



PANNING
CAPITAL MANAGEMENT, LP

FIRM BROCHURE
(Part 2A of Form ADV)

March 1, 2013

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This Brochure provides information about the qualifications and business practices of Panning Capital Management, LP (“Panning Capital”). If you have any questions about the contents of this Brochure, please contact us at 212-916-1860. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Panning Capital is registered as an investment adviser with the U.S. Securities and Exchange Commission; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.

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

ITEM 2 – MATERIAL CHANGES

If you are amending your *brochure* for your annual update and it contains material changes from your last annual update, identify and discuss those changes on the cover page of the *brochure* or on the page immediately following the cover page, or as a separate document accompanying the *brochure*. You must state clearly that you are discussing only material changes since the last annual update of your *brochure*, and you must provide the date of the last annual update of your *brochure*.

Panning Capital has made no material changes to this Brochure since the last version dated September 14, 2012, which was prepared in connection with Panning Capital's initial registration with the Securities and Exchange Commission. Panning Capital has revised the language in certain sections of this Brochure but no material changes or amendments have been made to any of the responses in this Brochure.

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ITEM 4 – ADVISORY BUSINESS

<p>Item 4.A</p>	<p>Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).</p> <p>Panning Capital Management, LP (“Panning Capital”) is a Delaware limited partnership formed in April 2012. Kieran Goodwin and William Kelly are the founders and managing partners of Panning Capital. Panning Holdings GP, LLC (“Panning Holdings”), is the general partner of Panning Capital. Kieran Goodwin and William Kelly are the principal owners of Panning Holdings.</p> <p>Panning Capital provides discretionary investment management services to its clients (the “Advisory Clients”), which include the following private investment funds (each a “Fund” and collectively, the “Funds”):</p> <ul style="list-style-type: none"> (i) Panning Master Fund, LP, a Cayman Islands exempted limited partnership (the “Master Fund”); (ii) Panning Domestic Fund, LLC, a Delaware limited liability company (the “Domestic Fund”) that acts as a feeder fund for the Master Fund; (iii) Panning Overseas Fund, Ltd., a Cayman Islands exempted company (the “Offshore Fund”), that also acts as a feeder fund for the Master Fund; (iv) Panning Intermediate Fund, LP, a Cayman Islands exempted limited partnership (the “Intermediate Fund”); <p>The Domestic Fund and the Offshore Fund (indirectly through its investment in the Intermediate Fund) invest all or substantially all of their assets in, and conduct their investment activities through, the Master Fund. The Domestic Fund and the Intermediate Fund are direct investors in the Master Fund. Interests in the feeder funds are offered in two different series: Series A and Series B, which participate in the Funds’ portfolio on a pro rata basis. Each Series is subject to different fee and liquidity terms, as further described in Item 5 below and in the governing documents for each Fund.</p> <p>Panning Capital serves as the investment manager to the Funds. An affiliate of Panning Capital, Panning Capital GP, LLC (“Panning GP”), serves as the general partner of the Master Fund and the Intermediate Fund. Another affiliate of Panning Capital, Panning Capital MM, LLC (“Panning MM”), serves as the managing member of Panning GP and the Domestic Fund. Panning GP and Panning MM and their employees and personnel will be subject to the Investment Advisers Act of 1940 (the “Advisers Act”) and the rules thereunder and to all of Panning Capital’s compliance policies and procedures. As such, references to Panning Capital in this Brochure should also be considered references to Panning GP and Panning MM in the appropriate context.</p>
<p>Item 4.B</p>	<p>Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.</p> <p>Panning Capital generally has broad and flexible investment authority with respect to the investment portfolios that it manages for the Funds. Using the</p>

	<p>master-feeder structure described above, the Funds’ principal investment objective is to achieve attractive risk-adjusted returns by combining top-down macro analysis with bottom-up fundamental research. The primary focus is investing both long and short in investment grade, high-yield and distressed debt, asset- and mortgage-backed securities (including both residential and commercial), structured credit and sovereign debt, primarily in the United States and Europe. The Funds will be highly flexible and will have ability to select and dispose of investments in response to market opportunities and other circumstances.</p> <p>The above description is merely a summary and you should not assume that any descriptions of the specific activities in which the Funds may engage are intended in any way to limit the types of investment activities which the Funds may undertake or the allocation of Funds capital among such investments. Panning GP, Panning MM, Panning Capital, and their affiliates reserve the right to alter any of the Funds’ investment policies or strategies as deemed appropriate from time to time in its discretion without obtaining investor approval.</p>
Item 4.C	<p>Explain whether (and, if so, how) you tailor your advisory services to the individual needs of <i>clients</i>. Explain whether <i>clients</i> may impose restrictions on investing in certain securities or types of securities.</p> <p>Panning Capital neither tailors its advisory services to the individual needs of investors in the Funds, nor accepts investor-imposed investment restrictions.</p> <p>Panning Capital (or its affiliates) may from time to time enter into agreements with certain investors, that may in each case provide for terms of investment that are more favorable to the terms described in the respective Fund’s governing documents. Such terms may include, without limitation, the waiver, reduction or rebate of fees, the provision of additional information or reports, more favorable transfer rights and more favorable liquidity rights, including additional permitted dates for withdrawals/redemptions and the waiver or reduction of notice periods. Panning Capital (or its affiliates) may also offer additional Series of interests that are subject to different fee, reporting or liquidity terms.</p> <p>Investors that subscribed for interests on the Initial Subscription Date (as defined in the applicable offering documents) are entitled to a reduced management fee, as described in Item 5 below. Such early stage investors (“Day 1 Investors”) are otherwise subject to the same terms as other investors in their respective Series.</p>
Item 4.D	<p>If you participate in <i>wrap fee programs</i> by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.</p> <p>Panning Capital does not participate in wrap fee programs.</p>
Item 4.E	<p>If you manage <i>client</i> assets, disclose the amount of <i>client</i> assets you manage on a <i>discretionary basis</i> and the amount of <i>client</i> assets you manage on a <i>non-discretionary basis</i>. Disclose the date “as of” which you calculated the amounts.</p> <p>As of December 31, 2012, Panning Capital manages \$638,400,846 in assets on a discretionary basis. Panning Capital does not manage any assets on a non-discretionary basis.</p>

ITEM 5 – FEES AND COMPENSATION

<p>Item 5.A</p>	<p>Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.</p> <p>Panning Capital is generally compensated for its advisory services to the Funds through an investment management fee (the “Management Fee”) based on a percentage of assets under management. The Management Fee is payable monthly in advance in an amount equal to 1/12 of 1.75% of the capital account balance of each Series A investor as of the first business day of each month and 1/12 of 2.00% of the capital account balance of each Series B investor as of the first business day of each month. As noted above, Day 1 Investors are entitled to a reduced Management Fee with respect to each Series. For purposes of calculating the Management Fee, Day 1 Investors in Series A are subject to a Management Fee rate of 1.5% per annum and Day 1 Investors in Series B are subject to a Management Fee rate of 1.75% per annum.</p> <p>Fees may be negotiable for certain investors under certain circumstances. In addition, the Management Fee may be waived or reduced for Panning Capital’s employees, their family members, affiliates, and certain strategic investors.</p> <p>In addition, consistent with the relevant provisions of the Advisers Act and Rule 205-3 adopted thereunder, affiliates of Panning Capital are entitled to receive performance-based compensation in the form of a performance fees or allocations from the Funds based on net profits (including both realized and unrealized gains and losses) allocated to each investor. The performance fee/allocation is paid to Panning MM in its capacity as the managing member of the Domestic Fund and to Panning GP in its capacity as the general partner of the Intermediate Fund.</p> <p>Performance allocations are subject to loss carryforward provision (a “high water mark”) such that no performance fee/allocation will be made with respect to a capital account until any net loss allocated to such capital account during the period is first recovered (taking into account interim withdrawals and distributions). The performance fee/allocation is calculated and paid annually at a rate of 17.5% of the net profit allocated to each Series A investor’s capital account during the period and a rate of 20% of the net profit allocated to each Series B investor’s capital account during the period, subject in each case to the high water mark procedure discussed above.</p> <p>It is critical that investors refer to the relevant Fund’s confidential private placement memorandum, explanatory memorandum and other governing documents for a complete understanding of how Panning Capital is compensated for its advisory services. The information contained herein is a summary only and is qualified in its entirety by such documents.</p>
<p>Item 5.B</p>	<p>Describe whether you deduct fees from <i>clients’</i> assets or bill <i>clients</i> for fees incurred. If <i>clients</i> may select either method, disclose this fact. Explain how often you bill <i>clients</i> or deduct your fees.</p> <p>Fees are deducted from each Fund’s assets. Investors do not have the ability to choose to be billed directly for fees incurred. The Management Fee with respect to the Funds is generally payable monthly in advance and will be prorated in the</p>

	<p>event of a contribution or withdrawal during the month. The performance allocation is calculated and charged at the end of each fiscal year (or at the time of an investor withdrawal/redemption).</p> <p>It is critical that investors refer to the relevant confidential private placement memorandum, explanatory memorandum and other governing documents for a complete understanding of how fees are deducted from their assets. The information contained herein is a summary only and is qualified in its entirety by such documents.</p>
Item 5.C	<p>Describe any other types of fees or expenses <i>clients</i> may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that <i>clients</i> will incur brokerage and other transaction costs, and direct <i>clients</i> to the section(s) of your <i>brochure</i> that discuss brokerage.</p> <p>Each Fund bears its own administrative and operational expenses, including but not limited to, the Management Fee and any legal, administration, auditing, accounting, tax preparation and other professional expenses; bond surveillance fees; due diligence costs; insurance expenses; transaction expenses; market data expenses; filing fees and expenses; research expenses (including research-related travel); printing costs and other expenses incurred in connection with the ongoing offering of interests; software, data bases and other technical and telecommunications services; equipment used in the investment management process and hardware directly related to the Fund; order management and risk management systems; investment expenses such as commissions, interest on margin accounts and other indebtedness; custodial fees; bank service fees; and other operating expenses. Each Fund also bears, as an investor in the Master Fund, its pro rata share of the Master Fund's operational expenses.</p> <p>The Master Fund will pay (including through reimbursement of Panning Capital or its affiliates, as applicable) the expenses of organizing the Domestic Fund, the Offshore Fund, the Intermediate Fund, and the Master Fund and the initial offering of Interests and shares in the Offshore Fund.</p> <p>The Master Fund will bear transaction fees and costs in connection with its investments and trading, including assignment fees, hedging costs, spreads, mark-ups on securities, swaps and forwards, commodity trading related expenses, short dividends, currency and other hedging costs, brokerage commissions (including options and futures trades), interest expenses in respect of margin accounts, repurchase agreements and other indebtedness and other similar costs and expenses. The Domestic Fund and the Offshore Fund will each generally bear its pro rata share of these costs and expenses. To the extent investment activities occur at the Fund level, each Fund will bear its pro rata share of such costs and expenses.</p> <p>It is critical that investors refer to the relevant confidential private offering memorandum, explanatory memorandum and other governing documents for a complete understanding of expenses. The information contained herein is a summary only and is qualified in its entirety by such documents.</p>
Item 5.D	<p>If your <i>clients</i> either may or must pay your fees in advance, disclose this fact. Explain how a <i>client</i> may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine</p>

	<p>the amount of the refund.</p> <p>As described in Item 5.A., the Management Fee is paid monthly in advance, adjusted for any contributions made during the month. In the limited circumstances when a withdrawal is made as of a date other than the end of a month, the Management Fee will be appropriately <i>pro rated</i> and the excess returned to the investor.</p> <p>With respect to terminating the advisory relationship, investors generally may withdraw all or a portion of its capital account on a quarterly basis, subject to certain limitations, including but not limited to: required notice periods (generally 90 days' prior written notice), applicable lock-up periods (2 years for Series A investors; 1 year for Series B investors), suspensions of withdrawal/redemptions, retentions of reserves, delays in payment and/or distributions in kind.</p> <p>It is critical that investors refer to the relevant confidential private offering memorandum, explanatory memorandum and other governing documents for a complete understanding of their withdrawal/redemption rights and when fees are charged. The information contained herein is a summary only and is qualified in its entirety by such documents.</p>
Item 5.E	<p>If you or any of your <i>supervised persons</i> accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.</p> <p><i>Not applicable.</i></p>
Item 5.E.1	<p>Explain that this practice presents a conflict of interest and gives you or your <i>supervised persons</i> an incentive to recommend investment products based on the compensation received, rather than on a <i>client's</i> needs. Describe generally how you address conflicts that arise, including your procedures for disclosing the conflicts to <i>clients</i>. If you primarily recommend mutual funds, disclose whether you will recommend "no-load" funds.</p> <p><i>Not applicable.</i></p>
Item 5.E.2	<p>Explain that <i>clients</i> have the option to purchase investment products that you recommend through other brokers or agents that are not affiliated with you.</p> <p><i>Not applicable.</i></p>
Item 5.E.3	<p>If more than 50% of your revenue from advisory <i>clients</i> results from commissions and other compensation for the sale of investment products you recommend to your <i>clients</i>, including asset-based distribution fees from the sale of mutual funds, disclose that commissions provide your primary or, if applicable, your exclusive compensation.</p> <p><i>Not applicable.</i></p>
Item 5.E.4	<p>If you charge advisory fees in addition to commissions or markups, disclose whether you reduce your advisory fees to offset the commissions or markups.</p> <p><i>Not applicable.</i></p>

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

If you or any of your *supervised persons* accepts *performance-based fees* – that is, fees based on a share of capital gains on or capital appreciation of the assets of a *client* (such as a *client* that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your *supervised persons* manage both accounts that are charged a *performance-based fee* and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your *supervised persons* face by managing these accounts at the same time, including that you or your *supervised persons* have an incentive to favor accounts for which you or your *supervised persons* receive a *performance-based fee*, and describe generally how you address these conflicts.

As described in Item 5 above, affiliates of Panning Capital receive performance-based compensation from investors in the Funds.

It should be noted that the fact that the affiliates of Panning Capital could receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for Panning Capital to effect transactions in investments that are riskier or more speculative than would be the case if compensation were based solely on a flat percentage of capital. In addition, the performance-based fees were not the product of an arm's length negotiation with any third party. The Funds' performance-based fees are generally calculated on a basis that includes unrealized appreciation of the Funds' assets; such compensation may be greater than if it were based solely on realized gains.

Panning Capital presently provides investment advisory services only to the Funds, and each is subject to a performance-based fee or allocation. As such, the conflict of interest related to managing accounts that charge performance-based fees alongside accounts that do not charge performance-based fees does not apply to Panning Capital.

Panning Capital recognizes that it is a fiduciary and as such must act in the best interests of its clients. Further, Panning Capital recognizes that it must treat all clients fairly and must refrain from favoring one client's interests over another's. Panning Capital regularly assesses the allocation of its resources, including investment personnel, among its clients to ensure adherence to its fiduciary duties.

ITEM 7 – TYPES OF CLIENTS

Describe the types of *clients* to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.

Panning Capital provides investment advisory services solely to pooled investment vehicles operating as private investment funds. Each investor in the Panning Funds must meet certain eligibility provisions: interests/shares in the Funds are generally offered to (A) U.S. investors who are (i) accredited investors within the meaning of Regulation D of the Securities Act of 1933, as amended and (ii) qualified purchasers within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended; and (B) non-U.S. investors. Admission to the Funds is not open to the general public.

The minimum investment amount for initial and subsequent investments is \$10,000,000. Panning Capital or its affiliates may, in their sole discretion, may accept lesser amounts.

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

Item 8.A	<p>Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that <i>clients</i> should be prepared to bear.</p> <p><u>Methods of Analysis</u></p> <p>Panning Capital has broad discretion in making investment decisions for the Funds. Panning Capital utilizes various methods of analysis in formulating its investment management decisions. Panning Capital seeks to achieve attractive risk-adjusted total returns by combining top-down macro analysis with bottom-up fundamental research intended to identify and capitalize on the mispricing of credit risk throughout the debt markets.</p> <p>Panning Capital’s investment process is driven by a disciplined yet flexible approach to idea generation, research/analysis, portfolio construction, and risk management. Panning Capital makes use of all publically available information when researching investments, including, but not limited to SEC filings, court filings, and company presentation materials. Panning Capital also makes use of relevant sell-side research. Panning anticipates utilizing Capital Economics to provide relevant macroeconomic commentary and may also utilize Bloomberg, trade publications, Dow Jones News Service, published research, industry consultants, newspapers, federal agencies, capital market professionals, broker-dealers, suppliers and customers, and broadcast news and internet services.</p> <p><u>Investment Strategies</u></p> <p>The investment strategies are set forth in the respective governing documents that are provided to investors. Panning Capital seeks to achieve the Funds’ investment objective through investments in credit instruments, primarily in the United States and Europe. Panning Capital will be highly flexible in its ability to select and dispose of investments in response to market opportunities and other circumstances. Panning Capital’s primary focus is investing both long and short in investment grade, high-yield and distressed debt, asset- and mortgage-backed securities (including both residential and commercial), structured credit and sovereign debt.</p> <p>Investments may include any of the following:</p> <ul style="list-style-type: none"> • bonds (including, without limitation, corporate, municipal and sovereign bonds) of any kind, including, without limitation, investment grade, below investment grade (“high-yield” or “junk”) or unrated, senior, subordinate or mezzanine, unsecured or secured, convertible, exchangeable or neither; • loans of any kind, which may include, without limitation, investment grade, below investment grade or unrated, senior, subordinate or mezzanine, unsecured or secured, syndicated or unsyndicated; • participations in loans (including <i>pari passu</i>, senior and subordinated participations); • fixed income investments constituting, backed by, or representing an
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	<p>interest in, consumer debt payment obligations and other receivables (consumer or commercial) and financial assets;</p> <ul style="list-style-type: none"> • credit default swaps (including, without limitation, corporate, municipal and municipal bond credit default swaps), total return swaps, put and call options and other derivatives relating to fixed income and other investments, whether structured, over-the-counter or otherwise; • futures, swaps, forward, option and other derivative contracts or instruments, including, without limitation, credit index and equity index options; • investments, including equity and debt investments, in other entities that make fixed income investments, including leveraged vehicles that issue securities commonly known as “collateralized bond obligations”, “collateralized debt obligations” or “collateralized loan obligations” and warehouse facilities relating to the foregoing and other entities, whether leveraged or unleveraged; • distressed and special situation investments relating to the foregoing, including any of the foregoing acquired in debt-for-equity swaps and other kinds of transactions and trade claims; • credit indices; • asset- and mortgage-backed securities (including both residential and commercial); and • cash or cash equivalents and other short term investments. <p>Panning Capital has broad and flexible investment authority with respect to the investments made by the Funds. The Funds may have other strategies or engage in other activities than those described herein.</p> <p>Please note that an investment in the Funds is deemed highly speculative and is not intended as a complete investment program. Investing in the securities markets in general and in the Funds advised by Panning Capital in particular involves significant risk. Investments in the Funds are designed only for experienced and sophisticated persons who are able to bear the economic risk of the loss of their investment and who have a limited need for liquidity.</p> <p>It is critical that investors refer to the relevant confidential private offering memorandum, explanatory memorandum and other governing documents for a complete understanding of Panning Capital’s investment strategies and methods of analysis. The information contained in this Item 8 is a summary only and is qualified in its entirety by such documents.</p>
Item 8.B	<p>For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.</p> <p>All investing and trading activities risk the loss of capital. While Panning Capital attempts to moderate these risks, there can be no assurance that the Funds will be</p>

	<p>able to invest fully on attractive terms or that the Funds will not suffer losses. The following discussion sets forth some of the more significant risks associated with the investment strategies pursued by Panning Capital.</p> <p>General Economic and Market Conditions. The success of Panning Capital's investment decisions may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, developments in governmental regulation and national and international political circumstances. These factors may affect the success of the businesses in which the issuers of the Funds' portfolio securities are engaged as well as the markets for the securities the Funds hold. Unexpected volatility or illiquidity could impair the Funds' profitability or result in losses.</p> <p>Concentration of Investments. The investments of the Funds may be concentrated in a relatively limited number of investments which may tend to result in more rapid changes in the value of the portfolio, upward or downward, than would be the case with greater diversification, with the result that a loss in any such position could have a material adverse impact on the Funds' capital and performance.</p> <p>Hedging, Generally. Hedging strategies in general are usually intended to limit or reduce investment risk, but they can also be expected to involve transaction costs and may inherently limit or reduce the potential for profit. In addition, although Panning Capital may utilize a variety of instruments, including options and other derivatives, for hedging and risk management purposes, it is not obligated to, and may not, hedge against certain risks. Furthermore, the Funds' portfolio will always be exposed to risks that cannot be hedged, such as, for example, credit risk.</p> <p>Changes in Investment Strategy. The Funds' governing documents and the agreements between Panning Capital and the Funds give Panning Capital and its affiliates broad discretion to expand, contract or otherwise change the Funds' activities without the consent of the investors. Thus the investment strategies described herein may be altered if Panning Capital and its affiliates believe the change is in the best interests of the Funds. Any such change could result in the exposure of the Fund's capital to additional risks, which may be substantial.</p> <p>Management Risk. The individual investments of the Fund may not perform as expected, due to credit, political, or other risks and/or the portfolio management practices applied by Panning Capital may not achieve the desired result. Various legislative, regulatory, or tax developments may affect the investment techniques available to Panning Capital.</p>
Item 8.C	<p>If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.</p> <p>Interest Rate Risk. Fixed-income securities are affected by changes in interest rates. The value of most fixed income securities move in the opposite direction of the change in interest rates. When interest rates decline, the market value of fixed-income securities generally can be expected to rise. Conversely, when interest rates rise, the market value of fixed-income securities generally can be expected to decline. The longer the duration or maturity of a fixed-income security, the more susceptible it is to interest-rate risk.</p>

	<p><i>Credit Risk.</i> Credit risk associated with investments in fixed-income securities relates to the ability of the issuer to make scheduled payments of principal and interest on an obligation. The credit quality of fixed-income securities may deteriorate, which could lead to default or bankruptcy of the issuer where the issuer becomes unable to pay its obligations when due.</p> <p><i>Investments in Undervalued Financial Instruments.</i> The Funds invest in financial instruments that Panning Capital perceives to be undervalued. The identification of investment opportunities in undervalued financial instruments is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued financial instruments offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Funds' investments may not adequately compensate for the business and financial risks assumed. The Funds may make certain speculative investments in financial instruments which Panning Capital believes to be undervalued; however, there are no assurances that the financial instruments purchased will in fact be undervalued. In addition, the Funds may be required to hold such financial instruments for a substantial period of time before realizing their anticipated value. During this period, a portion of the Funds' capital would be committed to the financial instruments purchased, thus possibly preventing the Funds from investing in other opportunities.</p> <p><i>Low-Rated Securities Risk.</i> In general, low-rated debt securities (commonly referred to as "high yield" or "junk" bonds) offer higher yields due to the increased risk that the issuer will be unable to meet its obligations on interest or principal payments at the time called for by the instrument. For this reason, these securities are considered speculative and could significantly weaken the Fund's returns.</p> <p><i>Mortgage-Backed and Asset-Backed Securities Risk.</i> The value of investments in mortgage-backed and asset-backed securities is subject to interest rate risk and credit risk. These securities are also subject to the risk that borrowers will prepay the principal on their loans more quickly than expected (prepayment risk) or more slowly than expected (extension risk), which will affect the yield, average life and price of the securities. In addition, faster than expected prepayments may cause the Funds to invest the prepaid principal in lower yielding securities and slower than expected prepayments may reduce the potential for the Funds to invest in higher yielding securities.</p> <p><i>Distressed Investments.</i> The Funds may invest in distressed investments including loans, loan participations, bonds, notes and non-performing and sub-performing mortgage loans, many of which are not publicly traded and which may involve a substantial degree of risk. In certain periods, there may be little or no liquidity in the markets for these securities or instruments. In addition, the prices of such securities or instruments may be subject to periods of abrupt and erratic market movements and above-average price volatility. It may be more difficult to value such securities and the spread between the bid and asked prices of such securities may be greater than normally expected. If the evaluation of the risks and anticipated outcome of an investment in a distressed security should prove incorrect, the fund may lose a substantial portion or all of its investment or it may be required to accept cash or securities with a value less than the original investment.</p>
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	<p><i>Loan Participation Risk.</i> In addition to the risks typically associated with fixed income securities, loan participations carry other risks, including the risk of insolvency of the lending bank or other intermediary. Loan participations may be unsecured or not fully collateralized, may be subject to restrictions on resale and sometimes trade infrequently on the secondary market.</p> <p><i>Non-U.S. Securities.</i> Investing in securities of non-U.S. companies which are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.</p> <p><i>Short Selling Risk.</i> The Funds may participate in the short sales of securities. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Funds' portfolio. Short selling involves the sale of a security that the Funds do not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the Funds must borrow securities from a third party lender. Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. The Funds may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found.</p> <p><i>Derivatives in General.</i> The Funds may make use of various derivative instruments, such as convertible securities, options, futures, forwards and interest rate, credit default, total return and equity swaps. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage sometimes embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. The pricing relationships between derivatives and the underlying instruments may not correlate with historical patterns, resulting in unexpected losses.</p> <p><i>Credit Default Swaps and other Credit Derivatives.</i> The Funds also invest and trade in credit default and total return swaps. A primary risk associated with credit default swaps is that if a certain event were to occur with respect to the underlying entity which is the object of the swap (<i>i.e.</i>, bankruptcy, debt restructuring or acceleration, or the failure to pay principal or interest when due), the Funds (if the seller of the protection) would have to make a settlement payment to the buyer of the protection under the swap. In addition to the risks involved in using derivatives generally, a risk posed in investing in total return swaps is that Panning Capital will inaccurately predict the future value of the referenced asset. Swaps and certain options and other customized instruments are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness</p>
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	<p>and creditworthiness of such counterparty.</p> <p><i>Options.</i> Trading options is highly speculative and may entail risks that are greater than investing in other securities. Prices of options are generally more volatile than prices of other securities. In trading options, Panning Capital speculates on market fluctuations of securities and securities exchange indices while investing only a small percentage of the value of the securities underlying such option. A change in the market price of the underlying securities or underlying market index will cause a much greater change in the price of the option contract. In addition, to the extent that Panning Capital purchases options that it does not sell or exercise, the Funds will suffer the loss of the premium paid in such purchase. To the extent Panning Capital sells options and must deliver the underlying securities at the option price, there is a theoretically unlimited risk of loss if the price of such underlying securities increases. If the Funds must buy those underlying securities, the Funds risk the loss of the difference between the market price of the underlying securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option. Furthermore, the risk of nonperformance by the obligor on an option may be greater and the ease with which Panning Capital can dispose of such an option may be less than in the case of an exchange traded option.</p> <p><i>Futures and Commodities Trading Risks.</i> Trading futures and/or commodities (or options thereon) is a highly risky strategy for the Funds and Panning Capital. Whenever the Funds purchase a particular future and/or commodity (or an option thereon), there is a substantial possibility that it may sustain a total loss of its purchase price. The prices of futures and/or commodities are, in general, much more volatile than prices of securities such as stocks and bonds. As a result, the risk of loss in trading futures and/or commodities is substantially greater than in trading securities. Prices of futures react strongly to the prices of the underlying commodities. The prices of these underlying products, in turn, rise and fall based on changes in interest rates, international balances of trade, changes in governments, wars, weather and a host of other factors that are entirely beyond the control of the Funds or Panning Capital and that are very difficult (and perhaps impossible) to predict.</p> <p><i>Equities.</i> Equities invested in by the Funds may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. There are no absolute restrictions in regard to the size or operating experience of the companies in which the Funds may invest (and relatively small companies may lack management depth or the ability to generate internally, or obtain externally, the funds necessary for growth and companies with new products or services could sustain significant losses if projected markets do not materialize).</p> <p>It is critical that investors refer to the relevant confidential private offering memorandum, explanatory memorandum and other governing documents for a complete understanding of the material risks involved in relation to the types of securities that Panning Capital invests in on behalf of the Funds. The information contained herein is a summary only and is qualified in its entirety by such documents.</p>
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ITEM 9 – DISCIPLINARY INFORMATION

If there are legal or disciplinary events that are material to a *client's* or prospective *client's* evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

Panning Capital is required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor's evaluation of Panning Capital or the integrity of its management. Panning Capital has no legal or disciplinary information to disclose at this time.

<p>Item 9.A</p>	<p>A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which your firm or a <i>management person</i></p> <ol style="list-style-type: none"> 1. was convicted of, or pled guilty or nolo contendere (“no contest”) to (a) any <i>felony</i>; (b) a <i>misdemeanor</i> that <i>involved</i> investments or an <i>investment-related</i> business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses; 2. is the named subject of a pending criminal <i>proceeding</i> that involves an <i>investment-related</i> business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses; 3. was <i>found</i> to have been <i>involved</i> in a violation of an <i>investment-related</i> statute or regulation; or 4. was the subject of any <i>order</i>, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a <i>management person</i> from engaging in any <i>investment-related</i> activity, or from violating any <i>investment-related</i> statute, rule, or <i>order</i> <p>Not applicable.</p>
<p>Item 9.B</p>	<p>An administrative <i>proceeding</i> before the SEC, any other federal regulatory agency, any state regulatory agency, or any <i>foreign financial regulatory authority</i> in which your firm or a <i>management person</i></p> <ol style="list-style-type: none"> 1. was <i>found</i> to have caused an <i>investment-related</i> business to lose its authorization to do business; or 2. was <i>found</i> to have been <i>involved</i> in a violation of an <i>investment-related</i> statute or regulation and was the subject of an <i>order</i> by the agency or authority <ol style="list-style-type: none"> (a) denying, suspending, or revoking the authorization of your firm or a <i>management person</i> to act in an <i>investment-related</i> business; (b) barring or suspending your firm's or a <i>management person's</i> association with an <i>investment-related</i> business; (c) otherwise significantly limiting your firm's or a <i>management</i>

	<p><i>person's investment-related</i> activities; or</p> <p>(d) imposing a civil money penalty of more than \$2,500 on your firm or a <i>management person</i>.</p> <p>Not applicable.</p>
Item 9.C	<p>A self-regulatory organization (SRO) proceeding in which your firm or a management person</p> <ol style="list-style-type: none"> 1. was <i>found</i> to have caused an <i>investment-related</i> business to lose its authorization to do business; or 2. was <i>found</i> to have been <i>involved</i> in a violation of the <i>SRO's</i> rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from <i>investment-related</i> activities; or (iii) fined more than \$2,500. <p>Not applicable.</p>

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Item 10.A	<p>If you or any of your <i>management persons</i> are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.</p> <p>Not applicable. Neither Panning Capital nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.</p>
Item 10.B	<p>If you or any of your <i>management persons</i> are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.</p> <p>Neither Panning Capital nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of such entities.</p>
Item 10.C	<p>Describe any relationship or arrangement that is material to your advisory business or to your <i>clients</i> that you or any of your <i>management persons</i> have with any <i>related person</i> listed below. Identify the <i>related person</i> and if the relationship or arrangement creates a material conflict of interest with <i>clients</i>, describe the nature of the conflict and how you address it.</p> <ol style="list-style-type: none"> 1. broker-dealer, municipal securities dealer, or government securities dealer or broker 2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund) 3. other investment adviser or financial planner 4. futures commission merchant, commodity pool operator, or commodity trading advisor 5. banking or thrift institution 6. accountant or accounting firm 7. lawyer or law firm 8. insurance company or agency 9. pension consultant 10. real estate broker or dealer 11. sponsor or syndicator of limited partnerships <p>Panning Capital serves as the investment manager to the Funds. Panning Capital, its employees, affiliates or their related persons may also invest directly in any one, some or all of the Funds.</p> <p>An affiliate of Panning Capital, Panning GP, serves as the general partner of the Master Fund and the Offshore Fund. Another affiliate of Panning Capital, Panning MM serves as the managing member of the Domestic Fund and Panning GP.</p>

Item 10.D	<p>If you recommend or select other investment advisers for your <i>clients</i> and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.</p> <p>Not applicable.</p>
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ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

<p>Item 11.A</p>	<p>If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any client or prospective client upon request.</p> <p>Panning Capital has adopted a Code of Ethics (the “Code”), which is a part of Panning Capital’s compliance manual and has been designed to comply with Rule 204A-1 of the Advisers Act. The Code applies to Panning Capital’s access persons (which term includes all employees of Panning Capital) and sets forth a standard of business conduct that takes into account Panning Capital’s status as a fiduciary and requires access persons to place the interests of Advisory Clients and investors above their own interests. The Code requires access persons to comply with applicable federal securities laws. Further, access persons are required to promptly bring violations of the Code to the attention of Panning Capital’s Chief Compliance Officer. All access persons are provided with a copy of the Code and are required to acknowledge receipt of the Code on at least an annual basis.</p> <p>The Code of Ethics covers a wide range of issues, including the following:</p> <ul style="list-style-type: none"> • Prohibitions against the following practices: Front-running, window-dressing, portfolio pumping, favoring certain clients over others, and taking advantage of investment opportunities belonging to a client without recommending or effecting a suitable transaction in that security for the client; • Confidentiality requirements concerning client transactions; • Client privacy requirements; • Restrictions on giving and accepting gifts and entertainment involving clients; • Annual disclosure and preclearance of certain outside business activities; • Prohibitions on employee trading on material non-public information and market rumors; • Periodic reporting requirements and preclearance requests for certain personal securities transactions by employees involving initial public offerings, limited offerings and certain other securities that may be purchased or sold by Panning Capital’s Advisory Clients; and • Restrictions on personal securities transactions by employees, including use of Restricted Lists and Watch Lists. <p>Investors or prospective investors may obtain a copy of Panning Capital’s Code of Ethics by contacting the Chief Compliance Officer, Bill Kelly, at 212-916-1888.</p>
<p>Item 11.B</p>	<p>If you or a <i>related person</i> recommends to <i>clients</i>, or buys or sells for <i>client</i> accounts, securities in which you or a <i>related person</i> has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.</p> <p>As explained in Item 10.C above, Panning Capital serves as the investment adviser to the Funds. Panning Capital, its employees, affiliates or their related</p>

	<p>persons may also invest directly in any one, some or all of the Funds. Affiliates of Panning Capital serve as the general partner or managing member of the Funds.</p> <p>The fact that Panning Capital, its employees, affiliates or their related persons have a financial ownership interest in the Funds creates a potential conflict in that it could cause Panning Capital to make different investment decisions than if they did not have such a financial ownership interest. Further, Panning Capital charges fees based on a percentage of assets under management. Such asset-based fee is payable without regard to the overall success or income earned by the Advisory Clients and therefore may create an incentive on the part of Panning Capital to raise or otherwise increase assets under management to a higher level than would be the case if Panning Capital were receiving a lower or no management fee. The receipt of performance-based compensation by affiliates of Panning Capital may create an incentive for Panning Capital to make investments that are riskier or more speculative than would be case in the absence of a performance-based fee structure.</p>
Item 11.C	<p>If you or a <i>related person</i> invests in the same securities (or related securities, <i>e.g.</i>, warrants, options or futures) that you or a <i>related person</i> recommends to <i>clients</i>, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.</p> <p>Related persons of Panning Capital may buy, sell or otherwise invest in securities that Panning Capital also recommends to Advisory Clients. Each such related person transaction is separately identified and made strictly in accordance with Panning Capital's Code of Ethics and the terms of the offering described in the applicable offering documents. In order to manage this conflict of interest, Panning Capital's Code of Ethics requires related persons of Panning Capital to obtain prior written approval from the Chief Compliance Officer before engaging in personal transactions involving any security that may be purchased or sold by an Advisory Client. Such employee transactions will be reviewed in the best interests of the Advisory Clients and will be denied by the Chief Compliance Officer if there is risk of potential adverse consequences to the Advisory Clients. Panning Capital will also maintain a restricted securities list that contains the names of any public security about which Panning Capital, its employees or its affiliates have received material non-public information. The Advisory Clients and related persons of Panning Capital are generally prohibited from trading of securities on the restricted list.</p>
Item 11.D	<p>If you or a <i>related person</i> recommends securities to <i>clients</i>, or buys or sells securities for <i>client</i> accounts, at or about the same time that you or a <i>related person</i> buys or sells the same securities for your own (or the <i>related person's</i> own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.</p> <p>Panning Capital and its related persons conduct investment activities for their own accounts and may serve as investment advisers or investment managers to other clients in the future. Such other activities or accounts may have investment objectives or may implement investment strategies similar to those of the Advisory Clients. Panning Capital and its principal owners have a significant investment in certain Panning Capital Funds and may have investments in certain other entities managed by Panning Capital or its affiliates from time to time.</p>

	<p>In addition, Panning Capital may, at some point in the future, provide discretionary investment advisory services to additional accounts. The trades made by any other funds or accounts managed by Panning Capital or its affiliates in the future, may compete with trades for the Advisory Clients' portfolios. Panning Capital will generally determine the allocation of assets pro rata based on assets under management or in some other manner which Panning Capital determines is fair and equitable under the circumstances.</p> <p>Please see Item 11.C above for a description of how Panning Capital manages the personal trading aspect of this conflict via its Code of Ethics.</p>
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ITEM 12 – BROKERAGE PRACTICES

<p>Item 12.A</p>	<p>Describe the factors that you consider in selecting or recommending broker-dealers for <i>client</i> transactions and determining the reasonableness of their compensation (e.g., commissions).</p> <p>When performing investment management services for the Funds, Panning Capital has full discretion to place buy and sell orders with or through such brokers or dealers as it may deem appropriate. It is the policy and practice of Panning Capital to strive for the best price and execution that are competitive in relation to the value of the transaction (“best execution”). In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer’s services. In selecting a broker, dealer or other intermediary, Panning Capital will consider such factors that in good faith and judgment it deems reasonable under the circumstances. Some of the factors Panning Capital considers in selecting a broker or dealer include without limitation: (i) price, (ii) the broker-dealer’s facilities, reliability and financial responsibility, (iii) the ability of the broker-dealer to effect securities transactions, particularly with regard to such aspects as timing, order size and execution of orders and (iv) the research, brokerage and other services provided by such broker-dealer.</p>
<p>Item 12.A.1</p>	<p><u>Research and Other Soft Dollar Benefits.</u> If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions (“soft dollar benefits”), disclose your practices and discuss the conflicts of interest they create.</p> <ol style="list-style-type: none"> a. Explain that when you use <i>client</i> brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services. b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your <i>clients’</i> interest in receiving most favorable execution. c. If you may cause <i>clients</i> 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), disclose this fact. d. Disclose whether you use soft dollar benefits to service all of your <i>clients’</i> accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to <i>client</i> accounts proportionately to the soft dollar credits the accounts generate. e. Describe the types of products and services you or any of your <i>related persons</i> acquired with <i>client</i> brokerage commissions (or

	<p>markups or markdowns) within your last fiscal year.</p> <p>f. Explain the procedures you used during your last fiscal year to direct <i>client</i> transactions to a particular broker-dealer in return for soft dollar benefits you received.</p> <p>Panning Capital may select a broker-dealer in recognition of the value of various services or products, beyond transaction execution, that such broker-dealer provides where, considering all relevant factors, it believes the broker-dealer can provide best execution. The amount of compensation paid to such broker-dealer may be higher than what another, equally capable broker-dealer might charge. Selecting a broker-dealer in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with “soft dollars.”</p> <p>Panning Capital does not currently have any soft dollar arrangements in place, but may enter into such arrangements in the future. Although customary, these arrangements present potential conflicts of interest in allocating securities transactional business to broker-dealers in exchange for soft dollar benefits, including an incentive to select a broker-dealer based on Panning Capital’s interest in receiving research or other products or services, rather than on the Funds’ interest in receiving the most favorable execution.</p> <p>Pursuant to Section 28(e) of the Securities Exchange Act of 1934, as amended, Panning Capital may use soft dollars to acquire a variety of research and brokerage services and products from a broker-dealer, provided that the commissions paid are reasonable in light of the value of the brokerage and research products or services provided, as determined by Panning Capital in good faith. For these purposes, “research” means services or products used to provide lawful and appropriate assistance to Panning Capital in making investment decisions for the Funds. “Brokerage” services and products are those used to effect securities transactions for the Funds or to assist in effecting those transactions.</p> <p>In the event any products or services obtained by Panning Capital with client commissions have “mixed uses,” (<i>i.e.</i>, for research and non-research purposes), Panning Capital will make a good faith and reasonable allocation of the cost of the product according to its use, in accordance with the SEC’s interpretive guidance. In other words, the percentage of the service or product that provides assistance to Panning Capital in the form of brokerage or research will be paid for in soft dollars (commissions), while the non-brokerage/research portion (e.g. administrative or accounting services) will be paid for by Panning Capital using “hard dollars.” Although Panning Capital will make a good faith and reasonable allocation of the eligible costs of the product or service for brokerage or research, the allocation determination itself poses a potential conflict of interest since Panning Capital may have an incentive to overestimate the soft dollar portion allocated to the “mixed use” product or service in order to avoid paying for such brokerage or research with hard dollars.</p> <p>Panning Capital has established prime brokerage arrangements on behalf of the Funds with one or more registered broker-dealers (each a “Prime Broker”). Under these arrangements, the Prime Broker, among other things: (i) settles and clears trades; (ii) extends margin and securities loans; (iii) maintains custody of cash and</p>
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	<p>securities held by the Funds; and (iv) provides detailed portfolio and related reports. Panning Capital may cause the Funds to pay for custodial and related services either in cash or by allocating a portion of its business to the Prime Broker. The brokerage commissions and other costs charged by the Prime Broker have been negotiated by Panning Capital (or its affiliates) and are believed to be comparable to those charged by other brokerage firms for similar accounts. Panning Capital and its affiliates may, in their sole discretion, change the Prime Broker, alter the terms of the arrangements with the Prime Broker, or make alternative arrangements to receive the services provided by the Prime Broker. Panning Capital may also use additional brokers (in addition to the Prime Broker) to execute transactions.</p> <p>Panning Capital periodically evaluates the execution performance of broker-dealers to ensure that the services provided are consistent with best execution.</p>
Item 12.A.2	<p><u>Brokerage for <i>Client</i> Referrals.</u> If you consider, in selecting or recommending broker-dealers, whether you or a <i>related person</i> receives <i>client</i> referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.</p> <ol style="list-style-type: none"> Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving <i>client</i> referrals, rather than on your <i>clients'</i> interest in receiving most favorable execution. Explain the procedures you used during your last fiscal year to direct <i>client</i> transactions to a particular broker-dealer in return for <i>client</i> referrals. <p>Panning Capital may place transactions with a broker or dealer that (i) provides Panning Capital with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to the Funds or other products advised by Panning Capital (or an affiliate).</p> <p>Because such referrals, if any, are likely to benefit Panning Capital and its affiliates but may provide an insignificant (if any) benefit to investors, Panning Capital will have a conflict of interest with the Funds when allocating brokerage business to a broker who has referred investors to the Funds. To prevent brokerage commissions from being used to pay investor referral fees, Panning Capital will not allocate Fund brokerage business to a referring broker unless Panning Capital determines in good faith that the commissions payable to such broker is consistent with seeking best execution; provided Panning Capital is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors.</p>
Item 12.A.3	<p><u>Directed Brokerage.</u></p> <ol style="list-style-type: none"> If you routinely <u>recommend</u>, <u>request</u> or <u>require</u> that a <i>client</i> direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their <i>clients</i> to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage

	<p>you may be unable to achieve most favorable execution of <i>client</i> transactions, and that this practice may cost <i>clients</i> more money.</p> <p>b. If you <u>permit</u> a <i>client</i> to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of <i>client</i> transactions. Explain that directing brokerage may cost <i>clients</i> more money. For example, in a directed brokerage account, the <i>client</i> may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the <i>client</i> may receive less favorable prices.</p> <p>Panning Capital has complete discretion in deciding what brokers and dealers the Funds will use and in negotiating the rates of compensation the Funds will pay. As noted above, a prime brokerage relationship has been established on behalf of the Funds. It should be noted that not all investment advisers require their clients to direct brokerage. By directing brokerage to a particular broker-dealer, Panning Capital may be unable to achieve the most favorable execution, which may cost the Funds more money.</p> <p>Panning Capital is not required to allocate either a stated dollar or stated percentage of transactions to any broker-dealer for any minimum time period, and will review such relationships periodically. As outlined above, Panning Capital recognizes its duty to seek “best execution” in effecting transactions on behalf of the Funds.</p>
Item 12.B	<p>Discuss whether and under what conditions you aggregate the purchase or sale of securities for various <i>client</i> accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to <i>clients</i> of not aggregating.</p> <p>Panning Capital or its affiliates may in the future act as the investment adviser to investment entities and separate managed accounts with investment strategies and policies similar in many respects to, or very different from, those of the Funds.</p> <p>In situations where Panning Capital determines that the purchase or sale of a particular security is appropriate for multiple accounts, Panning Capital may, but is not required to, aggregate purchase and sale orders of securities held by the Funds with similar orders being made simultaneously for other accounts if, in Panning Capital’s reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the affected accounts. Such benefits may include better transaction prices, lower commissions or execution costs, beneficial timing of transactions, or a combination of these and other factors.</p> <p>Because of prevailing market conditions, it may not be possible to execute all shares of an aggregated trade, in which case Panning Capital will allocate the trade among participating accounts in an equitable manner determined prior to execution of the trade. Ordinarily, the executing broker-dealer will provide an average price, and where possible, average transaction costs will be allocated to all accounts participating in the aggregated trade. Panning Capital may make investment allocations among the accounts in any manner which it considers to be fair under the circumstances, including, without limitation, allocations based on relative account sizes, available cash, the degree of risk involved in the securities acquired and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved.</p>

ITEM 13 – REVIEW OF ACCOUNTS

Item 13.A	<p>Indicate whether you periodically review <i>client</i> accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the <i>supervised persons</i> who conduct the review.</p> <p>The Funds’ portfolios are under ongoing review by Kieran Goodwin, the portfolio manager of Panning Capital (the “Portfolio Manager”). The Portfolio Manager reviews the portfolios on an ongoing basis to assure conformity with the Funds’ objectives and guidelines. In addition, all portfolios are reviewed in light of emerging trends and developments as well as market volatility. Further, Bill Kelly, in his capacity as Chief Compliance Officer, periodically reviews the firm’s trading to ensure consistency with applicable laws and regulations.</p>
Item 13.B	<p>If you review <i>client</i> accounts on other than a periodic basis, describe the factors that trigger a review</p> <p>Please see Item 13.A above. The accounts are reviewed regularly.</p>
Item 13.C	<p>Describe the content and indicate the frequency of regular reports you provide to <i>clients</i> regarding their accounts. State whether these reports are written.</p> <p>Each investor in the Funds will receive periodic written reports or letters relating to Fund strategy and performance. Investors are also sent written audited financial statements on an annual basis prepared by an independent auditor. As noted in Item 4.C, Panning Capital or its affiliates may agree to provide certain investors with the provision of additional information or reports on the Funds.</p>

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Item 14.A	<p>If someone who is not a <i>client</i> provides an economic benefit to you for providing investment advice or other advisory services to your <i>clients</i>, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.</p> <p>Not applicable.</p>
Item 14.B	<p>If you or a <i>related person</i> directly or indirectly compensates any <i>person</i> who is not your <i>supervised person</i> for <i>client</i> referrals, describe the arrangement and the compensation.</p> <p>Panning Capital has not currently entered into arrangements pursuant to which it compensates third parties for investor referrals; however, Panning Capital may enter into such arrangements in the future. All such agreements will be conducted in a manner that is consistent with Rule 206(4)-3 under the Advisers Act and relevant SEC guidance. All fees paid to solicitors, if any, will be fully disclosed to investors consistent with applicable law.</p>

ITEM 15 – CUSTODY

If you have *custody* of *client* funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your *clients*, explain that *clients* will receive account statements from the broker-dealer, bank or other qualified custodian and that *clients* should carefully review those statements. If your *clients* also receive account statements from you, your explanation must include a statement urging *clients* to compare the account statements they receive from the qualified custodian with those they receive from you.

Panning Capital will be deemed to have custody of Fund assets based on the fact that its affiliates serve as a general partner and a managing member to certain of the Funds. The qualified custodians presently utilized for the Funds' cash and securities are:

Goldman Sachs & Co.
One New York Plaza
New York, NY 10004

The Bank of New York Mellon Corporation
2 Hanson Place, 7th Floor
New York, NY 11217

Barclays Capital Inc.
745 7th Avenue
New York, NY 10019

To ensure compliance with Rule 206(4)-2 under the Advisers Act, Panning Capital will ensure that the Funds are subject to annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board in accordance with its rules and that the Funds' audited financial statements prepared in accordance with generally accepted accounting principles are distributed to all investors within 120 days of the end of each fiscal year. The Funds are also subject to audit upon liquidation and the audited financial statements are distributed to all investors promptly after the completion of such audit. Investors should carefully review such audited financial statements.

ITEM 16 – INVESTMENT DISCRETION

If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).

Panning Capital has discretionary authority to manage the Funds. Panning Capital is authorized to make purchase and sale decisions for the Funds. Investors in the Funds do not have the ability to impose limitations on Panning Capital's discretionary authority.

Each Fund's investment strategy is set forth in detail in such Fund's offering memorandum. Prospective investors are provided with an offering memorandum prior to their investment and are encouraged to carefully review the offering memorandum, along with all other relevant offering materials, to be sure that the proposed investment is consistent with their investment goals and tolerance for risk. Prospective investors should also consult with their legal, tax, or other advisors prior to making any investment. Prospective investors must also execute a subscription agreement, in which they make various representations, including representations regarding their suitability to invest in a high-risk investment.

ITEM 17 – VOTING CLIENT SECURITIES

<p>Item 17.A</p>	<p>If you have, or will accept, authority to vote <i>client</i> securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your <i>clients</i> can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your <i>clients</i> with respect to voting their securities. Describe how <i>clients</i> may obtain information from you about how you voted their securities. Explain to <i>clients</i> that they may obtain a copy of your proxy voting policies and procedures upon request.</p> <p>Panning Capital understands and appreciates the importance of proxy voting. To the extent that Panning Capital has discretion to vote the proxies on behalf of the Funds, Panning Capital will vote any such proxies in the best interests of the Funds and in accordance with set compliance procedures.</p> <p>Prior to voting any proxies, Panning Capital’s Chief Compliance Officer and the Portfolio Manager will determine if there are any conflicts of interest related to the proxy in question. If a conflict is identified, the Chief Compliance Officer and the Portfolio Manager will then make a determination (which may be in consultation with outside legal counsel) as to whether the conflict is material or not. If no material conflict is identified pursuant to its set procedures, the Chief Compliance Officer and the Portfolio Manager will make a decision on how to vote the proxy in question. Any proxies actually received by Panning Capital will be provided to the Chief Compliance Officer. Panning Capital keeps a record of its proxy voting policies and procedures, proxy statements received, votes cast, all communications received and internal documents created that were material to voting decisions and each client request for proxy voting records and Panning Capital’s response for the previous five years.</p> <p>If you have any questions about Panning Capital’s proxy policy, its proxy record-keeping procedures or if you would like any detailed information about how proxies were actually voted, please call Bill Kelly, Panning Capital’s Chief Compliance Officer, at (212) 916-1888.</p>
<p>Item 17.B</p>	<p>If you do not have authority to vote <i>client</i> securities, disclose this fact. Explain whether <i>clients</i> will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) <i>clients</i> can contact you with questions about a particular solicitation.</p> <p>Not applicable.</p>

ITEM 18 – FINANCIAL INFORMATION

Item 18.A	<p>If you require or solicit prepayment of more than \$1,200 in fees per <i>client</i>, six months or more in advance, include a balance sheet for your most recent fiscal year.</p> <ol style="list-style-type: none"> 1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity. 2. Show parenthetically the market or fair value of securities included at cost. 3. Qualifications of the independent public accountant and any accompanying independent public accountant's report must conform to Article 2 of SEC Regulation S-X. <p>Not applicable.</p>
Item 18.B	<p>If you have <i>discretionary authority</i> or <i>custody</i> of <i>client</i> funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per <i>client</i>, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to <i>clients</i>.</p> <p>Panning Capital is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to the Funds.</p>
Item 18.C	<p>If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.</p> <p>Not applicable.</p>