.* The Commodity Exchange Act, as amended, requires a FCM to segregate all funds received from its customers with respect to regulated futures transactions from that FCM's proprietary funds. If the FCM were not to do so, the assets of the Funds might not be fully protected in the event of the bankruptcy of the FCM. In the

event of an FCM's bankruptcy, the Funds would be limited to recovering only its *pro rata* share of all available funds segregated on behalf of an FCM's combined customer accounts.

o *Foreign Futures or Options.* The Funds may trade foreign futures or options contracts. Transactions on markets located outside of the United States, including markets formally linked to a United States market, may be subject to regulations which offer different or diminished protection to the Funds and their investors. Further, United States regulatory authorities may be unable to compel the enforcement of the rules or regulatory authorities or markets in non-United States jurisdictions where transactions for the Funds may be effected.

Specifically, some non-U.S. exchanges, in contrast to U.S. exchanges, are "principal markets" in which performance with respect to a contract is the responsibility only of the individual member with whom the trader has entered into a contract and not of the exchange or clearinghouse, if any. In the case of trading on non-U.S. exchanges, the Funds will be subject to the risk of the inability of, or refusal by, its counterparty to perform with respect to such contracts. It is also possible that the Funds will not have the same access to certain trades as do various other participants in non-U.S. markets. Due to the absence of a clearinghouse system on many non-U.S. markets, such markets are significantly more susceptible to disruptions, which may include prolonged suspensions of trading and involuntary settlement of positions at artificial prices, than on U.S. exchanges.

Additional material risks involved with the Relative Value or Arbitrage strategy include:

- *Debt and Other Income Securities.* Debt and other income securities are subject to interest rate, market and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Even though such instruments are investments that may promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. Market risk relates to the changes in the risk or perceived risk of an issuer, country or region. Credit risk relates to the ability of the issuer to make payments of principal and interest. The values of income securities may be affected by changes in the credit rating or financial condition of the issuing entities.

Additional material risks involved with the Event Driven strategy include:

- *Distressed Securities Risk.* Investments in distressed securities are subject to substantial risks in addition to the risks of investing in other types of high-yield securities. Distressed securities are speculative and involve substantial risk that principal will not be repaid. Generally, the strategy will not receive interest payments on such securities and may incur costs to protect its investment. In addition, the strategy's ability to sell distressed securities and any securities received in exchange for such securities may be restricted.

- *Special Situations.* Special situations include companies that are involved in or are the target of acquisition attempts or tender offers or companies that are involved in workouts, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. It is possible that the transaction in which the companies are involved either will be unsuccessful, will take

considerable time or will result in a distribution of cash and/or a new security which will be valued at less than the amount invested. Similarly, if an anticipated transaction does not in fact occur, the portfolio may be required to sell its investment at a loss.

Additional material risks involved with the Long/Short Equity strategy include:

- *Equity Securities.* Investment in equity securities involves certain risks, including issuer, industry, market and general economic related risks. Haidar may attempt to reduce these risks; however, adverse developments or perceived adverse developments in one or more of these areas could cause a substantial decline in the value of equity securities owned by a Client.

- *Short Sales.* Short selling, or the sale of securities not owned by a portfolio, necessarily involves certain additional risks. Such transactions expose the portfolio to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and in the case of equities, without effective limit. There is the risk that the securities borrowed by the portfolio in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a “short squeeze” can occur, wherein the portfolio might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

#### **Item 9. Disciplinary Information**

On July 6, 2007, the SEC entered an order (the “Order”) settling an investigation and administrative proceeding against Haidar and Haidar Capital Advisors (collectively, the “Haidar Companies”) and Said N. Haidar, based on allegations by the SEC that, from April 2001 to September 2003, such parties violated Section 17(a)(3) of the Securities Act in connection with the market timing strategies of the Haidar Companies. The Order contained findings of fact and conclusions of law, which were neither admitted nor denied by the parties. While censuring the Haidar Companies, the Order placed no bar or other restriction on the business activities of Mr. Haidar or the Haidar Companies. As part of the settlement, Haidar paid the SEC disgorgement in the amount of \$3,300,000, prejudgment interest in the amount of \$1,180,000, and a civil penalty in the amount of \$100,000.

#### **Item 10. Other Financial Industry Activities and Affiliations**

Haidar has an application pending to register as a commodity pool operator (“CPO”) and a commodity trading advisor (“CTA”) with the U.S. Commodity Futures Trading Commission, which it expects to be effective on or about January 1, 2013. In connection with such registration, each of Haidar’s management persons has an application pending to register as an associated person of Haidar, each of which is also expected to be effective on or about January 1, 2013. Neither Haidar nor any of its management persons is registered, or has an application pending to register, as a broker-dealer, a registered representative of a broker-dealer, a FCM or an associated person of a FCM.

As described above in Item 4, Haidar serves as managing member to the Domestic Feeder Funds and as investment manager to the Offshore Feeder Funds and the Master Funds.

Each Feeder Fund invests substantially all of its assets in a Master Fund. In addition to investing directly in a Master Fund, a Feeder Fund may also invest in one or more other Feeder Funds. Thus, Haidar and its management personnel and employees may have conflicts of interest in (i) allocating their time and activity between and among, (ii) allocating investments among and (iii) effecting transactions for, the Haidar Funds, the Third-Party Fund and any other Clients, including in such instances where Haidar or its management personnel, employees or affiliates may have a greater financial interest. As described above in Item 6, Haidar does not discriminate on an impermissible basis against one Client or group of Clients.

As described above in Items 5 and 6, Haidar receives asset-based and performance-based compensation from the Funds. The amounts payable to Haidar are based directly on the net asset value of the Funds. To the extent that valuation of assets is determined based upon information provided by Haidar, because there is, for example, no public market price available, there may be a conflict of interest. Haidar will value such assets in accordance with its valuation policies and procedures.

Haidar, Haidar Capital Advisors, Said N. Haidar (Haidar's managing member) and other professionals of Haidar (directly or through Haidar or its affiliates) may make, and in some cases have made, a capital contribution to one or more of the Funds and, therefore, may be viewed as having an incentive to favor such Funds over other Clients, including pooled investment vehicles in which Haidar or such persons are not invested (which may include other Haidar Funds or the Third-Party Fund). Haidar routinely waives the applicable management fees and performance fees or allocation for Haidar-affiliated investors. As described above in Item 6, Haidar does not discriminate on an impermissible basis against one Client or group of Clients.

Certain of the above conflicts may also be generally addressed through adherence to Haidar's compliance policies and procedures and its Code of Ethics.

#### **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Haidar has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act (the "Code of Ethics"). All "access persons" (including employees, managers and officers) of Haidar must comply with the Code of Ethics. The Code of Ethics states that Haidar personnel must always place the interests of Haidar's Clients first. The Code of Ethics sets forth standards of conduct expected of Haidar's personnel, which reflect the fiduciary obligations of Haidar and its personnel to its Clients, and requires Haidar's personnel to comply with applicable federal securities laws. The Code of Ethics also requires each employee of Haidar to report potential violations of the Code of Ethics promptly to Haidar's Chief Compliance Officer (the "CCO"). Haidar provides each employee with a copy of the Code of Ethics and any amendments, and employees are required to provide a written acknowledgement that they have received the Code of Ethics, including any amendments.

Haidar's CCO receives copies of monthly or quarterly account statements for all of its access persons. In addition, each access person must submit to the CCO an annual report of brokerage accounts and holdings along with an annual acknowledgement and certification stating that the access person will comply with the Code of Ethics. The Code of Ethics further requires



access persons to submit quarterly transaction reports (or duplicate brokerage statements) that detail the access person's securities transactions for the quarter, and for the CCO to review those reports. Finally, the Code of Ethics also contains restrictions on the use of insider information and non-public information regarding Clients.

Haidar keeps records of reports and other information that access persons are required to submit under the Code of Ethics. The CCO reports on issues that arise under the Code of Ethics to Haidar's senior management at least annually. Clients and prospective Clients can obtain a copy of the Code of Ethics upon request by contacting Haidar by telephone at (212) 752-5077 or by email to [earthur@haidarcapital.com](mailto:earthur@haidarcapital.com).

As described above in Item 10, Haidar and certain of its management personnel, employees or affiliates will have a financial interest in investments made by one or more of the Funds through their participation in such Funds as a managing member, investment manager, administrative member, director or investor, as applicable. Haidar and such persons may, therefore, be viewed as having an incentive to favor such Funds over other Clients, including Funds in which such persons are not invested. As described above in Items 6 and 10, Haidar does not discriminate on an impermissible basis against one Client or group of Clients.

In addition, Haidar may solicit Clients to invest in Funds for which Haidar and certain of its management personnel, employees or affiliates serve as managing member, administrative member, investment manager or director, as applicable, and/or have a financial interest. Additionally, because certain of the Funds for which Haidar acts as managing member, administrative member, investment manager or director may invest in other Funds for which Haidar acts in a similar capacity, Haidar may be deemed to be recommending to such Funds that they buy securities in which Haidar and such Haidar-related persons have a financial interest and/or securities that Haidar and such Haidar-related persons also buys for themselves (*i.e.*, interests in other Funds). To address these potential conflicts, such Funds will not bear a double-layering of asset-based fees or performance-based fees or allocations in connection with their investment in other Funds. Each such Fund will, however, be responsible for its *pro rata* share of the expenses of the other Fund in which it invests.

Certain of the above conflicts are generally addressed through adherence to Haidar's compliance policies and procedures and its Code of Ethics.

## **Item 12. Brokerage Practices**

Haidar is responsible for determining what securities will be purchased and sold for each Client and selecting the broker-dealer to execute transactions on behalf of Clients. Purchases and sales of securities for a Client must be made in accordance with the investment objectives, strategies and policies of such Client.

It is Haidar's policy to seek best execution on behalf of its Clients – that is, Haidar seeks to achieve the best overall qualitative execution for a Client in a particular circumstance. Best execution is not synonymous with the lowest brokerage commission. Haidar may cause a Client to pay a brokerage commission in excess of that which another broker might have charged for

executing the same transaction if it determines that the commission paid was reasonable in relation to the value of the services provided by the broker.

In seeking to achieve best execution, Haidar considers the full range and quality of services a broker may provide, including (among other things), the experience and skill of the broker's securities traders; the broker's accessibility to primary markets and quotation services; for NASDAQ securities, whether a broker makes a market in that security; a broker's past history of successful, prompt and reliable execution of client trades; the financial strength and stability of the broker; the broker's administrative efficiency; commission rates; the overall net economic result to a Client (involving both price paid or received and any commissions and other costs paid); the security price and its volatility; the size of the transaction, including the ability to effect the transaction at all where a large block is involved; the broker's availability to execute possibly difficult transactions in the future; and the receipt of research services. In addition, for purposes of monitoring best execution, Haidar generally performs comparisons between executed prices and volume-weighted average prices each trading day for each broker.

Haidar generally does not utilize "soft dollars" or "pay-up" for research. "Soft dollars" refers to Haidar's receipt of research or other products or services other than execution from brokers. Haidar may receive, without cost and unrelated to the execution of securities transactions, a broad range of research services from broker-dealers, including information on the economy, industries, groups of securities and individual companies, statistical information, market data, accounting and legal interpretations, political developments, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and other information which may affect the economy and/or security prices. Haidar may also pay broker-dealers and their affiliates for certain specialized data and services, such as benchmark information, that are also unrelated to the execution of securities transactions.

In the event that Haidar were to receive any "soft dollar" benefits, however, Haidar expects that they would qualify under the safe harbor provided for under Section 28(e) of the Securities Exchange Act of 1934, as amended. If Haidar were to use Client brokerage commissions (or markups or markdowns) to obtain "soft dollar" benefits, such as research or other products or services, it would receive a benefit because it does not have to produce or pay for the research, products or services. Consequently, Haidar would have an incentive to select or recommend a broker-dealer based on its interest in receiving "soft dollar" benefits, rather than on its Clients' interest in receiving most favorable execution.

Haidar does not consider, in selecting or recommending broker-dealers, any client referrals it may receive from a broker-dealer or third party. Haidar does not recommend, request or require that a Client direct the execution of transactions through a specified broker-dealer, nor does it have any arrangement in which it permits a Client to direct transactions to a specific broker-dealer.

Despite the highly customized nature of its advice, Haidar may on occasion purchase or sell the same securities for more than one Client account at the same time or same day, and in so doing will allocate investment opportunities and trades fairly. "Fair" treatment does not mean identical treatment of all Clients. Rather, it means that Haidar does not discriminate on an impermissible basis against one Client or group of Clients. When Haidar transacts securities for

more than one Client account, the investment opportunities and trades must be allocated in a manner consistent with Haidar's fiduciary duties.

Haidar may (but is not obligated to) combine or "bunch" orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Haidar's Clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Haidar's determination with respect to allocations will be based on what is appropriate under the particular circumstances, and the allocation may be made based upon relevant factors, which may include: (i) cash availability and need; (ii) suitability; (iii) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (iv) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (v) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (vi) with respect to sale allocations, allocations may be given to accounts low in cash; (vii) in cases when a *pro rata* allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Haidar may exclude the account(s) from the allocation and the transactions may be executed on a *pro rata* basis among the remaining accounts; or (viii) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis. In general, when allocating fills or grouped orders for non-equity investments, prices are allocated by account or allocate prices from high to low to accounts, whether buying or selling and always in the same order. For equity investments, generally, each Client will receive the same average price as other participants in the bunched transaction.

Clients may pay more when Haidar does not aggregate trades, as seeking to place separate, non-simultaneous transactions in the same security for multiple Clients may negatively affect market price, transaction commissions and/or trade execution. A Client's non-participation in bunched trades may result in lost opportunities to purchase securities for such Client's account that other Clients participating in bunched trades were able to purchase.

### **Item 13. Review of Accounts**

Said N. Haidar (Haidar's managing member), Haidar's Chief Financial Officer and one or more members of Haidar's investment team review positions in Fund accounts on an ongoing basis to monitor the Funds' compliance with the investment objectives and guidelines described in the Funds' offering documents. The accounts of Fund investors are valued monthly by the administrator, who forwards an account statement to Fund investors on a monthly basis. Investors in the Funds may receive other periodic and annual written reports as set forth in the applicable Fund's offering documents. Haidar also conducts meetings with Clients and investors in the Funds upon request. Any Managed Account Clients will receive the written reporting provided for in the Managed Account Agreement governing such accounts, if applicable.

#### **Item 14. Client Referrals and Other Compensation**

Haidar does not receive an economic benefit from any person who is not a Client for providing investment advice or other advisory services.

Haidar may, from time to time, enter into arrangements with third parties for marketing and solicitation activities. If Haidar pays a cash fee to anyone for soliciting separate account clients on its behalf, Haidar will comply with the requirements of the SEC's cash solicitation rule (Rule 206(4)-3 under the Advisers Act) to the extent applicable. This rule requires, among other things, a written agreement between the investment adviser and the person soliciting clients on its behalf, and that the soliciting person provide a disclosure document to the potential client at the time that the solicitation is made. Haidar may pay a portion or percentage of the compensation that it receives from clients for investment advisory services to a third-party, but this will not result in any client being charged fees at a rate in excess of the rate of fees that Haidar customarily charges for similar services to comparable accounts, nor will Haidar charge any client any other amount for the purpose of offsetting the cost of obtaining an account through a third-party referral.

#### **Item 15. Custody**

Generally, Haidar does not have custody of Client (including the Model Portfolio Client) assets other than the assets of the Haidar Funds. Haidar acts as managing member or investment manager of the Haidar Funds and is authorized under the Feeder Funds' governing documents to deduct fees from each Feeder Fund investor's account. Such powers cause Haidar to be deemed to have custody of the Haidar Funds' assets for purposes of the SEC's custody rule. Accordingly, to meet the requirements of the custody rule, the Haidar Funds are subject to an annual audit in accordance with generally accepted accounting principles conducted by an independent public accountant registered with the Public Company Accounting Oversight Board and the audited financial statements are distributed to investors in the Feeder Funds within 120 days of the Feeder Funds' fiscal year.

In the event that Haidar has any Managed Account Clients in the future, it generally expects that it will not have custody over the assets of such accounts. Managed Account Clients will receive quarterly account statements from the qualified custodian for their accounts and should carefully review those statements. Haidar generally will not provide statements to Managed Account Clients, except if specifically requested or in certain limited circumstances. Any Managed Account Clients who receive account statements from Haidar should compare those statements with the account statements received from the qualified custodian.

#### **Item 16. Investment Discretion**

Haidar has discretionary authority over the investment activities of its Clients. In the case of the Funds, this discretionary authority is generally granted to Haidar pursuant to the organizational documents of each Fund and/or pursuant to Haidar's investment advisory agreement with such Fund. For any Managed Account Clients, discretionary authority is granted to Haidar pursuant to a Managed Account Agreement, which may impose restrictions on this discretion and specify the types of investments permitted. Haidar is obligated to exercise its

investment discretion in a manner consistent with the stated investment objectives, policies, guidelines and restrictions/limitations for a particular Client account. Haidar does not have discretionary authority over the investment activities of the Model Portfolio Client.

### **Item 17. Voting Client Securities**

Haidar has the authority to vote all proxy proposals and corporate actions (collectively, “proxies”) on behalf of the Funds it advises, and may be delegated the authority to vote proxies held in any Managed Accounts that it may advise in the future. However, depending on the securities in which its Clients are invested, Haidar may not frequently vote proxies. To the extent that Haidar invests in a security for a Client for which a proxy vote may arise and Haidar receives timely notice of such proxy from the Client’s prime broker under the terms of the applicable prime broker agreement, Haidar is guided by general fiduciary principles and will seek to treat proxies in a manner intended to enhance the overall economic value of the applicable Client’s assets. Haidar may (and often does) refrain from voting a Client proxy under certain circumstances, including, but not limited to, when (i) the economic effect on shareholder’s interests or the value of the portfolio holding is indeterminable or insignificant; (ii) voting the proxy would unduly impair the investment management process; or (iii) the cost of voting the proxies outweighs the benefits or is otherwise impractical. In addition, Haidar may refrain from voting a proxy on behalf of its Clients’ accounts due to (1) *de minimis* holdings; (2) *de minimis* impact on the portfolio; (3) items relating to non-U.S. issuers (such as those described below); (4) contractual arrangements with Clients; and/or (5) their authorized delegates or the failure of a proxy to provide sufficient information to allow for informed decision making. For example, Haidar may refrain from voting a proxy of a non-U.S. issuer due to logistical considerations that may have a detrimental effect on the Haidar’s ability to vote the proxy. These issues may include, but are not limited to: (a) proxy statements and ballots being written in a foreign language; (b) untimely notice of a shareholder meeting; (c) requirements to vote proxies in person; (d) restrictions on non-U.S. person’s ability to exercise votes; (e) restrictions on the sale of securities for a period of time in proximity to the shareholder meeting (e.g., share blocking); or (f) requirements to provide local agents with power of attorney to facilitate the voting instructions. Any actual or apparent conflict of interest between the interests of Haidar and its Clients is resolved in a manner that is consistent with the best interests of Clients and in a manner not affected by such actual or apparent conflict of interest.

Haidar currently does not permit Clients to direct its vote in a particular solicitation.

A Client may obtain a copy of Haidar’s voting policy and obtain information about how Haidar has voted the Client’s securities by calling (212) 752-5077.

### **Item 18. Financial Information**

This item requires disclosure of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Currently, there is no financial condition that is reasonably likely to impair our ability to meet contractual commitments to Clients.