

## ITEM 1 COVER PAGE

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### PART 2A OF FORM ADV: FIRM BROCHURE

#### AROSA CAPITAL MANAGEMENT LP

November 2013

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*This brochure (this “Brochure”) provides information about the qualifications and business practices of Arosa Capital Management LP (the “Investment Adviser”, “we”, “us” and similar terms). If you have any questions about the contents of this Brochure, please contact us at (212) 218-0550 or [inquiry@arosacapital.com](mailto:inquiry@arosacapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.*

*This Brochure also relates to Arosa Capital Management GP LLC (the “General Partner”); however, to the extent the qualifications and business practices of the General Partner are substantially similar to those of the Investment Adviser, no specific mention of the General Partner is made herein.*

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

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

## **ITEM 2**

### **MATERIAL CHANGES**

This Brochure is our initial Form ADV Part 2A, which has been submitted with our application for registration with the SEC; therefore, there are no material changes to report. In the future, if our Brochure contains material changes from our last annual update, we are required to identify and discuss those changes.

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## ITEM 4 ADVISORY BUSINESS

### A. General Description of Advisory Firm.

#### 1. *Arosa Capital Management LP*

Arosa Capital Management LP (“we” and “us”), is a Delaware limited partnership that was formed in 2013.

We only have one office, which is located in New York, New York.

We are controlled by our principal owners, Till Bechtolsheimer and Abraham Joseph (each, a “Principal Owner”), who are limited partners of the Investment Adviser and also act as the managing members of the General Partner. The General Partner has ultimate responsibility for our management, operations and investment decisions.

We expect to commence operations on or about January 2, 2014. We expect to launch the Funds (as defined below) on or about that same time. As of the date of this initial filing, we have no regulatory assets under management, but are filing this Form ADV as a newly formed adviser relying on Rule 203A-2(C) because we expect to be eligible for SEC registration within 120 days.

#### 2. *Arosa Capital Management Market Neutral GP LP and Arosa Capital Management Opportunistic GP LP*

Our registration on Form ADV also covers Arosa Capital Management Market Neutral GP LP (the “Market Neutral General Partner”) and Arosa Capital Management Opportunistic GP LP (the “Opportunistic General Partner”), and with the Market Neutral General Partner, the “Fund General Partners”), two exempted limited partnerships organized under the laws of the Cayman Islands. The Fund General Partners are our affiliates, and they serve or may serve as the general partners of pooled investment vehicles that are U.S. or offshore partnerships. The Fund General Partners' facilities and personnel are provided by us.

The Principal Owners are the principal owners of, and control, the Fund General Partners.

### B. Description of Advisory Services.

This Brochure generally includes information about us and our relationships with our clients. While much of this Brochure applies to all such clients, certain information included herein applies to specific clients only.

#### 1. *Advisory Services.*

We serve as the investment adviser, with discretionary trading authority, to private pooled investment vehicles, the securities of which are offered to investors on a private placement basis (each, a “Fund” and collectively, the “Funds”). We expect the Funds to be launched in January 2014. The Funds include:

- (1) Arosa Capital Management Market Neutral Fund LP, a Delaware limited partnership (the “Market Neutral Domestic Fund”);
- (2) Arosa Capital Management Market Neutral Offshore Fund Ltd., a Cayman Islands exempted company (the “Market Neutral Offshore Fund”, and together with the Market Neutral Domestic Fund, the “Market Neutral Feeder Funds”);
- (3) Arosa Market Neutral Intermediate Fund LP, a Cayman Islands exempted limited partnership (the “Market Neutral Intermediate Fund”);

- (4) Arosa Market Neutral Fund LP, a Cayman Islands exempted limited partnership (the “Market Neutral Master Fund”), which serves as the master fund into which the Market Neutral Feeder Funds (both indirectly, through the Market Neutral Intermediate Fund) invest substantially all of their assets in a “master feeder” structure;
- (5) Arosa Capital Management Opportunistic Fund LP, a Delaware limited partnership (the “Opportunistic Domestic Fund”, and together with the Market Neutral Domestic Fund, the “Domestic Funds”);
- (6) Arosa Capital Opportunistic Offshore Fund LP, a Cayman Islands exempted limited partnership (the “Opportunistic Offshore Fund”, and together with the Market Neutral Offshore Fund, the “Offshore Funds”);
- (7) Arosa Opportunistic Intermediate Fund LP, a Cayman Islands exempted limited partnership (the “Opportunistic Intermediate Fund”);
- (8) Arosa Opportunistic Master Fund LP (the “Opportunistic Mini-Master Fund”, and together with the Opportunistic Intermediate Fund and the Market Neutral Intermediate Fund, the “Intermediate Funds”); and
- (9) Arosa Opportunistic Fund LP, a Cayman Islands exempted limited partnership (the “Opportunistic Master Fund”, and together with the Market Neutral Master Fund, the “Master Funds”), which serves as the master fund into which the Opportunistic Domestic Fund (through the Opportunistic Intermediate Fund) and the Opportunistic Offshore Fund (through the Opportunistic Intermediate Fund and the Opportunistic Mini-Master Fund) invest substantially all of their assets in a “master feeder” structure.

The Market Neutral General Partner serves as the general partner of the Market Neutral Domestic Fund, the Market Neutral Intermediate Fund and the Market Neutral Master Fund.

The Opportunistic General Partner serves as the general partner of the Opportunistic Domestic Fund, the Opportunistic Offshore Fund, the Opportunistic Intermediate Fund, the Opportunistic Mini-Master Fund and the Opportunistic Master Fund.

*This Brochure does not constitute an offer to sell or a solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933 and other applicable state, federal or non-U.S. laws. Significant suitability requirements apply to prospective investors in the Funds, including requirements that they be “accredited investors” as defined in Regulation D, “qualified purchasers” as defined in the Investment Company Act, or non-“U.S. Persons” as defined in Regulation S. Persons reviewing this Brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.*

## **2. Investment Strategies and Types of Investments.**

The Market Neutral Master Fund’s principal investment objective will be to maximize investment returns while minimizing risk through a “long/short” investment strategy. The Market Neutral Master Fund will invest in long positions in securities which we believe will outperform the short constituents of the portfolio on a beta-adjusted basis, while simultaneously taking short positions in securities which we believe will underperform the long constituents of the portfolio on a beta-adjusted basis. The Market Neutral Master Fund will target daily market neutrality on a beta-adjusted basis.

The Opportunistic Master Fund will allocate capital across two sub-portfolios, the Market Neutral Portfolio and the Opportunistic Portfolio. The Market Neutral Portfolio will invest pari passu and employ the investment strategy of the Market Neutral Master Fund as described above. The Opportunistic Portfolio will invest in long and short positions in securities, companies and other assets which we believe will generate absolute returns, either in

isolation or relative to a hedging instrument. The Opportunistic Portfolio will primarily invest across the capital structure of both public and private companies as well as other assets primarily related to the energy and energy related sectors.

The descriptions set forth in this Brochure of specific advisory services that we offer to our clients, and investment strategies pursued and investments made by us on behalf of our clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each client's investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

C. Availability of Customized Services for Individual Clients.

Our investment decisions and advice with respect to each Fund will be subject to each Fund's investment objectives and guidelines, as set forth in its respective offering documents..

If in the future we determine to offer separately managed accounts ("Managed Accounts"), the investment objectives and guidelines of the Managed Accounts would be determined in conjunction with the applicable client.

The Investment Adviser, in its role as investment adviser to Funds, and/or the Fund General Partners, in their roles as the general partner of certain Funds that are partnerships, may from time to time in the future agree to supplements, clarifications, or variations of the terms of a Fund's offering, subscription, or organizational documents in "side letters" or similar agreements. If we determine that any of these side letters or agreements represent a variation that would be material to other investors, we would disclose this information in an appropriate fashion.

## ITEM 5 FEES AND COMPENSATION

### A. Advisory Fees and Compensation.

We and the Fund General Partners will typically receive compensation from the Funds from the following sources: (a) management fees based on a percentage of the net asset value of each Fund; and (b) compensation based on a percentage of the performance of each Fund. The fees applicable to each Fund are set forth in detail in each Fund's offering documents. The Funds will generally pay us a fee for investment management services at rates ranging from 1.0% to 3.0% per annum.

The Fund General Partners will generally be entitled to an incentive allocation at the end of each fiscal year from the Intermediate Funds in an amount equal to between 10% and 25% of the net capital appreciation (including realized and unrealized gains).

### B. Payment of Fees.

Fees and compensation paid to us by our clients will generally be deducted from the assets of such clients. Management fees will generally be paid by our clients either quarterly or monthly and in arrears.

### C. Additional Fees and Expenses.

Each client will bear its own expenses and its *pro rata* share of the applicable Intermediate Fund's and the applicable Master Fund's expenses, including, without limitation, management fees; investment expenses, whether or not such investments are consummated (such as brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, bank service fees and interest expenses); professional fees (including, without limitation, expenses of consultants, investment bankers, attorneys, accountants and other experts) relating to investments; administrative expenses (including, without limitation, fees and expenses of the Funds' administrators); directors' fees (including, without limitation, travel expenses associated with attending board meetings); legal expenses; external accounting and valuation expenses (including, without limitation, the cost of accounting software packages); audit and tax preparation expenses; costs related to errors and omissions insurance incurred by us or the Fund General Partners; costs of printing and mailing reports and notices; entity-level taxes; corporate licensing; regulatory expenses; expenses related to preparing and making regulatory and compliance filings associated with the client and its investment activities (including, without limitation, filing preparation and fees, software and systems in connection with such filings and expenses of service providers such as consultants and advisers); organizational expenses; fees and expenses of the Advisory Committee (as defined below) and other similar expenses related to the Fund and indemnification expenses. Generally, the client's expenses, other than management fees and any expenses which the board of directors of the Market Neutral Offshore Fund (the "Board of Directors") or the Fund General Partners, as applicable, determine in their sole discretion should be allocated to a particular shareholder or limited partner of the applicable Fund, will be charged on a *pro rata* basis. To the extent that expenses to be borne by the client are paid by us or the Fund General Partners, the client will reimburse us for such expenses.

### D. Additional Compensation and Conflicts of Interest.

Neither us nor any of our supervised persons accept compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.



## **ITEM 6**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We and our affiliates will accept performance-based fees (such fees, “Performance Compensation”) from certain clients. However, Performance Compensation may not be accepted from all clients or may be waived with regards to certain investors in our clients. The variation of Performance Compensation structures among our clients and/or investors in our clients may create an incentive for us to direct the best investment ideas to, or to allocate or sequence trades in favor of, clients that pay or allocate Performance Compensation.

In addition, our Performance Compensation will be subject to a loss carryforward mechanism. As a result of this mechanism, it is possible that there will be scenarios where—even among clients that are all subject to the assessment of Performance Compensation—one or more clients will be effectively assessed only a fixed management fee (until the client’s net asset value satisfies any “catch up” or similar requirement). In such a case, the variation in the potential receipt of actual Performance Compensation among our clients may create an incentive for us disproportionately to direct the best investment ideas to, or to allocate or sequence trades in favor of, clients that are more likely to generate Performance Compensation from profitable investment or trading activity.

## **ITEM 7**

### **TYPES OF CLIENTS**

We provide investment advice to Funds, as described above, and we may in the future provide investment advice to Managed Accounts for institutional and other investors.

## **ITEM 8**

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

#### **A. Methods of Analysis and Investment Strategies.**

The descriptions set forth in this Brochure of specific advisory services that we offer to clients, and investment strategies pursued and investments made by us on behalf of our clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each client's investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

The Market Neutral Master Fund's principal investment objective will be to maximize investment returns while minimizing risk through a "long/short" investment strategy. The Market Neutral Master Fund will invest in long positions in securities which we believe will outperform the short constituents of the portfolio on a beta-adjusted basis, while simultaneously taking short positions in securities which we believe will underperform the long constituents of the portfolio on a beta-adjusted basis. The Market Neutral Master Fund will target daily market neutrality on a beta-adjusted basis.

The Market Neutral Master Fund will invest its assets primarily in a diversified portfolio of common stocks of domestic issuers (U.S.) in the energy and energy related sectors. To a lesser extent, the Market Neutral Master Fund will invest in foreign securities and options. The Market Neutral Master Fund may utilize leverage in the implementation of its investment strategy.

The Opportunistic Master Fund will allocate capital across two sub-portfolios, the Market Neutral Portfolio and the Opportunistic Portfolio. The Market Neutral Portfolio will invest pari passu and employ the investment strategy of the Market Neutral Master Fund as described above. The Opportunistic Portfolio will invest in long and short positions in securities, companies and other assets which we believe will generate absolute returns, either in isolation or relative to a hedging instrument. The Opportunistic Portfolio will primarily invest across the capital structure of both public and private companies as well as other assets primarily related to the energy and energy related sectors.

We will generally deploy capital in the Opportunistic Master Fund in order to increase the Opportunistic Master Fund's concentration and exposure to individual positions, themes or ideas expressed in the Market Neutral Master Fund, take exposures across the capital structure, longer-duration investment theses or investments with reduced liquidity, including private companies and other assets, as well as express ideas not reflected in the Market Neutral Master Fund.

Our idea generation process generally revolves around core pillars: 1) rigorous fundamental analysis; 2) identification of emerging sector themes; 3) gauging market sentiment and expectations; and 4) Valuation dislocations.

Once conviction is established, we will weigh several factors to determine position sizing and timing, including: the existence and timing of a tangible catalyst, associated commodity risk, trade characterization (direct pair vs. alpha long or short), subsector tilt (if any), liquidity, idiosyncratic risk, and overall portfolio exposures, among others. We aim to vigilantly manage portfolio risk through real time and daily monitoring of several factors, continuous testing of whether fundamental and thematic theses remain intact, understanding any evolution in market sentiment and ensuring all new information is absorbed objectively.

#### **B. Material, Significant or Unusual Risks Relating to Investment Strategies.**

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in our clients. These risk factors include only those risks we believe to be material, significant or

unusual and relate to particular significant investment strategies or methods of analysis employed by us. Clients or prospective investors should refer to the relevant Fund's offering documents for full disclosure of the potential risks of an investment in any particular Fund, including a full description of each of its respective risk factors. In addition, as the Funds' respective strategies may develop and evolve over time, an investment in a particular Fund may be subject to additional and different risk factors than those set forth below.

**Risk of Loss.** No guarantee or representation is made that our investment programs, including, without limitation, our clients' investment objectives, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. *No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results of our investment professionals are not necessarily indicative of their future performance.*

**General Economic and Market Conditions.** The success of our activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of our clients' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of our clients' investments. Volatility or illiquidity could impair our clients' profitability or result in losses. Our clients may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

**Long/Short.** The success of our long/short investment strategy depends upon our ability to identify and purchase securities that are undervalued and identify and sell short securities that are overvalued. The identification of investment opportunities in the implementation of our long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying our clients' positions were to fail to converge toward, or were to diverge further from values expected by us, our clients may incur a loss. In the event of market disruptions, significant losses can be incurred which may force our clients to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with our long/short strategies may become outdated and inaccurate as market conditions change.

**Short Selling.** The success of our short selling investment strategy depends upon our ability to identify and sell short securities that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to our clients of buying those securities to cover the short position. There can be no assurance that our clients will be able to maintain the ability to borrow securities sold short. In such cases, our clients can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and our clients may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though we secure a "good borrow" of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing our clients to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by our clients.

**Long-Term.** The success of our clients' long-term investment strategies depend upon our ability to identify and purchase securities that are undervalued and hold such investments so as to maximize value on a long-term basis. In pursuing any long-term strategy, we may forego value in the short-term or temporary investments in order to be able to avail our clients of additional and/or longer-term opportunities in the future. Consequently, our clients may not capture maximum available value in the short-term, which may be disadvantageous, for example, for

our clients' investors who redeem all or a portion of their investment in our clients before such long-term value may be realized by our clients.

**Short-Term Market Considerations.** Our trading decisions may be made on the basis of short-term market considerations, and the portfolio turnover rate could result in significant trading related expenses.

**Leverage and Borrowing.** We may employ financial leverage to buy additional long positions or borrow against our clients' long portfolio in order to purchase additional long positions. There are no restrictions on the amount of such leverage. In the event that we do so, the following risk factors may apply.

*Leverage for Investment Purposes.* The use of leverage will allow our clients to make additional investments, thereby increasing their exposure to assets, such that their total assets may be greater than their capital. However, leverage will also magnify the volatility of changes in the value of our clients' portfolios. The use of leverage by us in a market that moves adversely to our clients' investments could result in substantial losses to our clients, which would be greater than if our clients were not leveraged.

*Borrowing for Cash Management Purposes.* Our clients have the authority to borrow for cash management purposes, such as to satisfy redemption requests. The rates at and terms on which our clients can borrow will affect the operating results of our clients.

*Collateral.* The instruments and borrowings utilized by us to leverage investments may be collateralized by all or a portion of our clients' portfolios. Accordingly, our clients may pledge their securities in order to borrow or otherwise obtain leverage for investment or other purposes. Should the securities pledged to brokers to secure our clients' margin accounts decline in value, our clients could be subject to a "margin call", pursuant to which our clients must either deposit additional funds or securities with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The banks and dealers that provide financing to our clients can apply essentially discretionary margin, "haircut", financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to our clients may have similar rights. There can be no assurance that our clients will be able to secure or maintain adequate financing.

*Costs.* Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on our clients' portfolios.

**Diversification and Concentration.** We may select investments that are concentrated in a limited number or types of securities. In addition, our clients' portfolios may become concentrated in securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions, in particular, common stock of U.S. issuers in the energy and energy related sectors. This limited diversification may result in the concentration of risk, which, in turn, could expose our clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

**Lack of Control.** Our clients may invest in equity securities of companies that they do not control, which they may acquire through market transactions or through purchases of securities directly from the issuer or other shareholders. Such securities will be subject to the risk that the issuer may make business, financial or management decisions with which our clients do not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve our clients' interests. In addition, we may share control over certain investments with co-investors, which may make it more difficult for us to implement our investment approach or exit the investment when we otherwise would. The occurrence of any of the foregoing could have a material adverse effect on our clients and the investors' investments therein.

**Hedging Transactions.** We may utilize securities for risk management purposes in order to: (i) protect our clients' unrealized gains in the value of their investment portfolios; (ii) facilitate the sale of any securities;

(iii) enhance or preserve returns, spreads or gains on any security in our clients' portfolios; (iv) protect against any increase in the price of any securities our clients anticipate purchasing at a later date; or (v) act for any other reason that we deem appropriate. We will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. We may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While we may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for our clients than if they had not engaged in any such hedging transaction. Moreover, our clients' portfolios will always be exposed to certain risks that cannot be hedged.

**Our Discretion; New Strategies, Techniques and Securities.** While we will generally seek to employ the representative investment strategies and techniques discussed herein, we have considerable discretion in the types of securities we may trade and have the right to modify the investment strategies and our techniques without the consent of our clients' investors. While we do not currently expect to invest in securities not discussed in our clients' offering documents, in the event an investment opportunity is presented, more attractive or better expressed through investing in another type of security, we will not be prohibited from investing through such other security. New investment strategies and techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to our clients. In addition, any new investment strategy or technique developed by us may be more speculative than earlier investment strategies and techniques and may involve material and as-yet-unanticipated risks that could increase the risk of an investment in our clients.

**Competition; Availability of Investments.** Certain markets in which we may invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that we will be able to identify or successfully pursue attractive investment opportunities in such environments.

#### C. Risks Associated With Particular Types of Securities.

We do not recommend a particular type of investment instrument to our clients, but rather, we recommend and invest in multiple investment instruments. Given the broad discretion we have in managing our clients, any one or more of the risks listed in the previous section may be incurred by our clients..

However, because it may be useful in understanding our investment program, set forth below is a non-exclusive list of certain risks related to securities and other instruments that may be utilized within our clients' portfolios:

**Equity Securities Generally.** The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, our clients may suffer losses if we invest in equity instruments of issuers whose performance diverges from our expectations or if equity markets generally move in a single direction and our clients have not hedged against such a general move. Our clients also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

**Derivative Instruments Generally.** Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives is subject to change. Special risks may apply in the future that cannot be determined at this time with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. The regulatory and tax environment for derivative instruments in which our clients may participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on our clients.

*Call Options.* The seller (writer) of a call option which is covered (*i.e.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the

purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

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

*Index or Index Options.* The value of an index or index option fluctuates with changes in the market values of the securities included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular security, whether our clients will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the security market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular securities.

*Index Futures.* The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, shareholders may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by us also is subject to our ability to correctly predict movements in the direction of the market.

*Swaps.* Whether our use of swap agreements or swaptions will be successful will depend on our ability to select appropriate transactions for our clients. Swap agreements and options on swap agreements (“swaptions”) can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease the holder’s exposure to, for example, equity securities. Swap agreements can take many different forms and are known by a variety of names. Swap transactions may be highly illiquid and may increase or decrease the volatility of our clients’ portfolios. Moreover, our clients bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. Our clients will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of our clients to post or maintain required collateral. It is possible that developments in the swap markets, including potential government regulation, could adversely affect our clients’ abilities to terminate swap transactions or to realize amounts to be received under such transactions.

*Failure to Enter into Offsetting Trade.* To the extent we invest in a futures contract or option long, unless an offsetting trade is made, we would be required to take physical delivery of the commodity underlying the future or option. To the extent we fail to enter into such offsetting trade prior to the expiration of the contract, we may suffer a loss since neither us nor our clients has the operational capacity to accept physical delivery of commodities.

**Distressed Obligations.** The obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems (including companies involved in bankruptcy or other reorganization and liquidation proceedings) are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the risk that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, recharacterize debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to our clients' investments in any security. Obligations in which our clients invest may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that value of the assets collateralizing our clients' investments will be sufficient or that prospects for a successful reorganization or similar action will become available. In any reorganization or liquidation proceeding relating to a company in which our clients invest, they may lose their entire investment, may be required to accept cash or securities with a value less than their original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from our clients' investments may not compensate our clients' investors adequately for the risks assumed. In addition, under certain circumstances, payments and distributions may be disgorged if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to our clients of the security in respect to which such distribution was made.

**Initial Public Offerings.** Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of our clients' shares.

**Undervalued Securities.** The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from our clients' investments may not adequately compensate for the business and financial risks assumed.

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

**Debt Securities Generally.** Debt securities of all types of issuers may have speculative characteristics, regardless of whether they are rated. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal in accordance with the terms of the obligations.



*Interest Rate Risk.* Changes in interest rates can affect the value of the our clients' investments in fixed-income instruments. Increases in interest rates may cause the value of the our clients' debt investments to decline. Our clients may experience increased interest rate risk to the extent they invest, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

*Prepayment Risk.* The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on debt instruments will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. Generally, obligors tend to prepay their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow.

In general, "premium" securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many fixed rate obligations will be discount instruments when interest rates and/or spreads are high, and will be premium instruments when interest rates and/or spreads are low, such debt instruments may be adversely affected by changes in prepayments in any interest rate environment.

The adverse effects of prepayments may impact our clients' portfolios in two ways. First, particular investments may experience outright losses, as in the case of an interest-only instrument in an environment of faster actual or anticipated prepayments. Second, particular investments may underperform relative to hedges that we may have constructed for these investments, resulting in a loss to our clients' overall portfolios. In particular, prepayments (at par) may limit the potential upside of many instruments to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss.

*Corporate Debt.* Bonds, notes and debentures issued by corporations may pay fixed, variable or floating rates of interest, and may include zero-coupon obligations. Corporate debt instruments may be subject to credit ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. In addition, our clients may be paid interest in kind in connection with their investments in corporate debt and related financial instruments (e.g., the principal owed to the Fund in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, our clients may experience substantial losses.

**Bank Loans.** The Opportunistic Master Fund's investment program may include investments in significant amounts of bank loans and participations. These obligations are subject to unique risks, including, without limitation: (i) inadequate perfection of the security interest granted under the loan documents; (ii) the possible invalidation or compromise of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (iii) the validity and seniority of bank claims and guarantees; (iv) so-called lender-liability claims by the issuer of the obligations; (v) environmental liabilities that may arise with respect to collateral securing the obligations; (vi) adverse consequences resulting from participating in such instruments with other institutions with lower credit quality; (vii) long and less certain settlement periods; (viii) collateral posting obligations that may arise in connection with investments in revolving credit facilities or delayed draw term loans, which gives rise to the risk of loss with respect to posted collateral; and (ix) the risk that ownership through assignment is not feasible and the Opportunistic Master Fund may be required to hold its interest via a participation, which gives rise to counterparty credit risk and limitations on the ability of our clients to directly enforce certain rights (e.g., voting rights). Successful claims by third parties arising from these and other risks will be borne by our clients.

As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading, which may improve market liquidity. There can be no assurance, however,

that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to the high-yield debt market.

**Preferred Stock.** Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy. Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

### **Private Equity Investments.**

*Risk of Early Stage Companies.* Investments in the private equity of companies at an early stage of development involve a high degree of business and financial risk. Early-stage companies with little or no operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period or may operate at a loss. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, better marketing and service capabilities and a larger number of qualified management and technical personnel. Such risks may adversely affect the performance of such investments and result in substantial losses.

*Control Issues.* Although our clients may seek protective provisions, including, possibly, board representation, in connection with certain of their private equity investments, to the extent our clients take minority positions in companies in which they invest, our clients may not be in a position to exercise control over the management of such companies, and, accordingly, may have a limited ability to protect their positions in such companies.

*Highly-Leveraged Companies.* Investments in private equity of highly-leveraged companies involve a high degree of risk. The use of leverage may increase the exposure of such companies to adverse economic factors such as downturns in the economy or deterioration in the conditions of such companies or their respective industries. In the event any such company cannot generate adequate cash flow to meet debt service, our clients may suffer a partial or total loss of capital invested in the company, which, depending on the size of our clients' investments, could adversely affect their return on capital.

*Illiquid Investments.* Our clients may invest in illiquid investments, including both public and private investments (such as unlisted securities of U.S. and non-U.S. companies and private companies on a global basis, including companies located in emerging markets), and may acquire assets or securities that we believe either lack a readily assessable market value or should be held until the resolution of a special event or circumstance. Additionally, investments may become illiquid due to market conditions, given the relative size of the investment. The success of these investments is typically dependent not only upon the successful management of such companies, but also upon our ability to engineer effective "exit strategies" in order to realize any enterprise value created or to force the companies to create liquidity opportunities. Such investments may consume a substantial amount of our time. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and a client may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and/or illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Our clients may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Although these securities may be resold in privately negotiated

transactions, restricted or otherwise illiquid securities may sell at a price lower than similar securities that are not subject to restrictions on resale. In addition, the limited liquidity of these investments may subject them to more extensive fluctuations in value and may impair the ability of our clients to exit such investments in times of adversity. Further, companies whose securities are not publicly-traded will generally not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities. Such unlisted and private securities may also be difficult to value and such valuation may require the exercise of substantial discretion by us.

*Risk of Clawback With Respect to Investments.* Our clients may make investments in certain illiquid instruments (such as investments in other hedge funds or private equity funds) that are, or may be, subject to ongoing litigation, other dispute resolution processes or bankruptcy proceedings, or have as part of their organizational documents a right to clawback distributions previously made to investors, all of which could result in all or part of their investment in such investments being clawed back under certain circumstances. Although we consider clawback risk when making investments, we may not be able to accurately predict the likelihood or size of such risk. Accordingly, if a clawback is imposed on our clients in respect of such an investment, investors in the applicable client as of the time of such clawback will bear such loss even if such investors were not investors at the time of the initial investment.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

**ITEM 10**  
**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

A. Broker-Dealer Registration Status.

We and our management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status.

We and our management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

C. Material Relationships or Arrangements with Industry Participants.

The Investment Adviser serves as the investment manager to several privately placed pooled investment vehicles as described above. Related persons that are under common control with the Investment Adviser serve as the general partner or investment manager to certain of the Funds. An executive officer serves on the board of directors of a private bank and receives customary director fees for such service.

D. Material Conflicts of Interest Relating to Other Investment Advisers.

We do not recommend or select other investment advisers for our clients.

## ITEM 11

### CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

#### A. Code of Ethics.

We strive to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, we have adopted a Code of Ethics (the “Code”). The Code incorporates the following general principles that all employees are expected to uphold:

- employees must at all times place the interests of clients first;
- all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee’s position of trust and responsibility must be avoided;
- employees must not take any inappropriate advantage of their positions;
- information concerning the identity of securities and financial circumstances of our clients, including our clients’ investors, must be kept confidential; and
- independence in the investment decision-making process must be maintained at all times.

Clients may request a copy of the Code by contacting us at the address or telephone number listed on the first page of this document.

#### B. Securities that We or a Related Person Have a Material Financial Interest.

##### 1. *Cross-Trades*

We do not intend to cause our clients to engage in transactions between themselves.

##### 2. *Principal Transactions*

To the extent that the our clients’ transactions may be viewed as principal transactions, as such term is used under the Investment Advisers Act of 1940 (the “Advisers Act”), due to the ownership interest in a client by the Fund General Partners, the Investment Manager or its personnel, the Fund General Partners and the Investment Manager will comply with the requirements of Section 206(3) of the Advisers Act. In connection with principal transactions, related-party transactions and other transactions and matters involving potential conflicts of interest, each Fund General Partner is authorized to select one or more persons who are not affiliated with the Investment Manager (such as an independent director) to serve on a committee (the “Advisory Committee”), the purpose of which is to consider and, on behalf of the applicable Funds’ investors, the limited partners of the applicable intermediate fund and, if desired by such Fund General Partner, the investors in any other feeder fund in the applicable master fund, approve or disapprove, to the extent required by applicable law or deemed advisable by such Fund General Partner, such transactions and conflicts of interest. The members of the Board of Directors will serve as members of the Advisory Committee; *provided* that when the Advisory Committee is asked to review and approve principal transactions, related-party transactions or other transactions and matters involving potential conflicts of interest, any member of the Board of Directors that is affiliated with the Investment Manager will be required to recuse himself or herself from voting on such matters. The Advisory Committee may approve such transactions prior to or contemporaneous with, or ratify such transactions subsequent to, their consummation. In no event will any such transaction be entered into unless it complies with applicable law. The member(s) of the Advisory Committee may be exculpated and indemnified by applicable Fund, Intermediate Fund and/or Master Fund. Any decision of the Advisory Committee will be binding on all of the applicable Fund’s direct and indirect investors.

C. Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients.

The Code places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to us on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions. Personal securities transactions will be subject to a minimum holding period. Generally, and subject to certain exceptions, our employees may not engage in personal securities trading and may only dispose of securities held in their respective personal trading accounts. Any such disposition of securities must be pre-cleared. However, related persons may purchase and sell mutual funds and broad-based exchange-traded funds (“ETFs”). Some clients may invest in the same or similar mutual funds and ETFs.

We, our affiliates and our employees may give advice or take action for our own accounts that may differ from, conflict with or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients. Potential conflicts also may arise due to the fact we and our personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

We have established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner we deem fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

D. Conflicts of Interest Created by Contemporaneous Trading.

We will manage investments on behalf of a number of clients. Certain clients have investment programs that are similar or overlap and may, therefore, participate with each other in investments. It is our policy to allocate investment opportunities among all clients fairly, to the extent practicable and in accordance with each client’s applicable investment strategies, over a period of time. We will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any client solely because we purchase or sell the same security for, enter into a transaction on behalf of, or provide an opportunity to any other client if, in our reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the client.

It will be our policy to allocate investment opportunities to each client and to any other client fairly, to the extent practicable and in accordance with the client’s or other clients’ applicable investment strategies, over a period of time. Investment opportunities will generally be allocated among those clients for which participation in the respective opportunity is considered appropriate, taking into account, among other considerations: (i) whether the risk-return profile of the proposed investment is consistent with a client’s objectives; (ii) the potential for the proposed investment to create an imbalance in a client’s portfolio; (iii) the liquidity requirements of a client; (iv) potentially adverse tax consequences; (v) regulatory restrictions that would or could limit a client’s ability to participate in a proposed investment; (vi) the need to re-size risk in a client’s portfolio; (vii) redemption or withdrawal requests from other clients and anticipated future contributions into the client and the other clients; and (viii) proximity of another client to the end of its specified term/commitment period.

We will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to the client or other clients solely because we purchase or sell the same security for, enters into a transaction on behalf of, or provide an opportunity to another client or the client if, in our reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practicable or desirable for such client or the other clients.

In particular, when a client is ramping up its investment or trading strategies, it may receive larger allocations of certain securities than other clients in order to obtain its desired risk and portfolio size.

## **ITEM 12**

### **BROKERAGE PRACTICES**

#### **A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.**

As noted previously, we have full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. Our authority is limited by our own internal policies and procedures and each client's investment guidelines.

Portfolio transactions for each client will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to us and/or certain clients, but not beneficial to all clients. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, we may consider, among other things, the following:

- the ability of the brokers and dealers to effect the transaction;
- the brokers' or dealers' facilities, reliability and financial responsibility; and
- the provision by the brokers of capital introduction, talent introduction, marketing assistance, consulting with respect to technology, operations and equipment, commitment of capital, access to company management and access to deal flow.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. We need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost or spread. Generally, neither we nor the Funds separately compensate any broker or dealer for any of these other services.

If we decide, based on the factors set forth above, to execute over-the-counter transactions on an agency basis through Electronic Communications Networks ("ECNs"), we will also consider the following factors when choosing to use one ECN over another:

- the ease of use;
- the flexibility of the ECN compared to other ECNs; and
- the level of care and attention that will be given to smaller orders.

We maintain policies and procedures to review the quality of executions, including periodic reviews by our investment professionals.

#### **1. *Research and Other Soft Dollar Benefits.***

From time to time, we may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting client transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. We will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e). We believe it is important to our investment decision-making processes to have access to independent research.



Also, consistent with Section 28(e), research products or services obtained with “soft dollars” generated by one or more clients may be used by us to service one or more other clients, including clients that may not have paid for the soft dollar benefits. We do not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the client accounts generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to us (*i.e.*, a “mixed use” item), we will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of our allocation of the costs of such benefits and services between those that primarily benefit us and those that primarily benefit our clients.

When we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for such products or services. We may have an incentive to select or recommend a broker-dealer based on our interest in receiving research or other products or services, rather than on our clients’ interest in receiving most favorable execution.

At least annually, we will consider the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and will attempt to allocate a portion of the brokerage business of our clients on the basis of that consideration. Broker-dealers will sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will we make binding commitments as to the level of brokerage commissions we will allocate to a broker-dealer, nor will we commit to pay cash if any informal targets are not met. A broker-dealer will not be excluded from receiving business because it has not been identified as providing research products or services.

## **2. *Brokerage for Client Referrals.***

Neither we nor any related person receives client referrals from any broker-dealer or third party. However, as discussed above, subject to best execution, we may consider, among other things, capital introduction and marketing assistance with respect to investors in the Funds in selecting or recommending broker-dealers for the Funds.

## **3. *Directed Brokerage.***

We do not recommend, request or require that a client direct us to execute transactions through a specified broker-dealer.

## **B. Order Aggregation.**

If we determine that the purchase or sale of a security is appropriate with regard to multiple clients, we may, but are not obligated to, purchase or sell such a security on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client will receive the average price, with transaction costs generally allocated *pro rata* based on the size of each client’s participation in the order (or allocation in the event of a partial fill) as determined by us. In the event of a partial fill, allocations may be modified on a basis that we deem to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by us. As a result, certain trades in the same security for one client (including a client in which we and our personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

## **ITEM 13**

### **REVIEW OF ACCOUNTS**

**A. Frequency and Nature of Review of Client Accounts or Financial Plans.**

We perform various daily, weekly, monthly, quarterly and periodic reviews of each client's portfolio. Such reviews are conducted by our personnel.

**B. Factors Prompting Review of Client Accounts Other than a Periodic Review.**

A review of a client account may be triggered by any unusual activity or special circumstances.

**C. Content and Frequency of Account Reports to Clients.**

We generally provide annual audited financial statements to our clients within 120 days of the applicable client's fiscal year end.

Investors in the Funds receive a monthly letter from us documenting the performance of their Fund, along with a commentary by us, although we may provide certain investors with information on a more frequent and detailed basis if agreed to by us. In addition, we issue investors tax reports and audited financial statements concerning their respective Funds within 120 days of the end of each Fund's fiscal year. While all investors generally receive similar information, to the extent an investor receives additional information (that other investors have not received), which is in addition to information provided in a Fund's regular reports to investors, such information may provide such investor with greater insight into the Fund's activities. This may enhance such investor's ability to make investment decisions with respect to the Fund and possibly affect such investor's decision to request a redemption from the Fund.

**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

A. Economic Benefits for Providing Services to Non-Clients.

We do not receive economic benefits from non-clients for providing investment advice and other advisory services.

B. Compensation to Non-Supervised Persons for Client Referrals.

Neither we nor any of our related persons directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals.

## **ITEM 15**

### **CUSTODY**

We are deemed to have custody of client funds and securities because we have the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to our clients are sent by qualified custodians to us.

We are subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, we are not required to comply (or will be deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because we will comply with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

**ITEM 16**  
**INVESTMENT DISCRETION**

We serve as the investment manager with discretionary trading authority to each Fund.

Our investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

We have entered into an investment management agreement, or similar agreement, with each Fund, pursuant to which we have been granted discretionary trading authority.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

#### **A. Policies and Procedures Relating to Voting Client Securities.**

In compliance with Advisers Act Rule 206(4)-6, we have adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, “Proxies”) in a prudent and diligent manner that will serve the applicable client’s best interests and is in line with each client’s investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

In limited circumstances, we may refrain from voting Proxies where we believe that voting would be inappropriate, taking into consideration the cost of voting the Proxies and the anticipated benefit to our clients. Generally, clients may not direct our vote in a particular solicitation.

Conflicts of interest may arise between the interests of our clients on the one hand and us or our affiliates on the other hand. If we determine that we may have, or be perceived to have, a conflict of interest when voting Proxies, we will vote in accordance with our Proxy voting policies and procedures. Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

**ITEM 18**  
**FINANCIAL INFORMATION**

We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to clients, and have not been the subject of a bankruptcy petition at any time during the past ten years.