
Darwin Capital Management, L.P.

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This Brochure provides information about the qualifications and business practices of Darwin Capital Management, L.P. (“Darwin Capital”). If you have any questions about the contents of this Brochure, please contact us at (484) 368-3272. 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 Darwin Capital is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

Please note that this is Darwin Capital's initial narrative brochure prepared in accordance with the new Form ADV Part 2A. There are no material changes to report in this initial Item 2.

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ITEM 4 – ADVISORY BUSINESS

Darwin Capital was formed in Delaware on May 24, 1999. Darwin Group Holdings, LLC is the majority owner of Darwin Capital. Mr. Eric Sultan is the majority owner of Darwin Group Holdings, LLC.

Darwin Capital provides discretionary investment management services to a U.S. private investment fund (the “Fund”) and separately to U.S. institutional investors and high net worth individuals (collectively, “Separate Account Clients,” and together with the Fund, the “Clients”). Darwin Capital serves as the general partner of the Fund.

Information about the Fund, including information about its investment strategies, fees, risks and other material information, is contained in its private offering memorandum (“Memorandum”). Darwin Capital provides advisory services to its Separate Account Clients based on the objectives and guidelines similar to those for the Fund as set forth in each Separate Account Client’s investment management agreement. Darwin Capital’s investment objective is to seek long-term capital appreciation primarily by investing in, trading, and selling short publicly traded equity and equity-related securities. Darwin Capital pursues a long/short equity investing strategy that attempts to identify and exploit inefficiencies in the financial markets through fundamental analysis and comprehensive research.

Darwin Capital does not participate in wrap fee programs.

As of February 14, 2012, Darwin Capital managed approximately \$27M of Client assets on a discretionary basis.

ITEM 5 – FEES AND COMPENSATION

Darwin Capital does not have a standardized fee schedule for its discretionary investment management services. Darwin Capital generally receives a management fee of up to 1.0% per annum of assets under management, which is charged quarterly in advance. Darwin Capital also may receive performance-based compensation of up to 20% of the increase in net asset value of a Client’s account above a “high water mark” (*i.e.*, the previous highest net asset value at which performance-based compensation was paid). Performance-based compensation generally is charged annually in arrears and upon an intra-year withdrawal of capital from a Client’s account or a redemption by an investor in the Fund. Darwin Capital’s performance-based compensation is calculated taking into account both realized and unrealized gains.

The fees applicable to the Fund, including, as applicable, the total amount of annual management fees and performance-based compensation paid to Darwin Capital by a Fund is disclosed in the Memorandum. Darwin Capital holds a general partner interest in the Fund and is allocated net profits from the Fund in respect of such interest on the same terms as the performance-based compensation described above. Fees and other material terms regarding an investment in a the Fund are set forth in its Memorandum.

Fees may be negotiable in the discretion of Darwin Capital and reduced or waived in certain circumstances or with respect to certain investors (*e.g.*, principals and employees of Darwin Capital).

Clients may terminate Darwin Capital's advisory services at any time without penalty generally upon thirty days' prior written notice. Withdrawals or redemptions by investors in the Fund can be made on the terms described in its Memorandum. Upon termination of any Client account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable.

Darwin Capital's fees do not include brokerage and transaction fees, costs and charges, and other related costs and expenses that will be incurred by Clients regarding the trading and maintenance of Client accounts. Clients may incur certain charges imposed by custodians, brokers and other third parties such as commissions, custodial fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Darwin Capital's fees, and Darwin Capital does not receive any portion of these commissions, fees, and costs.

Item 12 describes the factors that Darwin Capital considers in selecting broker-dealers for Client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

As set forth in Item 5 above, Darwin Capital may receive performance-based compensation of up to 20% of the increase in net asset value of a Client's account above a "high water mark" (*i.e.*, the previous highest net asset value at which performance-based compensation was paid). Performance-based compensation generally is charged annually in arrears and upon the intra-year withdrawal of capital from a Client's account or a redemption by an investor in the Fund. Darwin's performance-based compensation is calculated taking into account both realized and unrealized gains. Performance-based compensation will be in conformity with Rule 205-3 of the Investment Advisers Act of 1940 (the "Advisers Act"), as applicable.

Performance-based fee arrangements may create an incentive for Darwin Capital to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

Managing accounts that are charged performance-based compensation and accounts that are not may give rise to a potential conflict of interest, as Darwin Capital may have an incentive to favor the accounts of Clients for which it receives performance based compensation over accounts for which it receives only asset-based fee or other non-performance-based compensation. Darwin Capital has established allocation procedures so that all Clients are treated fairly and equally on an overall basis and to prevent this potential conflict from materially influencing the allocation of investment opportunities among Clients.

ITEM 7 – TYPES OF CLIENTS

Darwin Capital provides investment advice to a U.S. private investment fund and U.S. institutions and high net worth individuals. Darwin Capital's minimum account size is \$250,000 for the Fund and generally \$1.5 million for Separate Account Clients.

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

Darwin Capital's philosophy is to seek to generate alpha while mitigating risk. Darwin Capital seeks to exploit inefficiencies in investor consensus and allocate capital to investments with superior risk profiles within a disciplined fundamental, macroeconomic and technical framework. Darwin Capital believes that financial markets may have a tendency to develop a consensus which leads to exaggerated over and underperformance of individual equities and entire sectors. As a result, Darwin Capital believes that allocating capital opportunistically at the inflection point of a change in fundamentals magnifies returns and reduces risk.

Darwin Capital's strategy is therefore to apply its accumulated intellectual capital and industry networks to seek to exploit these inefficiencies. Darwin Capital studies macro economic conditions, liquidity indicators, and thematic industry trends, as well as determines key metrics driving the underlying business models of individual companies. This provides Darwin Capital with a framework from which it develops an investment profile of individual companies, their industries, and the current investment climate. Darwin Capital then uses a broad array of information gathering tools to identify new information which will affect the development of investor consensus.

Darwin Capital looks for opportunities to commit capital to holdings which it believes are timeliest and with a potential strong risk/reward profile. Darwin Capital seeks to align itself with investments that it believes are undergoing the greatest changes and are most likely to either attract strong institutional interest or are seeing a recent deterioration which may force increased institutional selling. Darwin Capital's portfolio construction heavily influenced by the degree to which investor consensus has incorporated these changes balanced against the upside rewards.

Darwin Capital utilizes fundamental research across multiple industry sectors to seek an edge of insight or factual information. Once such information is obtained, Darwin Capital will determine, using financial statement analysis, industry analysis, and qualitative research, among other factors, if the information may put a company or an industry in a position to possibly achieve success or will lead to a failure. Companies showing strong attributes may be included as long investments while poorly performing enterprises may be sold short. This hedged investment approach seeks to dampen downside volatility and may lead to strong risk adjusted returns. Depending on the market environment, Client portfolios may be hedged at times using short sales of stocks.

There can be no assurances that a Client will achieve its investment objective or that the strategies pursued and methods utilized by Darwin Capital will be successful under all or any market conditions. Past performance is no guarantee of future performance.

Certain Risk Factors

Investing in securities involves risk of loss that Clients should be prepared to bear. A brief explanation of the material risks associated with Darwin Capital's principal investment strategy and methods of analysis follows. Additional risk factors for the Fund are set forth in the Memorandum.

INVESTMENT RISKS

Overall Investment Risk

All securities investments risk the loss of capital. The nature of the securities to be purchased and traded and the investment techniques and strategies to be employed by Darwin Capital may increase this risk. Many unforeseeable events, including actions by various government agencies and domestic and international economic and political developments, may cause sharp market fluctuations which could adversely affect a Client's portfolio and performance. In addition, there is no assurance that Darwin Capital will correctly evaluate the nature and magnitude of the various factors that could affect the prospects of the securities it purchases. Clients may lose their entire investment or may be required to accept cash or securities with a value less than the Client's original investment. Under such circumstances, the returns generated from the Clients' investments may not compensate the Clients adequately for the risks assumed.

General Economic and Market Conditions

The success of Darwin Capital's Client investment activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of Client assets. Unexpected volatility or illiquidity could impair profitability or result in losses.

Recent Financial Markets Dislocation

Recent developments in the U.S. and global financial markets have illustrated that the current environment is one of extraordinary and possibly unprecedented uncertainty and instability for all market participants.

U.S. and global financial markets and their participants, including the brokers and other financial institutions that Darwin Capital will retain, have already been negatively affected by such market turmoil. It is unclear what resulting legal, regulatory, reputational and other unforeseen risks market participants will become subject to in the future. The impact of such risks on the markets in which Darwin Capital will operate in general cannot be determined with precision but could adversely affect the business of Darwin Capital, restrict the ability of Darwin Capital to acquire, sell or liquidate Client assets at favorable times and/or for favorable prices, restrict Darwin

Capital's Client investment activities and impede its ability effectively to achieve its investments objectives.

Speculative Purchases of Securities

Darwin Capital will make speculative purchases of securities. Such purchases may include securities which Darwin Capital believes to be undervalued. There can be no assurances that securities which Darwin Capital believes to be undervalued are in fact undervalued. Nor can there be any assurances that undervalued securities will increase in value. If Darwin Capital purchases securities in anticipation of a reorganization or other corporate event and such an event does not in fact occur, Darwin Capital may sell the securities at a substantial loss. Further, when securities are purchased in anticipation of an event, a substantial period of time may elapse between Darwin Capital's purchase of the securities and the event. During this period, a portion of Client assets would be committed to the securities purchased.

Market and Economic Risks

Investments of Client assets are subject not only to investment-specific price fluctuations but also to macroeconomic, market, industry and country-specific conditions. Those risks may be significantly enhanced by the concentration of investments of Client assets in securities of specific issuers and industries, the consequent lack of diversification, its use of borrowing to leverage its positions, and the potential these factors create for volatility and catastrophic loss. Moreover, Darwin Capital may have only limited ability to vary Client investment portfolios in response to changing economic, financial and investment conditions. No assurance can be given as to when or whether adverse events might occur which could cause significant and immediate loss in value of a Client's portfolio.

Equity Securities

Client assets may at times be invested in portfolios which include positions in common stocks, preferred stocks and convertible securities. Equity and equity-related securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete and industry conditions and general economic environments.

Concentration of Investments

Darwin Capital may at certain times use Client assets to hold concentrated investment positions (relative to capital) with the result that a loss in any such position could have a material adverse impact on capital.

Diversification

Clients' portfolios may not be as diversified as other investment vehicles. Because Darwin Capital from time to time may concentrate Client investments in a limited number of industries or issuers, and/or strategies, performance of the investments may become more susceptible than a diversified portfolio to fluctuations in value or loss resulting from adverse economic or

business conditions that affect those industries, issuers or strategies. Accordingly, investors should expect that performance of their investments may be subject to high volatility.

Small Companies

Client assets may be invested in small and/or less well-established companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they lack the management experience, financial resources, product diversification, and competitive strength of larger corporations. In addition, in many instances, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. In addition, due to thin trading in some of those stocks, an investment in those stocks may be considered less liquid than an investment in many large-capitalization stocks. When making large sales, Darwin Capital may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller company securities.

Convertible Securities

Darwin Capital may invest Client assets in long or short positions in convertible securities, bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors will also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will set a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed income

security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a Client is called for redemption, the Client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Client's ability to achieve its investment objectives.

Short Sales of Securities

Darwin Capital will effect short sales of securities as part of its hedging strategy for a given Client investment or in those instances when Darwin Capital believes that a given security is over-priced. Short sales are transactions in which the Client sells a security which the Client does not own (by borrowing such security) in anticipation of a decline in the market value of the security. Although the Client's gain is limited by the price at which it sold the security short, losses from short sales may be unlimited if the price of the security sold short appreciates. Additionally, even if the Client secures a "good borrow" of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the Client to purchase the security at the then prevailing market price which may be higher than the price at which such security was originally sold short by the Client.

Recent market turmoil, combined with the perception that short selling is one of the potential causes of market fragility, has led to regulations restricting the use of short sales. The U.S. and certain other jurisdictions recently have promulgated such regulations. As a result, Darwin Capital may be prohibited from using short sales to hedge certain positions. In addition, these regulations may lead to crowded shorts and increased borrowing costs. The specific regulations in effect at any given time vary with regulators' perceptions of market risk and it is not possible to gauge what, if any, regulations will be in effect in the future.

Restricted Securities

Client assets may be invested in equity, convertible securities, and fixed income obligations the disposition of which may be restricted under the Securities Act or other applicable securities laws. Whether so restricted, the market to resell such securities may be illiquid. Therefore, such investments may be required to be held for a lengthy period of time or, if a Client were forced to liquidate its positions in such securities, such liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such investment.

Risk Arbitrage Transactions

Client assets may be used to purchase securities at prices slightly below the anticipated value of the cash, securities or other consideration to be paid or exchanged for such securities in a proposed merger, exchange offer, tender offer or other similar transaction. Such purchase price may be substantially in excess of the market price of the securities prior to the announcement of the transaction. If the proposed transaction later appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the security purchased by the Client may

decline sharply and result in losses to the Client. In certain transactions, Client assets may not be hedged against such fluctuations. This can result in losses, even if the proposed transaction is consummated. In addition, a security to be issued in a merger or exchange offer may be sold short by the Client in the expectation that the short position will be covered by delivery of such security when issued. If the merger or exchange offer is not consummated, the Client may be forced to cover its short position at a higher price than its short sale price. The Client may also purchase securities above the offer price for a security which is the subject of a takeover bid, if the Client determines that the offer price is likely to be increased, either by the original bidder or by another party. However, if ultimately no transaction is consummated, it is likely that a substantial loss will result.

The consummation of mergers, exchange offers, tender offers and other similar transactions can be prevented or delayed by a variety of factors. An exchange offer or a tender offer by one company for the securities of another may be opposed by the management or shareholders of the target company on the grounds that the consideration offered is inadequate or for other reasons, and this opposition may result in regulatory action and/or litigation which delays or prevents consummation of the transaction. Even if the transaction has been agreed upon by the management of the companies involved, its consummation may be prevented by the intervention of a government regulatory agency, litigation brought by a shareholder or, in the case of a merger, the failure to receive the necessary shareholder approvals, market conditions resulting in material changes in securities prices, and other circumstances, including the failure to meet certain conditions customarily specified in acquisition agreements. Even if the defensive activities of a target company or the actions of regulatory authorities fail to defeat a transaction, they may result in significant delays, during which Client assets will be committed to the transaction.

Non-U.S. Securities

Client assets may be used to invest in securities and other financial instruments of non-U.S. issuers. Investing in non-U.S. securities may represent a greater degree of risk than investing in U.S. securities due to exchange rate fluctuations, possible exchange controls, less publicly available information, different accounting and auditing standards, more volatile markets, less securities regulation, less favorable tax provisions (including possible withholding taxes), political and social upheaval, war or expropriation. Non-U.S. securities also may be less liquid and more volatile than U.S. securities and may involve higher transaction and custodial costs.

Foreign Currency Risks

Client assets exposure to investments in non-U.S. securities denominated in foreign currencies may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between such currencies and the U.S. dollar. Changes in foreign currency exchange rates influence values within a Client's portfolio. Changes in foreign currency exchange rates may also affect the value of dividends and interest earned, gains and losses realized on the sale of securities and net investment income and gains, if any, of a Client. The rate of exchange between the U.S. dollar and other currencies is determined by the forces of supply and demand in the foreign exchange markets. These forces are affected by international

balance of payments and other economic and financial conditions, government intervention and other political and diplomatic conditions, speculation and other factors. In order to hedge foreign currency exchange rate risks which may arise from the purchase of non-U.S. securities or other reasons incidental to a Client's investment, the Client may invest in foreign currencies and foreign currency-related products. Hedging foreign currency exchange rate risk entails additional risk since there may be an imperfect correlation between the Client's portfolio holdings of securities denominated in a particular currency and the Client's portfolio holdings of currencies and foreign currency related products purchased by the Client to hedge any exchange rate risk. Such imperfect correlation may prevent the Client from achieving the intended hedge or expose the Client to additional risk of foreign exchange rate loss.

Hedging Transactions Generally; Risk Management

Client assets may be used to purchase a variety of financial instruments, such as derivatives including options and forward contracts, both for investment purposes and for risk management purposes. However, Darwin Capital is not obligated to, and may elect not to, hedge against risks. While Darwin Capital may use Client assets to enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Partnership than if it had not engaged in any such hedging transactions. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged, such as credit risk of certain issuers (relating both to particular securities and counterparties), as well as risks to which Darwin Capital chooses to expose the Client as part of its investment strategies. There is no assurance that the risk management techniques utilized by Darwin Capital will be successful.

Leverage

Darwin Capital, in its sole discretion, may leverage Client investment positions by borrowing funds from securities broker-dealers, banks, or others or by entering into reverse repurchase agreements and derivative transactions that have the effect of leveraging a Client's investments. Such leverage, if employed, would increase both the possibilities for profit and the risk of loss. Margin borrowings are usually from securities brokers and dealers and typically are secured by the borrower's securities and other assets. Under certain circumstances, such a lender may demand an increase in the collateral that secures the borrower's obligations, and if the borrower were unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy the borrower's obligation. If a Client were to become subject to liquidation in that manner it could suffer extremely adverse consequences. In addition, the amount of a Client's borrowings (if any) and the interest rates on those borrowings, which could fluctuate, could have a significant effect on the profitability of the Client's investments. To the extent a Client purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, the Client's use of leverage would result in a lower rate of return than if the Client were not leveraged.

Darwin Capital may at times also leverage Client assets by entering into reverse repurchase agreements whereby the Client effectively borrows funds on a secured basis by "selling" its interests in investments to a financial institution for cash and agreeing to "repurchase" such

investment at a specified future date for the sales price paid plus interest at a negotiated rate, and through over-the-counter derivative transactions with various financial institutions. These transactions expose the Client to the risk that 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, thus causing the Client to suffer a loss. In addition, in the case of a default, the Client could become subject to adverse market movements while replacement transactions are executed. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Client has concentrated its transactions with a single or small group of counterparties. The Client is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty.

There is a risk that the Client could lose the entire premium paid to a counterparty under an option, total return swap or other derivative transaction.

To the extent Darwin Capital uses Client assets to obtain leverage through derivative transactions, the Client may not legally or beneficially own the securities upon which the return derived under the derivative is based. Uncertainties as to the valuation of those securities could also have an impact on the derivative transactions entered into by the Client. The counterparties or their affiliates will typically assign valuations to the securities underlying a derivative transaction, but such valuations could prove to be incorrect.

There can be no assurance that the Client will be able to maintain a source of financing. The Client’s counterparties may terminate these transactions under certain circumstances and the counterparties are under no obligation to execute new or additional credit or derivative transactions with the Client. In the event that a counterparty is unable or unwilling to provide such financing going forward, the Client may be adversely affected.

Trading in Options

Darwin Capital may use Client assets to purchase and sell (“write”) options on securities and currencies on national and international exchanges and over-the-counter markets. Trading in options may be used to reduce the risks attendant to short-selling, to reduce overall market exposure, or to establish or increase long or short positions. Options trading may be speculative and involves a high degree of risk.

The seller (“writer”) of a put option which is covered (i.e., the writer has a short position in the underlying instrument) assumes the risk of an increase in the market price of the underlying instrument above the sales price (in establishing the short position) of the underlying instrument, plus the premium received, and gives up the opportunity for gain on the underlying instrument 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 instrument 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. If the buyer of the put holds the underlying instrument, the loss on the put will be offset in whole or in part by any gain on the underlying instrument.

The writer of a call option which is covered (i.e., the writer has a long position in the underlying instrument) assumes the risk of a decline in the market price of the underlying instrument below the value of the underlying instrument less the premium received, and gives up the opportunity for gain on the underlying instrument 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 instrument above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying instrument, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying instrument.

Options may be cash settled, settled by physical delivery or by entering into a closing transaction. In entering into a closing purchase transaction, the Partnership may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written. In addition, the correlation between option prices and the prices of underlying Securities may be imperfect and the market for any particular option may be illiquid at a particular time.

Stock options that may be purchased by Darwin Capital with Client assets include options not traded on a securities exchange. Options not traded on an exchange are not issued by The Options Clearing Corporation; therefore, the risk of non-performance by the obligor on such an option may be greater, and the ease with which the Client can dispose of such an option may be less, than in the case of an exchange traded option issued by The Options Clearing Corporation.

Darwin Capital also may use Client assets to purchase put and call options on stock indices as a hedge against general movements in the securities market or as a hedge against individual positions, on a temporary basis or otherwise. A stock index option is a contract which gives the buyer the right to buy, in the case of a call, or sell, in the case of a put, a specified amount of the stock index at the option exercise price. For example, the Client may purchase put options on an index in anticipation of a decrease in the market value of the securities underlying the index. The use of options on stock indices enables the Client to quickly obtain exposure to the equity or debt markets as a hedge against general movements in the securities market or to establish positions that Darwin Capital believes may increase the return of the Client's investment. Furthermore, if Darwin Capital anticipates a short-term change in stock prices, the purchase of options on stock indices might reduce the need to liquidate positions and possibly repurchase such positions at a later time.

Limited Liquidity of Some Investments

Some of the securities in which Client assets are invested may be or become relatively illiquid, because they are either thinly traded, subject to transfer restrictions, or the circumstances of the Client's ownership of them give rise to practical or regulatory limits on the Client's ability to liquidate quickly. The Client may not be able to liquidate those investments promptly if the need should arise, and its ability to realize gains, or to avoid losses in periods of rapid market activity, may therefore be affected.

Newly Created Securities; Initial Public Offerings

Darwin Capital may use Client assets to invest in securities sold pursuant to initial public offerings or securities created as a result of spin-offs, split-offs, recapitalizations or other significant corporate events. Such securities have no public market prior to their initial offering or creation and there is no assurance that (i) an active public market in such securities will develop or continue after commencement of trading or (ii) that the initial public offering price or initial trading level of such securities will be indicative of the market price for such securities on a “fully-distributed” basis.

Private Placements and Unregistered Securities

Darwin Capital may use Client assets to purchase unregistered equity securities, convertible securities and fixed income obligations, the disposition of which may be restricted under the Securities Act of 1933. Whether or not so restricted, the market to resell such securities may be illiquid. Therefore, such investments may be required to be held for a lengthy period of time or, if a Client were forced to liquidate its position in such securities, such liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such investment.

Derivative Transactions

Darwin Capital may use Client assets to engage in derivative transactions such as swaps, collars, caps, floors and forwards both for hedging purposes and as an alternative to direct investments in the underlying securities. The risks associated with derivative transactions are potentially greater than those associated with the direct purchase or sale of the underlying securities because of the additional complexity and potential for leverage with derivative transactions. In addition, derivatives may create credit risk (the risk that a counterparty on a derivative transaction will not fulfill its contractual obligations), as well as legal, reputational and other risks beyond those associated with the direct purchase or sale of the underlying securities to which their values are related.

Swaps

The use of swaps is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary securities transactions. Whether a Client’s use of swap agreements will be successful will depend on the ability of Darwin Capital properly to value and trade swaps in light of interest rates and other applicable factors. Even if Darwin Capital is correct, there is the risk that a swap position may correlate imperfectly with the price of the asset or liability being hedged. Moreover, the Client bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty.

Forward Trading

Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized. Instead, banks and dealers act as principals in these markets, negotiating

each transaction on an individual basis. Forward and “cash” trading is substantially unregulated and 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 any market due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which Darwin Capital would otherwise recommend, to the possible detriment of a Client. Market illiquidity or disruption could result in losses to a Client.

Default and Counterparty Risk

Some of the markets in which Darwin Capital may use Client assets to effect transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange based” markets. This exposes a Client 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, thus causing the Client to suffer a loss. In addition, in the case of a default, the Client could become subject to adverse market movements while replacement transactions are executed. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where Darwin Capital has concentrated Client assets in transactions with a single or small group of counterparties. The ability of a Client to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Client.

Index-Based Trading

Trading in index-based unit investment trusts and funds generally involves risks similar to other securities trading. Additionally, these instruments may not move in tandem with the indices upon which they are based.

Exchange Traded Funds

Exchange traded funds (“ETF”) represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks or bonds, which are designed to generally correspond to the price and yield performance of their underlying indexes, either broad stock market, stock industry sector, international stock, or U.S. bond. ETF shareholders are subject to risks similar to those of holders of other diversified portfolios. A primary consideration is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income exchange traded fund, respectively. This is because an equity (or bond) ETF represents an interest in a portfolio of stocks (or bonds). When interest rates rise, bond prices

will generally decline, adversely affecting the value of fixed income ETFs. Moreover, the overall depth and liquidity of the secondary market may also fluctuate. An exchange traded sector fund may also be adversely affected by the performance of that specific sector or group of industries on which it is based. International investments may involve risk of capital loss from unfavorable fluctuations in currency values, differences in generally accepted accounting principles, or economic or political instability in other nations. Although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indexes, ETFs may not be able to exactly replicate the performance of the indexes because of their expenses and other factors.

Fixed-Income Investments

The value of the fixed-income securities in which Darwin Capital invests Client assets will generally change as interest rates fluctuate. Generally, when interest rates decline, the value of a Client's long fixed-income portfolio can be expected to rise while that of its short fixed-income portfolio can be expected to decline. Conversely, when interest rates rise, the value of a long fixed-income portfolio can be expected to decline while that of a short fixed-income portfolio can be expected to rise.

Credit Ratings

Credit ratings of debt securities are not a guarantee of quality. A credit rating represents only the applicable rating agency's opinion regarding credit quality based on the rating agency's evaluation of the safety of the principal and interest payments. In determining a credit rating, rating agencies do not evaluate the risks of fluctuations in market value. As a result, a credit rating may not fully reflect the risks inherent in the relevant security. Rating agencies may fail to make timely changes to credit ratings in response to subsequent events. In addition, to the extent that a rating agency rates a security at the request of an issuer, the rating agency has a conflict of interest in providing such rating.

Money Market Instruments

Darwin Capital may invest a portion of Client assets directly in short-term investments which may include money market instruments. Money market instruments generally are considered to be low risk, and, because by definition they are short-term securities, highly liquid. Nonetheless, these instruments are subject to risk, including default risk, depreciation risk and liquidity risk. For example, commercial paper is not backed by collateral. Issuers of commercial paper are required to have high credit ratings and defaults have been rare but they have nonetheless occurred, most recently with commercial paper issued by Lehman Brothers. Money market funds are not insured or guaranteed by the Federal Deposit Insurance Corporation and may not be guaranteed by the Exchange Stabilization Fund. As a result, they are subject to a risk of loss.

Loans of Portfolio Securities

Darwin Capital may use Client assets to from time to time lend securities from a Client's portfolio to brokers, dealers and financial institutions and receive collateral in the form of cash or securities in an amount equal to at least 100% of the current market value of the loaned

securities, including any accrued interest or dividends receivable. The Client will retain all rights of beneficial ownership as to the loaned portfolio securities, including voting rights and rights to interest or other distributions, and will have the right to regain record ownership of loaned securities to exercise such beneficial rights. Such loans will be terminable at any time.

Insolvency of Brokers and Others

Darwin Capital will subject the Clients to the risk of failure of the brokerage firms that execute its trades, the clearing firms that such brokers use, or the clearing houses of which such clearing firms are members. In relation to a Client's right to the return of assets equivalent to the investment to which legal and beneficial title has been transferred to a prime broker, the Client will rank as one of such prime broker's unsecured creditors and, in the event of the insolvency of the prime broker, the Client may not be able to recover such equivalent assets in full. In addition, the Client's cash held with the prime broker will not be segregated from the prime broker's own cash and will be used by the prime broker in the course of its business and the Client will, therefore, rank as an unsecured creditor in relation thereto.

The foregoing does not purport to be a complete explanation of the risks involved in trading securities or with respect to any investment strategy.

ITEM 9 – DISCIPLINARY INFORMATION

Darwin Capital does not have any disciplinary or legal events to report.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Darwin Capital serves as the general partner to Darwin Capital L.P., the private investment fund described in Item 4.

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

Darwin Capital has adopted a Code of Ethics (the "Code") which sets forth the ethical and fiduciary principles and related compliance requirements under which Darwin Capital operates and the procedures for implementing those principles. The Code includes provisions that govern fiduciary duty, client opportunities, insider trading, personal trading, gifts and entertainment, political contributions, outside business activities and confidentiality.

The principals and employees of Darwin Capital and their related accounts (collectively, "Employees") are permitted to maintain personal securities accounts provided that such accounts are disclosed to Darwin Capital and that any personal trading is consistent with applicable law and with the Code. Subject to compliance with the Code, Employees may buy, sell or hold, for their own personal accounts, securities that Darwin Capital also may buy, sell or hold for Clients,

although it is not expected that Employees will generally do so to any great extent, which will help to mitigate any potential conflict of interest.

The Code contains policies and procedures that, among other things:

- prohibit Employees from taking personal advantage of opportunities belonging to Clients;
- prohibit trading on the basis of material nonpublic information;
- place limitations on personal trading by Employees and impose preclearance (in certain cases) and reporting obligations with respect to trading; and
- require initial and annual reports of securities holdings and quarterly transaction reports by Employees.

Darwin Capital's Code is available to any Client or prospective client upon request by contacting Chris Pizzirani, Darwin Capital's Chief Compliance Officer, at (484) 368-3272.

Darwin Capital, consistent with Clients' investment objectives and in accordance with applicable law, may cause accounts it manages to effect, and will recommend to Clients or prospective clients, the purchase or sale of securities in which Darwin Capital, directly or indirectly, has a position or interest. Darwin Capital may recommend to prospective clients an investment in the Fund, of which Darwin Capital serves as the general partner. The potential conflict of interest regarding such relationship is disclosed to investors and prospective investors in the Fund prior to their making an investment in the Fund. See also Items 4 and 10.

Often, it may be appropriate for more than one of the accounts managed by Darwin Capital to trade in the same securities at the same time. As a general rule, such orders are combined (or bunched) and allocations among Darwin Capital's Clients acquiring the same securities on the same day are effected on a pro rata basis, based on the relative value of the accounts, or otherwise based on an allocation amount determined at the time of the order. If the orders are combined (or bunched), each of the accounts will have its same day orders filled on an average price basis (such that each receives the same price). While Darwin Capital's goal is to be fundamentally fair on an overall basis with respect to all Clients, there can be no assurance that on an overall or trade-by-trade basis that any particular Client will not be treated more favorably than another.

Darwin Capital does not engage in principal transactions with Client accounts.

ITEM 12 – BROKERAGE PRACTICES

In the course of a Client's investment activities a Client may incur substantial brokerage commissions and other transaction expenses. Darwin Capital has complete discretion in deciding what brokers and dealers the Fund and the Separate Account Clients will use and in negotiating rates of brokerage compensation. In addition to using brokers as agents and paying

commissions, the Fund or the Separate Account Clients may buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns.

In choosing brokers and dealers, Darwin Capital does not adhere to any rigid formulas in making the selection of brokers. For the most part, Darwin Capital seeks the best combination of brokerage expenses and execution quality but is not required to select the broker-dealer that charges the lowest transaction cost, even if that broker-dealer provides execution quality comparable to other brokers-dealers. In evaluating “execution quality,” historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions may be a principal factor, but Darwin Capital considers other relevant factors, including: the execution, clearance, and settlement and error correction capabilities of the broker-dealer generally and in connection with securities of the type and in the amounts to be bought or sold by the Client; the broker-dealer’s willingness to commit capital; the broker-dealer’s reliability and financial stability; the size of the transaction desired by the Client for a given security; the availability of securities to borrow for short sales; and the market for the security.

In addition to a broker-dealer’s ability to provide execution quality, Darwin Capital’s selection criteria generally includes the value of the following services or products provided by the broker-dealer or paid for by the broker-dealer (either by direct payment or reimbursement or by commissions, mark-ups or credits or by any other means) and provided by others: research and brokerage services falling within the “safe harbor” provided by Section 28(e) of the Securities Exchange Act of 1934; data terminals and data service; office rent; employee salaries; newswire and data processing charges and quotation services; periodical subscription fees; office equipment; telephone charges; accounting fees; legal fees; and referral of prospective investors. Selecting a broker-dealer in recognition of such other services or products is known as paying for those services or products with commissions or “soft dollars.” Because many of these services could be considered to benefit Darwin Capital, and because the soft dollars used to acquire them are assets of the Clients, Darwin Capital could be considered to have a conflict of interest in allocating the Client’s brokerage business. Although Darwin Capital believes that the Clients will benefit from many of the services obtained with soft dollars generated by Client trades, the Clients do not benefit from all of these soft dollar services. Darwin Capital may also derive substantial direct or indirect benefits from these services, particularly to the extent that the Darwin Capital uses soft dollars generated from trading Client assets to pay for expenses that the Darwin Capital would otherwise be required to pay.

Under Section 28(e) of the Securities Exchange Act of 1934, Darwin Capital’s use of Client commission dollars to acquire research products and brokerage services is not a breach of its fiduciary duty to the Clients, even if the brokerage commissions paid are not the lowest available, as long as (among other requirements) Darwin Capital determines that the commissions are reasonable in relation to the value of the brokerage services and the research that is acquired. For these purposes, research means services or products used to provide lawful and appropriate assistance to Darwin Capital in making investment decisions for the Clients. The types of research products and brokerage services Darwin Capital may acquire within the Section 28(e) “safe harbor” include, but are not limited to, research reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; certain financial publications; pricing and portfolio

evaluation services; credit analysis; risk measurement analysis; performance analysis; certain financial database software and services; and other products or services that may enhance Darwin Capital's investment decision making. Section 28(e)'s "safe harbor" applies to the use of a Client's "soft dollars" even when the "research" acquired is used in making investment decisions for other Clients. The safe harbor is not available where the transactions that compensate a broker-dealer for research services or products are effected on a principal basis, with a markup or markdown paid to the broker-dealer (e.g., in transactions with market makers).

From time to time, it may be appropriate for more than one of the accounts managed by Darwin Capital to trade in the same securities at the same time. As a general rule, such orders are combined (or bunched) and allocations among Darwin Capital's Clients acquiring the same securities on the same day are effected on a pro rata basis, based on the relative value of the accounts, or otherwise in an amount determined at the time of the order. If the orders are combined (or bunched), each of the accounts will have its same day orders filled on an average price basis (such that each receives the same price). While Darwin Capital's goal is to be fundamentally fair on an overall basis with respect to all Clients, there can be no assurance that on an overall or trade-by-trade basis that any particular Client will not be treated more favorably than another.

ITEM 13 – REVIEW OF ACCOUNTS

Client accounts are reviewed on a daily basis by Darwin Capital's principals and investment personnel to ensure that Darwin Capital adheres to the Clients' investment objectives. As part of this review, Darwin Capital's risk manager reviews prime broker risk reports that assist in ascertaining whether the position sizes and levels of exposures of the Client accounts' portfolios are consistent with the investment objectives of such accounts.

Investors in the Fund generally are provided with a quarterly letter which contains information regarding the Fund's performance, portfolio composition and the current balance of the investor's investment in the Fund and annually receive audited fiscal year-end financial information. Account statements are generally provided to Separate Account Clients by the custodian of the assets, unless otherwise agreed.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Darwin Capital currently does not, but may in the future compensate third parties, including registered broker-dealers, for referring prospective advisory clients (or investors in the Fund) to it, at no additional cost to the Client (or investor). Such referral fees generally will be a percentage of the annual management fees and/or performance-based compensation earned by Darwin Capital. Such referral arrangements will conform to Rule 206(4)-3 under the Investment Advisers Act of 1940, as applicable. See also Item 10.

Other than the soft-dollar benefits described in Item 12 above, Darwin Capital does not receive any economic benefit for providing advice to its Clients from anyone other than its Clients.

ITEM 15 – CUSTODY

Darwin Capital does not have actual custody of any Client assets. Darwin Capital, as general partner to the Fund, is deemed to have custody of the assets of the Fund. In accordance with Rule 206(4)-2, audited financial statements are furnished annually to all investors in the Fund.

Clients are urged to carefully review all statements and contact Darwin Capital if they have any questions.

ITEM 16 – INVESTMENT DISCRETION

Consistent with a Client's investment objectives and in accordance with the applicable investment management agreement, Darwin Capital has authority, without obtaining specific Client consent, to determine the types and amounts of securities to be bought and sold, pursuant to discretion granted to it by its Clients. Limitations on Darwin Capital's authority are guided by, among other things, (i) its responsibility to act as a fiduciary when handling Clients' accounts, (ii) the investment strategies and objectives of its Clients, and (iii) with respect to the Fund, the Memorandum.

ITEM 17 – VOTING CLIENT SECURITIES

Darwin Capital does not currently exercise discretion to vote proxies for Clients' securities. In the event that Darwin Capital would ever exercise discretion to vote proxies for Clients' securities Darwin Capital has a proxy voting policy and procedure.

In the event that Darwin Capital would vote proxies, its proxy voting policy is to vote all Client proxies in the Client's best interest, considering such facts as it deems material. Proxies would be reviewed by Darwin Capital's Chief Compliance Officer. Generally, Darwin Capital's objective would be to vote proxies, in its judgment, in a manner that is most likely to maximize the value of its Clients' investments. Darwin Capital must act as a fiduciary when voting proxies on behalf of its Clients. In that regard, Darwin Capital would seek to avoid possible conflicts of interest in connection with proxy voting as follows:

Where Darwin Capital identifies a potential conflict of interest (such as if Darwin Capital or an Employee is affiliated or associated with an issuer or Darwin Capital holds the issuer's securities on a proprietary basis), Darwin Capital would initially determine whether such potential conflict is material. Where Darwin Capital determines there is a potential for a material conflict of interest regarding a proxy, Darwin Capital would take one or some of the following steps: (i) inform the investor(s) of the Client of the material conflict and Darwin Capital's voting decision; (ii) discuss the proxy vote with the investor(s) of the Client; (iii) fully disclose the material facts regarding the conflict and seek investor consent to vote the proxy as intended; and/or (iv) seek the recommendations of an independent third party. Any Employee who has a direct or indirect pecuniary interest in any issue presented for voting, or any relationship with the issuer, must so

inform Darwin Capital's Chief Compliance Officer and recuse himself or herself from decisions on how proxies with respect to that issuer are voted.

Darwin Capital's Chief Compliance Officer would oversee and manage the process by which it would vote proxies. Darwin Capital's proxy voting policy and procedures are available upon request. A Client may obtain Darwin Capital's proxy voting policy and procedures by contacting Chris Pizzirani, Darwin Capital's Chief Compliance Officer, at (484) 368-3272.

ITEM 18 – FINANCIAL INFORMATION

Darwin Capital has no financial condition that impairs its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy proceeding.