

LionEye Capital Management LLC

April, 2013

Item 1 Cover Page

This brochure provides information about the qualifications and business practices of LionEye Capital Management LLC (the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at 212-257-5695 and/or kireland@lioneyecap.com. This information has not been approved or verified by the SEC or by any state securities authority.

Additional information about the Adviser is available on the SEC’s website at www.adviserinfo.sec.gov.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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Item 2 Material Changes

The Adviser is updating the Brochure as of April 2013 to reflect changes to assets under management and sub-advisory services in Item 4, Advisory Business, to clarify Item 15, Custody, to revise Item 17, Voting Client Securities, and to make other corrections and updates. The previous update in January 2013 reflected the move of the Adviser's offices to 152 West 57th, 10th Floor, New York, NY 10019, and the appointment of Kelly Ireland, Chief Financial Officer, to the position of Chief Compliance Officer.

Item 3 Table of Contents**TABLE OF CONTENTS**

| | | |
|----------|--|-----|
| Item 1. | Cover Page | I |
| Item 2. | Material Changes | II |
| Item 3. | Table of Contents..... | III |
| Item 4. | Advisory Business..... | 1 |
| Item 5. | Fees and Compensation | 2 |
| Item 6. | Performance-Based Fees and Side-by-Side Management | 4 |
| Item 7. | Types of Clients | 5 |
| Item 8. | Methods of Analysis, Investment Strategies and Risk of Loss | 6 |
| Item 9. | Disciplinary Information..... | 10 |
| Item 10. | Other Financial Industry Activities and Affiliations | 11 |
| Item 11. | Code of Ethics, Participation or Interest in Client Transactions and Personal Trading..... | 12 |
| Item 12. | Brokerage Practices..... | 14 |
| Item 13. | Review of Accounts | 17 |
| Item 14. | Client Referrals and Other Compensation..... | 18 |
| Item 15. | Custody | 19 |
| Item 16. | Investment Discretion | 20 |
| Item 17. | Voting Client Securities | 21 |
| Item 18. | Financial Information..... | 22 |

Item 4. Advisory Business***A. General Description of Advisory Firm.***

The Adviser is an investment adviser with its principal place of business in New York, New York. The Adviser commenced operations as an investment adviser on August 15, 2008. Stephen Raneri and Arthur Rosen are the principal owners of the Adviser.

B. Description of Advisory Services.

The Adviser provides investment advisory services on a discretionary basis to its clients, which include pooled investment vehicles intended for sophisticated investors and institutional investors. The Adviser also acts as a sub-adviser to a pooled investment vehicle and its adviser.

C. Availability of Tailored Services for Individual Clients.

The Adviser provides investment advisory services to client accounts based on specific investment objectives and strategies. The Adviser tailors its advisory services to the individual needs and specified investment objectives and strategies of each client, as set forth in each client's offering memorandum or other constituent documents.

Clients may impose restrictions on investing in certain securities or certain types of securities.

D. Client Assets Under Management.

As of January 1, 2013, the Adviser managed approximately \$221,200,000 of client assets (computed on a net asset basis) on a discretionary basis.

Item 5. Fees and Compensation**A. Advisory Fees and Compensation.***Asset-Based Compensation*

The Adviser charges each client an investment management fee of up to 2.0% per annum based on the value of each client's assets under management. Investors in pooled investment vehicles managed by the Adviser are subject to such investment management fees indirectly through their investment in the pooled investment vehicle.

Investment management fees are generally charged each month in advance, based on the total market value of the assets in the client account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the first day of the month. If a new client account is established during a month or a client makes an additional investment in its account during a month, the investment management fee will be charged as of the effective date of the investment management agreement or the date of the additional investment based on the value of the assets as of the applicable date and will be prorated for the number of days remaining in the month.

The investment management fees are generally not negotiable; however, the Adviser, in its sole discretion, may waive, modify or reduce the fees for certain investors in pooled investment vehicles who are principals, employees or affiliates of the Adviser, relatives of such persons and for certain large or strategic investors.

Performance-Based Compensation

The Adviser (or its related person) will also be paid or allocated, as applicable, a performance-based fee or allocation, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of a client. This compensation may be paid or allocated, as applicable, to the Adviser (or its related person) and may equal up to 20% of net profits, subject to a loss carryforward.

The performance-based compensation paid or allocated to the Adviser (or its related person) is generally not negotiable; however, the Adviser, in its sole discretion, may waive, modify or reduce such compensation for certain investors in pooled investment vehicles who are principals, employees or affiliates of the Adviser, relatives of such persons and for certain large or strategic investors.

B. Payment of Fees.

The Adviser deducts the investment management fee from client accounts monthly.

Performance-based compensation is deducted from client accounts at the end of each fiscal year or upon withdrawal or redemption by a client and paid to or reallocated to, as applicable, the Adviser (or its related person).

C. Other Fees and Expenses.

In addition to paying investment management fees and, if applicable, performance-based compensation, client accounts will also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees associated with products or services that may be necessary or incidental to such investments or accounts. Client assets are invested in money market

mutual funds, ETFs or other registered investment companies. In these cases, the client will bear its pro rata share of the investment management fee and other fees of the fund, which are in addition to the investment management fee paid to the Adviser. Client assets of pooled investment vehicles are also invested in a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund. In addition, clients will incur brokerage and other transaction costs. Please refer to Item 12 of this Firm Brochure for a discussion of the Adviser's brokerage practices.

D. Prepayment of Fees.

Clients are required to pay the Adviser's investment management fees in advance. If the advisory contract with a client is terminated before the end of a billing period, any pre-paid fees are refunded (if at all) in accordance with each client's offering documents or investment management agreement.

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

The Adviser and its investment personnel provide investment advisory services to investment portfolios for multiple clients. The Adviser (or its related person) is paid or allocated performance-based compensation by its clients.

The Adviser and its investment personnel, manage client accounts that are charged performance-based compensation and an asset-based fee, which is a non-performance-based fee. If the Adviser and its investment personnel were to manage more than one investment portfolio for its clients, and such clients were to have higher asset-based fees or more favorable performance-based compensation arrangements, a potential exists for one client account to be favored over another client account.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple client accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser will review investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts will also be periodically compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities pro rata based on asset size. Allocations can be made through the Adviser's order management system based on the assets in each client account and the Adviser's order management system can ensure that, to the extent orders are aggregated, such orders are price-averaged. Finally, the Adviser's procedures also require the objective allocation for limited opportunities (such as initial public offerings) to ensure fair and equitable allocation among accounts. These areas are monitored by the Adviser's Chief Compliance Officer, Kelly Ireland (the "Chief Compliance Officer").

Item 7. Types of Clients

The Adviser's clients consist of pooled investment vehicles intended for sophisticated investors and institutional investors. Such client's initial and additional subscription minimums, if any, are disclosed in the offering memorandum or other constituent documents for such client. In addition, the Adviser's clients may include other institutional investors.

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

1. The Adviser invests client assets in event-driven investment opportunities, primarily in publicly-traded North American common equities and listed options. The Adviser seeks to diversify event-driven investments across various risk arbitrage opportunities and special situations opportunities; however the Adviser does not intend to adhere to any specific diversification restrictions among companies, industries, geographic areas or types of securities.

- *Risk Arbitrage.* Risk arbitrage opportunities typically include investments in issuers engaged in extraordinary corporate transactions, such as publicly-announced definitive mergers or acquisitions, hostile take-over offers or other more complex publicly-announced M&A situations.

- *Special Situations.* Special situations opportunities typically include investments in issuers engaged in major corporate events, whether publicly announced or otherwise anticipated, such as recapitalizations, spinoffs, corporate reorganizations, proxy contests/shareholder activism situations, share buybacks, divestiture programs, potential mergers or company sales, operational restructurings, management changes and event-driven short ideas.

- *Hedging.* To reduce the impact of movements in the overall capital markets on the value of the client's assets, the Adviser also seeks to maintain a portfolio of hedge positions. The Adviser typically maintains a number of equity market hedge positions, including securities or commodity interest (futures) positions in various financial market indices. In addition, the Adviser may invest in exchange-traded funds (ETFs), which generally track the performance of certain broad market or industry indices or baskets of specified securities.

2. The Adviser utilizes an investment process which consists of four key steps: (i) idea sourcing, (ii) due diligence, (iii) positioning, (iv) portfolio construction and risk management.

(i.) *Idea Sourcing.* The Adviser intends to invest significant resources in the idea sourcing process. In addition to its research team, the Adviser has developed, and intends to make use of, several automated research tools. The Adviser typically sources ideas from a broad range of publicly available and subscription-based news sources and services, a network of industry contacts, conferences, company presentations, regulatory filings and sell-side research, among other sources. To supplement the idea sourcing process, the Adviser monitors technical and market indicators such as actionable trading patterns, market dislocations and notable insider activity.

(ii.) *Due Diligence.* The Adviser implements its due diligence strategy to vet potential investments through fundamental research and trading analysis, each of which the Adviser conducts in a parallel path.

The fundamental research component starts with an overview of the potential idea designed to efficiently identify catalysts, gather facts, ascertain preliminary valuation views, assess trade dynamics and identify risk vs. reward. If a more detailed review is warranted, the Adviser will carry out a more comprehensive study of company and industry fundamentals which includes, but is not limited to, company and peer valuation, liquidity analysis, industry fundamentals and structure, competitive position and management assessment. Resources utilized may include publicly available information such as

regulatory filings, meetings and teleconferences with company management, news reports, sell-side research and other sources. The Adviser also focuses research resources on the identification, timing and likelihood of catalysts for each potential investment and further analyzes and monitors the strategic rationale underlying the anticipated catalysts.

The trading analysis component of the due diligence process is designed to identify potential entry and exit points, optimal trade expression and key technical levels. In addition, the Adviser analyzes hedging strategies which it may implement in conjunction with each potential investment to attempt to reduce the impact of movements in the overall capital markets on the value of client's assets.

(iii.) *Positioning and Trading.* If the Adviser determines that a potential investment is consistent with a client's investment objective, the Adviser may allocate a portion of the client's assets to that investment. The size of the investment is generally based on the fundamental research and technical analysis described above and the Adviser may adjust the size of the investment, as appropriate, since the due diligence process continues during the life of the investment. As discussed above, the Adviser intends to implement hedging strategies as assets are invested.

The Adviser may increase or decrease the size of any investment based on a number of factors, including, but not limited to, continued fundamental research and technical analysis, overall market conditions, performance of that particular investment and the portfolio as a whole and the availability of alternative potential investments. When the Adviser determines that an investment is no longer consistent with the client's investment objective, the Adviser will generally cause the client to exit the investment. Exited positions may be monitored for future investment potential.

The Adviser will seek to generate alpha and protect client's assets by actively trading core positions.

(iv.) *Portfolio Construction and Risk Management.* The Adviser seeks to invest client assets in a portfolio of event-driven risk arbitrage and special situation investment opportunities and hedging positions designed to achieve the client's investment objective. A client portfolio will typically consist of approximately 40 investment ideas, although there is no specific minimum or maximum number, nor is there a limit on the allocation between risk arbitrage and special situations ideas.

The Adviser will generally determine the size of individual positions based on its estimate of the maximum loss in the downside case. Typically, the Adviser determines position sizes based on an expected loss in the downside case of 100-150 bps of the client's assets. If a special situations investment causes a loss of in excess of 200 bps of the client's assets, the Adviser will generally exit that investment. If a risk arbitrage investment causes a loss of in excess of 300 bps of the client's assets, the Adviser will generally exit that investment. In measuring these individual position stop loss limits, the Adviser includes any offsetting gains from idiosyncratic hedges associated with such individual position, but excludes any offsetting gains from overall portfolio hedges. In addition to these limits, the Adviser generally expects to limit investment concentration in any individual position to no more than 10% of the net market value of the client's assets.

The Adviser may also implement overall concentration limits to a client's investment portfolio. For instance, while the Adviser may utilize leverage, the Adviser will generally seek to limit gross exposure to no more than 250% of the client's assets, net exposure from special situations investments in the portfolio to -20% to +20% of assets and gross exposure to a particular industry sector to 35% of assets.

B. Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies.

Event-Driven Strategy Risk. Because of the inherently speculative nature of event-driven investing, investment results may fluctuate from period to period and are not expected to correlate with the direction of the equity markets. Accordingly, the results of a particular period will not necessarily be indicative of results which may be expected in future periods. Investments will be made in the securities of a company engaging in an extraordinary transaction or event (such as a tender offer, merger, spin-off, reacquisition, reorganization, bankruptcy, liquidation or other catalytic change or transaction) after the event has been announced. Because the price offered for securities of a company involved in an announced deal will generally be at a significant premium above the market price prior to the announcement, the failure of a proposed transaction to close is generally followed by a significant decline in the value of the securities as their market price returns to a level comparable to that which existed prior to the announcement of the transaction. Furthermore, the difference between the price paid for securities of a company involved in an announced transaction and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be small. If the proposed transaction appears likely not to be consummated or, in fact, is not consummated or is delayed, the market price of the securities will usually decline sharply, perhaps below the price at which the security was purchased.

The Adviser invests in the securities of large, medium or small capitalization companies that the Adviser believes are potential candidates in an extraordinary corporate transaction. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security, the value of which will be less than the purchase price. Similarly, if such investments were made and the anticipated transactions were not in fact to occur, the securities would likely be sold at a loss.

Arbitrage Transaction Risks. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified to the extent the Adviser is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable “spreads”, which can also be identified, reduced or eliminated by other market participants.

Activist Strategy. The Adviser may engage in aggressive shareholder activism that will attempt to influence the destinies of target companies. There exists the risk that the intended strategy for a particular company will be unsuccessful. Further, when securities are purchased in anticipation of influencing the future direction of a company, a substantial period of time may elapse between the Adviser's purchase of the securities on behalf of a client and the anticipated results. During this period, a portion of a client's capital would be committed to the securities purchased, and such client might finance some portion of such purchases with borrowed funds on which it must pay interest. Additionally, if the anticipated results do not in fact occur, such client may be required to sell its investment at a loss. Moreover, there may be instances where a client and/or the Adviser will be restricted in transacting in or redeeming a particular investment as a result of the Adviser's activist investment strategy. Because there is substantial uncertainty concerning the outcome of transactions involving the target companies in which the Adviser may invest client funds, there exists a potential risk of loss by a client of its entire investment in such companies.

Leverage. Performance may be more volatile if a client's account employs leverage.

Interest Rate Risks. Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.

Lack of Diversification. Client accounts may not be diversified among a wide range of types of securities, or may not have exposure to investments in different countries or industry sectors. Accordingly, client

portfolios may be subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments.

Short Selling Risk. The Adviser's investment program includes a significant amount of short selling. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser 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 Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Hedging. There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser's investment portfolios than if the Adviser did not engage in any such hedging transactions.

Issuer-Specific Changes. Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

The Adviser's strategies may use frequent trading which may result in significantly higher commissions and charges to client accounts due to increased brokerage, which will offset client profits.

C. Risks Associated With Types of Securities that are Primarily Recommended (Including Significant, or Unusual Risks).

Equity Securities. The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short term as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

Distressed Securities. Investments in unrated or low grade debt securities of distressed companies are subject to greater risk of loss of principal and interest than higher-rated debt securities. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

Options. If options are purchased with respect to securities anticipated to be received in an exchange or merger and the proposed transaction is not consummated, the market price of the securities may rise above the exercise price of the options, resulting in the cost of the options not being recovered. If options are purchased with respect to securities which are the subject of a proposed cash tender offer or cash merger and the transaction is consummated, the options may not be exercised and the premiums paid therefore may be lost. In addition, premiums paid for options increase transaction costs and, in certain

situations, may result in a sufficient reduction in the spread between the acquisition price and the anticipated price to be received to make the investment so unattractive based upon a return on capital/risk-reward analysis that the Adviser may determine not to take a portfolio position. Since options expire on specific dates, in the event consummation of a transaction is delayed beyond the expiration of an option held, the anticipated benefit of the option may be lost.

Fixed-Income and Debt Securities. Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

Illiquid Instruments. Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Adviser's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Adviser to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio.

Non-U.S. Securities. Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

Risk Arbitrage Securities. A merger, other restructuring, tender, or exchange offer proposed at the time the Adviser invests in risk arbitrage securities may not be completed on the terms or within the time frame contemplated, resulting in losses.

Security Futures and Options. In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in the client's account. In addition, the Adviser's investments in security futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

Item 9. Disciplinary Information

This Item is not applicable.

Item 10. Other Financial Industry Activities and Affiliations

- A. Broker-Dealer Registration or Affiliation. Not applicable
- B. Commodity Exchange Act Registration or Exemption. LionEye Advisers LLC, an affiliate of the Adviser, relies on an exemption from registration as a commodity pool operator under CFTC Reg. 13(a)(3), and has affirmed such exemption by a filing with the National Futures Association.
- C. Material Relationships or Arrangements. Adviser Pooled investment vehicles for which the Adviser or its related person serves as general partner or investment manager have entered into and may in the future enter into agreements, or “side letters,” with certain prospective or existing investors in such pooled investment vehicles whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the applicable pooled investment vehicle. For example, such terms and conditions may provide for special rights to make future investments in the pooled investment vehicle, other investment vehicles or managed accounts; with the consent of the Adviser, the right to receive a portion of any investment management fee and/or performance-based compensation otherwise payable to the Adviser (or its related person); special withdrawal or redemption rights, relating to frequency, notice, a reduction or rebate in withdrawal/redemption fees to be paid by the investor and/or other terms; rights to receive reports from the pooled investment vehicle on a more frequent basis or that include information not provided to other investors in such vehicle (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the pooled investment vehicle and such investors. The modifications are solely at the discretion of the pooled investment vehicle and may, among other things, be based on the size of the investor's investment in such pooled investment vehicle or affiliated investment entity, an agreement by such investor to maintain its investment in such pooled investment vehicle for a significant period of time, or another similar commitment by such investor to the pooled investment vehicle.
- D. Recommendations of Other Advisers to Clients. Not applicable

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

The Adviser has adopted a Code of Ethics (the “Code”) under Rule 204A-1 of the Investment Advisers Act that obligates the Adviser and its related persons to comply with applicable federal securities laws, put the interests of the Adviser’s clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. Clients, investors in pooled investment vehicles managed by the Adviser and prospective clients may obtain a copy of the Code by contacting the Chief Compliance Officer by email at kireland@lioneyecap.com, or by telephone at 212-257-5695. See below for provisions of the Code related to the preclearing and reporting of securities transactions by access persons.

The Adviser, in the course of its investment advisory and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the client or using such information for the client’s benefit. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that the Adviser possesses such information), or not using such information for the client’s benefit, as a result of following the Adviser’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

B. Investing in Securities Recommended to Clients.

The Adviser or its related persons may invest in the same securities (or related securities, e.g., warrants, options or futures) that are recommended to clients. Such practices present a conflict where, because of the information an Adviser has, the Adviser or its related person are in a position to trade in a manner that could adversely affect clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients’ trades). In addition to affecting the Adviser’s or its related person’s objectivity, these practices could also harm clients by adversely affecting the price at which the clients’ trades are executed.

The Adviser has adopted the following procedures in an effort to minimize such conflicts: Access persons are required to preclear all transactions in their personal accounts with the managing members of the Adviser, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. Precleared personal securities transactions must take place: on the day the preclearance is obtained. If the personal securities transaction is not completed by such date, a new preclearance must be obtained, including one for any uncompleted portion.

All access persons are required to disclose their securities transactions on a quarterly basis and holdings on an annual basis and to provide duplicate copies of periodic (i.e., monthly, or if not available, quarterly) statements for all personal accounts. Trading in employee accounts is reviewed by the managing members of the Adviser and compared with transactions for the client accounts.

Item 12. Brokerage Practices***A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.***

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution, offering to the Adviser on-line access to computerized data regarding a client's accounts. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Chief Compliance Officer periodically evaluates the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

1. Research and Other Soft Dollar Benefits.

The Adviser receives research or other products or services other than execution from broker-dealers and/or third parties in connection with client securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations.

When the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Chief Compliance Officer and/or other supervised persons of the Adviser (e.g., traders and portfolio managers) meet regularly to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for clients.

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of other client accounts. The Adviser does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

During the Adviser's last fiscal year, as a result of client brokerage commissions (or markups or markdowns), the Adviser and/or its related persons acquired research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services.

In some instances, the Adviser may obtain a product or service that is used, in part, by the Adviser for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). Such determination will be based on the actual use of the product or service by the Adviser's personnel. The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources. The determination of the appropriate allocation of "mixed use" products and services creates a potential conflict of interest between the Adviser and clients.

2. Brokerage for Client Referrals.

From time to time the Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a private fund managed by the Adviser or recommend these private funds as an investment to clients. The Adviser may have an incentive to select or recommend a broker-dealer based on its interests to receive client referrals rather than on the client's interests to receive most favorable execution. The Adviser, however, will only place client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

B. Order Aggregation.

The Adviser may purchase or sell the same security for different client investment portfolios at or near the same time and using the same executing broker. Where possible, the Adviser may aggregate client orders for the purchase or sale of the same security at or near the same time for execution using the same executing broker. Such aggregation may enable the Adviser to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. In cases where trading or investment restrictions are placed on a client's account, the Adviser may be precluded from aggregating that client's transaction with others. In such a case, the client may pay a higher commission rate and/or receive less favorable prices than clients who are able to participate in an aggregated order. When an aggregated order is completely filled, the Adviser allocates the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order.

Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating clients.

Item 13. Review of Accounts***A. Frequency and Nature of Review.***

Each client account is reviewed by the managing members of the Adviser, on an ongoing basis to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each client account.

B. Factors Prompting a Non-Periodic Review of Accounts.

Significant market events affecting the prices of one or more securities in client accounts, changes in the investment objectives or guidelines of a particular client or specific arrangements with particular clients may trigger reviews of client accounts on an other than periodic basis.

C. Content and Frequency of Regular Account Reports.

With respect to each client that is a pooled investment vehicle, investors in such clients receive reports from the client pursuant to the terms of such client's offering memorandum or as otherwise described in the constituent documents of the client.

Item 14. Client Referrals and Other Compensation***A. Economic Benefits Received from Non-Clients for Providing Services to Clients.***

The Adviser receives certain research or other products or services from broker-dealers through “soft-dollar” arrangements. These “soft-dollar” arrangements create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its clients. Please see Item 12 for further information on the Adviser’s “soft-dollar” practices, including the Adviser’s procedures for addressing conflicts of interest that arise from such practices.

B. Compensation to Non-Supervised Persons for Client Referrals

The Adviser makes cash payments to third-party solicitors for referrals of investors to pooled-investment vehicles and for client referrals, provided that, to the extent required, each such solicitor has entered into a written agreement with the Adviser pursuant to which the solicitor will provide each prospective client with a copy of the Adviser’s Form ADV Part 2, and a disclosure document setting forth the terms of the solicitation arrangement, including the nature of the relationship between the solicitor and the Adviser and any fees to be paid to the solicitor. Where applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940 and related SEC staff interpretations.

Item 15. Custody

The Adviser and its affiliates do not have physical custody of any client securities or cash, which are held by qualified custodians pursuant to the Custody Rule under the Investment Advisers Act, Rule 206(4)-2. However under the Custody Rule the Adviser or its affiliates will generally be deemed to have custody of pooled investment vehicle client assets when the Adviser or an affiliate serves as general partner or managing member of such pooled investment vehicle. In order to comply with the Custody Rule, each such pooled investment vehicle undergoes an annual audit performed by an independent public accounting firm registered by the Public Company Accounting Oversight Board, and distributes its audited financial statements to investors annually as required under the rule.

Item 16. Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to clients. Please see Item 4 for a description of any limitations clients may place on the Adviser's discretionary authority.

Prior to assuming full discretion in managing a client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines); and (ii) the amount of securities to be purchased or sold for the client account. Because there may be differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. In such circumstances, the Adviser's portfolio managers will submit an allocation statement to the Adviser's trading desk describing the allocation of securities to (or from) client accounts for each trade/order submitted. The portfolio managers may consider the following factors, among others, in allocating securities among clients: (i) client investment objectives and strategies; (ii) client risk profiles; (iii) tax status and restrictions placed on a client's portfolio by the client or by applicable law; (iv) size of the client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is the Adviser's policy to allocate investment opportunities to eligible client accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser to allocate securities to client accounts in varying amounts. Even client accounts that are typically managed on a *pari passu* basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

Allocations will be made among client accounts eligible to participate in initial public offerings (IPOs) and secondary offerings on a pro rata basis, except when the Adviser determines in its discretion that a pro rata allocation is not appropriate, which may include a client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a client's status as a "restricted person" or "covered investor" under applicable regulations.

Securities acquired by the Adviser for its clients through a limited offering will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that the Adviser will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those client accounts eligible to hold such securities. Eligibility will be based on the legal status of the clients and the client's investment objectives and strategies.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that clients are treated fairly and, following error correction, are in the same position they would have been if the error had not occurred. The Adviser has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that a client account incurs losses due to a trade error as a result of the Adviser's gross negligence, willful misconduct, or violations of applicable law, trade errors will be corrected by the Adviser as soon as practicable, in a manner such that the client incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the client account.

Item 17. Voting Client Securities***A. Policies and Procedures Relating to Authority to Vote Client Securities.***

The Adviser has authority to vote proxies on behalf of its clients, and complies with proxy voting policies and procedures that are designed to ensure that in such proxies are voted in the best interests of the clients, as determined by the Adviser in its discretion. The Adviser will consider relevant factors with respect to a proposal, including: (i) the impact on the value of the securities; (ii) the anticipated costs and benefits associated with the proposal; (iii) the effect on liquidity and (iv) customary industry and business practices.

The Adviser's clients are not permitted to direct their votes in a particular solicitation.

If a material conflict of interest between the Adviser and a client exists, the Adviser will determine whether voting in accordance with the proxy voting policies and procedures is in the best interests of clients and may seek recommendations from an outside party in which the Adviser will generally vote in accordance with the recommendations.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies by contacting the Chief Compliance Officer by email at kireland@lioneypcap.com or by telephone at 212-476-0670.

Item 18. Financial Information

This Item is not applicable.