

**ITEM 1
COVER PAGE**

PART 2A OF FORM ADV: FIRM BROCHURE

ACORN ADVISORY CAPITAL, L.P.

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This brochure provides information about the qualifications and business practices of Acorn Advisory Capital, L.P. If you have any questions about the contents of this brochure, please contact us at 212-838-7000 or cfleming@dlfi.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.

Additional information about Acorn Advisory Capital, L.P. also is available on the SEC's website at www.adviserinfo.sec.gov.

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

ITEM 2
MATERIAL CHANGES

No material changes have been noted since the last filing.

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ITEM 4

ADVISORY BUSINESS

A. General Description of Advisory Firm.

Acorn Advisory Capital, L.P., (the "Acorn Investment Adviser") a Delaware limited partnership, commenced operations in 1994. The general partner of the Acorn Investment Adviser is Acorn Advisory Capital Management, LLC (the "Acorn Investment Adviser General Partner"), a Delaware limited liability company, and is majority owned by Robert Rosenkranz and his affiliates. The Acorn Investment Adviser General Partner has ultimate responsibility for the management, operations and the investment decisions made by the Acorn Investment Adviser.

R & Co. Capital Management, LLC, ("R & Co."), a Delaware limited liability company, commenced operations in December 2005. R & Co. is 100% owned by Robert Rosenkranz.

R & Co. will herein be referred to as the "Relying Adviser" and the Acorn Investment Adviser and R & Co. will herein be referred to as the "Investment Advisers".

B. Description of Advisory Services.

The Acorn Investment Adviser provides investment advisory services to and manages, or acts as co-general partner to, private funds engaged in a multi-manager, multi-strategy investment program, including, Acorn Partners, L.P., Acorn Credit Strategies, L.P., and Acorn Income Partners, L.P. which are each formed as Delaware limited partnerships (collectively, the "Onshore Funds") and Acorn Overseas Limited and Acorn Credit Strategies Fund, Ltd., which are each formed as Cayman Islands exempted companies (the "Offshore Funds", and together with the Onshore Funds, the "Funds"). The Acorn Investment Adviser engages in strategy identification and allocation, researches and determines the identity of portfolio managers (the "Portfolio Managers"), assesses the suitability of the terms and conditions of the investment vehicles managed by the Portfolio Managers (and, where relevant, negotiates the respective investment advisory agreements) and monitors the performance of the Portfolio Managers. In addition, the Acorn Investment Adviser provides investment advisory services to certain client accounts ("Other Accounts") on a discretionary and non-discretionary basis.

Limited Partnership interests in the Onshore Funds are offered on a private placement basis, and in reliance on Section 3(c)7 of the Investment Company Act of 1940, as amended (the "Company Act"), to persons who generally are "accredited investors" as defined under the Securities Act of 1933, as amended (the "Securities Act") and "qualified purchasers" as defined under the Company Act, and who are subject to certain other conditions, which are fully set forth in the offering documents for the Onshore Funds.

Shares in the Offshore Funds are generally offered to persons who are not "U.S. Persons," as defined under Regulation S of the Securities Act, or who are tax-exempt U.S. Persons (or entities substantially comprised of tax-exempt U.S. Persons) on a private placement basis, and who are subject to certain other conditions, which are fully set forth in the offering documents for the Offshore Funds.

The Relying Adviser provides investment advisory services to and manages private funds and internal pooled vehicles. The Relying Adviser is the general partner of Rosenkranz & Company, L.P., (the "Equity Fund"), a Delaware limited partnership, whose principal business activity is investing in private equity, Portfolio Managers and other investment strategies. Interests are no longer offered to investors in the Equity Fund. The Relying Adviser is also the general partner and investment adviser to various internal pooled employee vehicles.

The Funds, the Equity Fund and the Other Accounts will herein be referred to as the "Clients" unless otherwise noted.

Please refer to Item 8 for a more detailed description of the Investment Advisers' investment strategies, as well as a summary of the securities and other instruments purchased by Clients under the management of the Investment Advisers.

This Brochure generally includes information about the Investment Advisers and their relationships with their Clients and affiliates. While much of this Brochure applies to all such Clients and affiliates, certain information included herein applies to specific Clients or affiliates only.

C. Availability of Customized Services for Individual Clients.

The Investment Advisers' investment decisions and advice with respect to each Client are subject to such Client's investment objectives and guidelines as set forth in their respective offering documents or limited partnership agreements, as well as any instructions provided by such Clients to the Investment Advisers.

D. Assets Under Management.

As of December 31, 2013, the Investment Advisers manage approximately \$825,075,744 of regulatory assets under management on a discretionary and non-discretionary basis.

ITEM 5 FEES AND COMPENSATION

A. Advisory Fees and Compensation.

The fees applicable to each Client are set forth in detail in each Client's offering documents, limited partnership agreement, and for the Other Accounts, the agreements relating to such accounts. A brief summary of such fees is provided below.

The Acorn Investment Adviser generally charges Acorn Partners, L.P. and Acorn Overseas, Ltd. a management fee that ranges between 1.5% and 2% of a Fund investors' net assets based on such Fund investors' aggregate investment in such Funds. With respect to Acorn Credit Strategies, L.P., and Acorn Credit Strategies, Ltd., the Acorn Investment Adviser receives, at each investor's election, either (i) a management fee equal to 1.5% of such Fund investors' net assets or (ii) a management fee equal to 1% of such Fund investors' net assets and performance-based compensation equal to 10% of the excess of the annual net capital appreciation (including both realized and unrealized gains and losses) of each Fund investors' account after deduction of the management fee and in excess of a stated threshold return, subject to loss carryforward provisions.

The Acorn Investment Adviser has invested a significant portion of the assets of Acorn Partners L.P. and Acorn Overseas, Ltd. (the "Acorn Funds") in Funds managed by the Acorn Investment Adviser or its affiliates, including Acorn Credit Strategies, L.P. and Acorn Credit Strategies, Ltd., (the "Acorn Portfolio Funds"), which in turn invest in Portfolio Funds (as defined below). Investors in the Acorn Funds will not be charged management fee compensation at the Acorn Fund level with respect to their investments in Acorn Portfolio Funds managed by the Acorn Investment Adviser or its affiliates and the Investment Adviser Overhead Expenses (as defined below) payable at the Acorn Funds will be adjusted so that the Acorn Funds are not also assessed Investment Adviser Overhead Expenses relating to an investment by the Acorn Fund in an underlying Acorn Portfolio Fund advised by the Acorn Investment Adviser which bears those same expenses. The Acorn Funds will, however, bear their share of the management fee as well as operating and other expenses associated with such Acorn Portfolio Funds.

Management fee compensation for the Funds is paid annually in arrears and performance-based compensation is generally paid annually. Fees may be waived, reduced or calculated differently at the discretion of the general partner or board of directors of the Funds, as applicable.

In the case of Acorn Income Partners, L.P., which is in liquidation, there is no management fee or performance-based compensation charged.

The Acorn Investment Adviser charges fees for the Other Accounts in varying amounts from .2% of total assets or .25% of Other Accounts' assets.

The Relying Adviser, generally charges the Equity Fund's Class B limited partners a management fee of 1.0% (annualized) of the balance in each Class B limited partner's capital account as of the end of each year. The Equity Fund allocates performance-based compensation to the Relying Adviser annually equal to 20% of the increase in book

value of its assets of the Class B limited partners. When such assets are sold or distributed in-kind, the Relying Adviser is entitled to a 20% incentive allocation on the fair market value above the then stated book value.

Fees are generally non-negotiable.

B. Payment of Fees.

Fees and compensation paid to the Investment Advisers or affiliates of the Investment Advisers by the Funds and Equity Fund are generally deducted from the assets of each such Client. As discussed above, management fees and performance-based compensation are generally deducted on an annual basis for the Funds and the Equity Fund.

Fees are billed and paid quarterly for the Other Accounts.

C. Additional Fees and Expenses.

The Clients bear all of their own operating expenses, which may include, but not be limited to, investment expenses (e.g., brokerage commissions, trading quotes, expenses relating to short sales, clearing and settlement charges, custodial fees, interest expense), professional fees (including, without limitation, expenses of consultants and experts' fees relating to particular investments), travel expenses related to investments, legal expenses, accounting, audit and tax preparation expenses, costs of printing and mailing reports and notices, entity-level taxes, corporate licensing, regulatory expenses (including filing fees), expenses relating to the offer and sale of interests/shares, and such extraordinary expenses as may be determined by the general partner or board of directors of each Fund.

In addition to each Fund's own operating expenses, in recognition of certain investment advisory, operational, accounting, legal and other services the Investment Adviser provides to the Funds, the Funds bear their allocable share of the expenses of the Investment Adviser that are attributable to or relate to each Fund, including, but not limited to, salaries and benefits of officers, partners and employees (including portfolio management, operational, legal, accounting, administrative, clerical and temporary personnel) of the Investment Adviser that perform services for the Funds (including, without limitation, bonuses, performance-based compensation, insurance expenses and retirement plan funding), hiring costs, payroll taxes, state taxes, rent, consulting and legal expenses, liability insurance, utilities and office expenses (including, without limitation, office supplies, office furniture, communication expenses, computer equipment, machine maintenance, computer support from outside consultants and software) and other expenses of the Investment Adviser ("Investment Adviser Overhead Expenses"). The cost to the Funds of such expenses are generally comparable to third-party costs that would otherwise be borne by the Funds for such services. See also Item 10.

The Equity Fund bears its expenses including, without limitation, expenses related to designated investments, taxes and or credits, as well as salaries, rent, travel and entertainment expenses, and miscellaneous administrative and overhead costs.

D. Prepayment of Fees.

Not applicable.

E. Additional Compensation and Conflicts of Interest.

Neither the Investment Advisers, nor any of their supervised persons accepts compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.

ITEM 6

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Investment Advisers and their affiliates accept performance-based fees from certain Clients as described in Item 5A. However, performance-based fees are not accepted from all Clients. The variation of performance-based fee structures among the Investment Advisers' Clients may create an incentive for the Investment Advisers to direct the best investment ideas to, or to allocate or sequence trades in favor of, Clients that pay or allocate performance-based fees.

The Investment Advisers are committed to allocating investment opportunities on a fair and equitable basis and has established policies and procedures to address the conflicts of interest described above, including the following:

Interests in Portfolio Managers and corresponding portfolio funds ("Portfolio Funds") and other investments deemed appropriate may not be allocated to one Client over another in order to:

- Favor one Client because that Client generates higher fees (including performance-based compensation) over another;
- Develop a relationship with an investor or with a prospective investor;
- Compensate an investor for past services or benefits rendered to the Investment Advisers; or
- Induce future services or benefits to be rendered to the Investment Advisers.

In addition, no investment in a Portfolio Fund or other investment will be made on behalf of a Client unless the investment would be consistent with the Client's stated investment objective and investment program.

The Investment Advisers determine the extent to which each Client will participate in an investment, if at all (*i.e.*, the allocation of an investment among the Clients), on a basis that it believes is fair and equitable, taking into account a variety of factors, to the extent relevant under the circumstances, including but not limited to: (i) current and projected relative capital levels of the Clients; (ii) each Client's current and projected available cash for investment; (iii) the level of interests in the Portfolio Fund or other investment being offered currently and anticipated to be offered in the future; (iv) the size of current and projected investments by each Client in a Portfolio Fund or other investment; (v) the Clients' portfolio compositions and tax considerations; (vi) any limitations imposed by the Portfolio Manager of a Portfolio Fund or other investment regarding the size of the positions that may be taken (minimum or maximum) for a Client, thereby limiting the size of the Client's position or the availability of the investment opportunity; (vii) the existence of any contractual or regulatory limitations on a Client's making of investments; and (viii) the Clients' investment objectives and parameters (*e.g.*, any maximum strategy or per-manager exposures).

Each allocation decision is made based on the total mix of factors deemed relevant by the Investment Advisers, with no pre-specified weight accorded to any one

factor. Nevertheless, to the extent any factor not cited above has a material impact on an allocation made (or not made) to a Client, a description of that factor shall be memorialized in writing by the Investment Advisers' Chief Operating Officer and Compliance Officer.

Each Client that participates on the same date in the acquisition or disposition of interests in a Portfolio Fund or other investment will do so at the same net asset value or price per share, as applicable, and should be subject to the same transaction cost structure, to the extent applicable.

ITEM 7
TYPES OF CLIENTS

The Investment Advisers generally provides advice to the Funds, the Equity Fund and the Other Accounts as described above. The Acorn Investment Adviser generally imposes a minimum investment requirement in order for investors to make an investment in the Funds, which may vary depending on the Fund. Interests are no longer offered in the Equity Fund and therefore, there is no minimum requirement.

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 the Investment Advisers offer to Clients, and investment strategies pursued and investments made by the Investment Advisers on behalf of their Clients, should not be understood to limit in any way the Investment Advisers' investment activities. The Investment Advisers may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Investment Advisers considers appropriate, subject to each Client's investment objectives and guidelines. The investment strategies the Investment Advisers 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.

In providing investment advice to the Clients, the Investment Advisers' strategy will include the allocation of capital of the various Clients to a diversified group of Portfolio Managers, who in turn invest this capital in underlying securities and investments. Such Clients may invest in the limited partnership interests, shares, or other securities issued by investment vehicles sponsored by such Portfolio Managers or may invest in separately managed accounts with such Portfolio Managers. The Investment Advisers may also opportunistically invest directly in a broad spectrum of securities, depending on the guidelines of each Client and Other Account. The discussion of the Portfolio Manager strategies below would therefore also pertain to any direct investment made by the Investment Advisers on behalf of any Client. The Investment Advisers, or their affiliates also provide management administration services to the investment vehicles they manage.

The Investment Advisers identify, research, interview, evaluate, select and monitor the performance of the Portfolio Managers with whom the Investment Advisers invest. The Portfolio Managers with whom the Investment Advisers invest generally use non-traditional methods of investing to seek returns. The Investment Advisers determine their allocation as among various investment strategies and asset classes based on the current economic environment, and then select Portfolio Managers within these strategies and asset classes based on various criteria. These criteria, which are assessed on the basis of extensive due diligence, include, among others, the historical absolute and relative investment performance of the Portfolio Manager and volatility of such performance, the extent of market directionality entailed in the investment program, the Portfolio Manager's risk management policies and practices, the level of leverage utilized, the liquidity of the underlying investment portfolio, the level of the Portfolio Manager's personal investment in the investment vehicle, the Portfolio Manager's operational and compliance capabilities and the quality of its management and investment professionals. The Investment Advisers also utilize fundamental security analysis before investing directly in any securities.

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 the Clients advised by the Investment Advisers. These risk factors include only those risks the Investment Advisers believe to be material,

significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Investment Advisers.

The Investment Advisers have identified the following material, significant or unusual risks relating to the various investment strategies:

Independent Portfolio Managers. The Portfolio Managers trade wholly independently of one another and may at times hold economically offsetting positions. To the extent that the Portfolio Managers do, in fact, hold such positions, a Client may not achieve any gain or loss despite incurring expenses. In addition, there may often be times when a particular Portfolio Manager may receive performance-based compensation in respect of a Client's investments for a period even though the Client's overall portfolio depreciated during such period. Alternatively, it is possible that Portfolio Managers may take substantial positions in the same security at the same time. This would interfere with a Client's diversification objectives. The Portfolio Managers are generally not required to follow any specific concentration restrictions and may at times (individually or collectively) accumulate substantial positions in one or more securities, thereby exposing the Funds to the possibility of substantial losses. Some Portfolio Managers may also compete with each other from time to time for the same positions in certain markets. Such competition may adversely affect the performance of the Portfolio Funds managed by such Portfolio Managers.

Limited Diversification. The Clients will seek to diversify their assets through investments with various Portfolio Managers. Such diversification may not be achieved as a result of insufficient investment opportunities or insufficient investable assets as a result of insufficient contributions or withdrawals/redemptions by investors. In addition, because the Clients seek to diversify among Portfolio Managers to reduce the potential for losses, such diversification may actually adversely affect the overall performance of the Clients, because the Client's return as a whole may be adversely affected by the unfavorable performance of even a single Portfolio Manager. The Clients are not restricted as to the percentage of the assets that may be invested in any particular issuer, industry, instrument, market or geographic region.

"Style Drift". The Investment Advisers rely primarily on information provided by Portfolio Managers in assessing a Portfolio Manager's defined investment strategy, the underlying risks of such a strategy and, ultimately, determining whether, and to what extent, it will allocate the Clients' assets to particular Portfolio Managers. "Style drift" is the risk that a Portfolio Manager may deviate from its stated or expected investment strategy. Style drift can occur abruptly if a Portfolio Manager believes it has identified an investment opportunity for higher returns from a different approach (and the Portfolio Manager disposes of an interest quickly to pursue this approach) or it can occur gradually, such as if, for instance, a "value"-oriented Portfolio Manager gradually increases a Portfolio Fund's investments in "growth" stocks. Style drift can also occur if a Portfolio Manager focuses on factors it had deemed immaterial in its offering documents, such as particular statistical information or returns relative to certain benchmarks. Additionally, style drift may result in a Portfolio Manager pursuing investment opportunities in an area in which it has a competitive disadvantage or is outside the Portfolio Manager's area of expertise (e.g., a large-cap manager focusing on small-cap investment opportunities). Moreover, style drift poses a particular risk for multiple-manager structures since, as a consequence, the Clients may be exposed to particular markets or strategies to a greater

extent than was anticipated by the Investment Advisers when they assessed the portfolio's risk-return characteristics and allocated assets to a Portfolio Manager (and which may, in turn, result in overlapping investment strategies among various Portfolio Managers).

Misconduct or Bad Judgment of Portfolio Managers. It will be difficult, if not impossible, for the Investment Advisers to protect the Clients from the risk of Portfolio Manager fraud, misrepresentation, material strategy alteration or poor judgment. Although Portfolio Managers are required to adhere to the offering documents for the respective funds, the Investment Advisers cannot control the investments made by a Portfolio Manager. Further, when the Clients invest in a Portfolio Fund, they do not have custody of the assets of such Portfolio Fund. Therefore, there is always the risk that the personnel associated with such Portfolio Fund could abscond with the Portfolio Fund's securities or funds (or both) resulting in losses to the Clients.

Turnover. The Clients' activities involve investment in the Portfolio Funds, which may invest on the basis of short-term market considerations. The turnover rate within the Portfolio Funds may be significant, potentially involving substantial brokerage commissions and fees. The Clients will have no control over this turnover. In addition, the withdrawal/redemption of the Clients from a Portfolio Fund could involve expenses to the Clients under such Portfolio Fund's terms.

Newly-Formed Portfolio Funds and Portfolio Managers. From time to time, the Clients may invest in newly or recently formed Portfolio Funds and "emerging" Portfolio Managers. To the extent such a Portfolio Fund or Portfolio Manager is in an early stage of formation or operation, there may be a number of operational and other issues that make these types of investments highly speculative. For example, in its early stages, a Portfolio Manager may have little capital available to cover expenses and, accordingly, may have difficulty attracting qualified personnel. An emerging Portfolio Manager may face competition from other investment funds, which may be more established, have a larger number of qualified personnel and benefit from a larger capital base. There is no guarantee that such investment management firms will be able to overcome these obstacles and generate any profits.

Advisory Accounts. The Clients may place assets with Portfolio Managers by opening discretionary managed accounts rather than investing in Portfolio Funds and other private investment companies. Managed accounts expose the Clients to theoretically unlimited liability, and it is possible, given the leverage at which certain of the Portfolio Managers will trade, that the Clients could lose more in a managed account directed by a particular Portfolio Manager than the Clients had allocated to such Portfolio Manager to invest.

Proprietary Investment Strategies. A Portfolio Manager may use proprietary investment strategies that are based on considerations and factors that are not fully disclosed to the Investment Advisers or the Clients. These strategies may involve risks under some market conditions that are not anticipated by the Portfolio Manager, the Investment Advisers or the Clients. The Portfolio Managers generally use investment strategies that differ from those typically employed by traditional managers of portfolios of stocks and bonds. The strategies employed by the Portfolio Managers may involve significantly more risk and higher transaction costs than more traditional investment methods. The Investment Advisers will seek to reduce these risks by spreading the

investments of the Clients among a variety of different Portfolio Managers using investment strategies with returns that are not expected to be highly correlated with one another. However, it is possible that the performance of the Portfolio Managers may be closely correlated in some market conditions, resulting (if those returns are negative) in significant losses to the Clients and their investors.

Risk of Litigation. Portfolio Managers to whom the Clients have allocated capital may accumulate substantial positions in the securities of a specific issuer. Sometimes, a Portfolio Manager may engage in a proxy fight, become involved in litigation or attempt to gain control of an issuer. Under such circumstances, the Clients may be named as a defendant in a lawsuit or regulatory action.

Hedging Transactions. The Portfolio Managers may utilize various financial instruments both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of an investment portfolio resulting from fluctuations in the securities markets and/or changes in interest rates, (ii) protect a Portfolio Fund's unrealized gains in the value of its investment portfolio, (iii) facilitate the sale of any portfolio investments, (iv) enhance or preserve returns, spreads or gains on any investment in the portfolio, (v) hedge the interest rate or currency exchange rate on any Portfolio Fund's liabilities or assets, (vi) protect against any increase in the price of any securities that a Portfolio Manager anticipates purchasing at a later date, or (vii) for any other reason that a Portfolio Manager may deem appropriate.

The success of a hedging strategy will be subject to a Portfolio Manager's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics and market sensitivity of many securities change as markets change or time passes, the success of a Portfolio Manager's hedging strategies will also be subject to its ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner.

Portfolio Managers generally will not be obligated to establish hedges for portfolio positions and may decline to do so. To the extent that hedging transactions are effected, their success is dependent on a Portfolio Manager's ability to correctly predict movements in the direction of currency and interest rates and a hedging transaction may result in a poorer overall performance had such Portfolio Manager not engaged in such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. Moreover, for a variety of reasons, a Portfolio Manager may not seek to establish a perfect correlation between hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Portfolio Manager from achieving the intended hedge or expose it to additional risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of a Portfolio Fund's holdings.

Arbitrage Strategies. The success of the arbitrage strategies employed by certain Portfolio Managers depends on the ability of such managers to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in the capital markets. Identification and exploitation of the trading strategies to be pursued by the Portfolio Managers involves uncertainty. No assurance can be given that Portfolio

Managers will be able to correctly locate trading opportunities or exploit price discrepancies in the capital markets. In the event that the perceived mispricings underlying the arbitrage positions of Portfolio Managers were to fail to converge toward, or were to diverge further from, relationships expected by such Portfolio Managers, the Clients may incur losses. The arbitrage strategies of Portfolio Managers may result in greater portfolio turnover and, consequently, greater transaction costs. Depending upon the trading strategies employed and market conditions, the Clients may be adversely affected by unforeseen events involving such matters as changes in market liquidity, interest rates or the credit status of an issuer, forced redemptions of securities or acquisition proposals.

Event-Driven Strategies. With respect to the Portfolio Funds' event-driven investments, the Portfolio Managers will have to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's securities. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies, a meaningful change in management or the sale of a division or other significant assets by a company may not be valued as highly by the market as a Portfolio Manager had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value and fail to implement it, resulting in losses to investors.

Illiquid Securities. The Portfolio Funds and the Equity Fund may invest a portion of their assets in securities that are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such securities tend to be volatile and such securities may not be able to be sold when it is desirable to do so or to be realized at their perceived fair value in the event of a sale. The sale of restricted and 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. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. The Equity Fund will have significant exposure to illiquid securities given its primary investments include securities for which sales are restricted or otherwise limited.

Investments Will Be Leveraged. Leverage may be used by the Clients as well as by Portfolio Managers. Certain Clients may borrow funds when deemed appropriate by the Investment Advisers, including to make investments and distributions in respect of withdrawals/redemptions. Portfolio Managers may buy and sell securities on margin, increasing the volatility of the Clients' investments. Trading securities on margin, unlike trading in futures (which also involves margin), will result in interest charges and, depending on the amount of trading activity, such charges could be substantial. The low margin deposits normally required in futures and forward trading permit a high degree of leverage. Accordingly, a relatively small price movement in a futures contract may result in immediate and substantial losses to the investor. Irrespective of the risk control objectives of certain Clients' multi-asset, multi-manager approach, such a high degree of leverage necessarily entails a high degree of risk. In addition, there can be no assurance that brokers will either continue to provide margin on the same terms and at the same levels, or that such brokers and other lenders will approve extensions of credit at the levels requested. Any restriction on the availability of credit from such parties could adversely affect the Client's performance. The risks involved in the use of leverage are increased to the extent that each Client itself leverages its capital. Although use of leverage increases the opportunity for higher returns on investments, it also increases the risk of loss.

While leverage presents opportunities for increasing the Client's or a Portfolio Fund's total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by the Client or a Portfolio Fund would be magnified to the extent the Client or Portfolio Fund is leveraged. The cumulative effect of the use of leverage by the Client or a Portfolio Fund in a market that moves adversely to the Client's or the Portfolio Fund's investments could result in a substantial loss to the Clients which would be greater than if the Clients or the Portfolio Fund were not leveraged.

In general, the anticipated use of short-term margin borrowings results in certain additional risks to the Clients. For example, should the securities pledged to brokers to secure a Portfolio Fund's accounts decline in value, a Portfolio Fund could be subject to a "margin call", pursuant to which such Portfolio Fund 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. In the event of a sudden drop in the value of a Portfolio Fund's, such Portfolio Fund might not be able to liquidate assets quickly enough to satisfy their margin requirements.

In the event that the Clients enter into an investment advisory agreement with a Portfolio Manager that utilizes leverage in its investment program, the Clients may become subject to claims by financial intermediaries that extended "margin" loans in respect of such advisory account.

C. Risks Associated With Particular Types of Securities.

The Investment Adviser has identified the following risks associated with particular types of securities (note that these risks should be read in conjunction with the risks identified in Item 8B):

Equity Securities. A Portfolio Manager's investment portfolio may include equity and equity-related securities. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete and industry market conditions and general economic environments. For example, beginning in September 2008, world financial markets experienced extraordinary market conditions resulting in extreme volatility in the global equity markets.

Small and Medium Capitalization Companies. Some of the Portfolio Managers may invest in the stocks and other securities of companies with small- to medium-sized market capitalizations, including growth-stage companies. While such companies may provide significant potential for appreciation, smaller-capitalization stocks involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of small-capitalization and even medium-capitalization stocks are often more volatile than prices of large-capitalization stocks and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in some small-capitalization stocks, an investment in those stocks may be highly illiquid.

Foreign Investments. The Portfolio Managers may invest in securities of foreign corporations and foreign countries. Investing in the securities of companies (and,

from time to time, governments) of foreign countries involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. Government, including political and economic considerations, such as greater risks of expropriation and nationalization, the potential difficulty of repatriating funds and general social, political and economic instability; imposition of withholding and other taxes; the small size of the securities markets in some of such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; and certain government policies that may restrict the Portfolio Manager's investment opportunities.

Additionally, a portion of a Client's assets may be invested by Portfolio Funds in debt and equity securities denominated in various currencies (other than the U.S. dollar) and in other financial instruments, the price of which is determined with reference to such currencies. Each Client, however, values its investments and other assets in U.S. dollars. To the extent unhedged, the value of the Clients' net assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the Clients' investments in the various local markets and currencies. Forward currency contracts and options may be utilized by Portfolio Managers to hedge against currency fluctuations, but the Portfolio Managers are not required to hedge and there can be no assurance that such hedging transactions, even if undertaken, will be effective. Moreover, accounting and financial reporting standards that prevail in foreign countries generally are not equivalent to U.S. standards and, consequently, less information is available to investors in companies located in foreign countries than is available to investors in companies located in the U.S. There is also less regulation, generally, of the securities markets in foreign countries than there is in the U.S.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized. Rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by a Portfolio Manager due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which the Portfolio Manager would otherwise recommend, to the possible detriment of the Clients. Market illiquidity or disruption could result in major losses to the Clients. In addition, managed accounts or investment funds in which the assets of the Clients are invested may be exposed to credit risks with regard to counterparties with whom the Portfolio Managers trade as well as risks relating to settlement default. Such risks could result in substantial losses to the Clients. To the extent possible, the Investment Advisers endeavor to select Portfolio Managers that it believes deal only with counterparties that are creditworthy and reputable institutions, but such counterparties may not be rated investment grade.

Swap Agreements. The Portfolio Managers may enter into swap agreements. Swap agreements can be individually negotiated and structured to include

exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease a Portfolio Fund's exposure to equity securities, long-term or short-term interest rates, foreign currency values, corporate borrowing rates, or other factors. Swap agreements can take many different forms and are known by a variety of names.

Depending on how they are used, swap agreements may increase or decrease the overall volatility of each Client's or a Portfolio Fund's portfolio. The most significant factor in the performance of swap agreements is the change in the individual equity values, specific interest rate, currency or other factors that determine the amounts of payments due to and from the counterparties. If a swap agreement calls for payments by a Portfolio Fund, such Portfolio Fund must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses to the Clients.

Short Selling. The Portfolio Managers may engage in short selling. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in the value of securities. 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 of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Options. The Portfolio Managers may purchase and sell ("write") options on equities on national and international securities exchanges and in the domestic and international over-the-counter markets. The seller ("writer") of a put option which is covered (e.g., 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 below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. 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. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

The writer of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the value 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 the call option may be unavailable for purchase except at much higher prices. The buyer of a call option assumes the risk of

losing its entire investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying security.

Options may be cash settled, settled by physical delivery or by entering into a closing purchase transaction. In entering into a closing purchase transaction, the Portfolio Funds may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

Investments in Undervalued Securities. A Portfolio Fund may make certain speculative investments in securities which its Portfolio Manager believes to be undervalued. However, 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.

Commodity-Related Instruments. The production and marketing of commodities may be affected by actions and changes in governments. In addition, commodity-related instruments may be cyclical in nature. During periods of economic or financial instability, commodity-related instruments may be subject to broad price fluctuations, reflecting volatility of energy and basic material prices and possible instability of supply of various commodities. Commodity-related instruments may also experience greater price fluctuations than the relevant commodity. In periods of rising commodity prices, such instruments may rise at a faster rate; and conversely, in times of falling commodity prices, such instruments may suffer a greater price decline.

Commodity Futures Contracts. Trading in commodity interests may involve substantial risks. The low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. There is no assurance that a liquid secondary market will exist for commodity futures contracts or options purchased or sold, and a Portfolio Manager may be required to maintain a position until exercise or expiration, which could result in losses.

Futures positions may be illiquid because, for example, most U.S. commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent a Portfolio Manager from promptly liquidating unfavorable positions and subject the Clients to substantial losses. In addition, Portfolio Managers may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or the Commodity Futures Trading Commission ("CFTC") may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity

futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks.

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

Trading in Currencies. A risk in the trading contemplated by the Portfolio Funds is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by the Portfolio Funds will be affected generally by relative interest rates, which in turn will be influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, fiscal policy, and political and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, government intervention with regard to interest rates. The Portfolio Funds will be exposed in the interbank market to risks associated with any government or market action that might suspend or restrict trading or otherwise render illiquid, in whole or in part, a Portfolio Fund's position. The effect of such intervention is often heightened by a group of governments acting in concert.

Lower Credit Quality Securities. There may be limited or no restrictions on the credit quality of the Portfolio Managers' investments. Securities in which the Portfolio Managers may invest may be deemed by rating companies to have substantial vulnerability to default in payment of interest and/or principal. Other securities may have the lowest quality ratings or may be unrated. Such ratings may indicate that payments are in default, that a bankruptcy petition has been filed with respect to the issuer or that the issuer is regarded as having extremely poor prospects for being able to meet its financial obligations.

Investors should recognize that lower rated and unrated securities in which the Portfolio Managers may invest have large uncertainties or major risk exposure to adverse conditions and are considered to be predominantly speculative. Generally, such securities offer a higher return potential than higher rated securities, but involve greater volatility of price and greater risk of loss of income and principal.

The market values of certain of these securities also tend to be more sensitive to changes in economic conditions than higher rated securities. In addition, the Portfolio Managers may incur additional expenses to the extent that they are required to seek recovery upon a default in the payment of principal or interest on its portfolio holdings. The ability of obligors to make payments under the loans underlying certain types of mortgage-backed and asset-backed securities is dependent upon both macro and

micro economic conditions. For example, investments in mortgage-backed securities would be adversely affected by loan defaults and subsequent foreclosure sales if real estate values should decline below the outstanding balances of the loans and any more senior financing on the mortgaged premises. The value of mortgage-backed and asset-backed securities may also be affected by changes in the market's perception of the creditworthiness of the entity issuing or guaranteeing them or by changes in government regulations and tax policies.

In general, the ratings of nationally recognized rating organizations represent the opinions of these agencies as to the quality of securities that they rate. Such ratings, however, are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of the securities. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events. These ratings may be used by the Portfolio Managers as initial criteria for the selection of portfolio securities.

Investments in Distressed Securities. The Portfolio Managers may invest in "below investment grade" securities and obligations of domestic and non-U.S. 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. These securities 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 fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may 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 or disenfranchise particular claims. Such companies' securities 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 may be no minimum credit standard that is a prerequisite to a Portfolio Manager's investment in any instrument, and a significant portion of the obligations and preferred stock in which a Portfolio Manager may invest may be less than investment grade. Any one or all of the issuers of the securities in which the Portfolio Managers may invest may be unsuccessful or not show any return for a considerable period of time. 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 the Portfolio Managers will correctly evaluate the value of the assets collateralizing the Portfolio Managers' loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which a Portfolio Manager invests, the Portfolio Manager may lose its entire investment, may be required to accept cash or securities with a value less than the original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Portfolio Manager's investments, may not compensate adequately for the risks assumed.

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 the Portfolio Manager.

In certain transactions, the Portfolio Managers may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

Investments in High-Yield Securities. Portfolio Managers may invest in high-yield securities. Such securities are generally not exchange traded and, as a result, these instruments trade in the over-the-counter marketplace which is less transparent than the exchange-traded marketplace. In addition, Portfolio Managers may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing these instruments. High-yield securities that are below investment grade or unrated face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer's assets. High-yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

Bankruptcies and Reorganizations. Portfolio Managers may invest in loans made to, and securities and other indebtedness (including trade claims) of, companies which are operating in bankruptcy, may imminently file for bankruptcy or are operating in financial distress. The Portfolio Managers may trade in securities to be issued under a plan of reorganization on a "when issued" basis. Portfolio Managers may acquire equity securities as a result of its trading activities relating to companies in bankruptcy or reorganization proceedings, including controlling positions.

Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of the Portfolio Managers. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such if they are considered to have taken over management and functional operating control of a debtor.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and the Portfolio Managers; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets. Although the Clients intend to invest primarily in Portfolio Funds investing in debt, the debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.

Bank Loans. Portfolio Managers may invest in bank loans to highly-leveraged companies. Such loans typically rank ahead of publicly-traded debt securities in terms of liquidation preference and security, but are generally much less liquid. The loans are generally priced to reflect the risk of default of the borrower, at rates which typically exceed the London Inter-bank Offer Rate (LIBOR) by 200 or more basis points. Security interests granted with respect to the loans generally allow for substantially higher recovery in the event of a reorganization or liquidation of the borrower. The Portfolio Managers may finance a portion of the purchase of such loans, which generally pay interest on a floating rate basis, with floating rate borrowings.

Bank loans are subject to unique risks, including, without limitation: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the Portfolio Manager to directly enforce its rights with respect to participations.

Mortgage-Backed and Asset-Backed Securities. Portfolio Managers may invest in mortgage-backed securities, asset-backed securities, collateralized debt obligations and other similar instruments representing interests in pools of underlying residential or commercial mortgage loans, commercial loans, lease obligations, or other assets. Payments of principal and interest on the underlying loans are passed through to the holders of mortgage-backed and asset-backed securities over the lives of the securities. The investment characteristics of mortgage-backed and asset-backed securities differ significantly from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that principal may be prepaid at any time because the underlying residential or commercial mortgage loans or other assets generally may be prepaid at any time. Early repayments of principal can ordinarily be expected to accelerate during periods of declining interest rates. For certain types of asset pools, such as collateralized mortgage obligations, prepayments may be allocated to one tranche of securities ahead of other tranches, in order to reduce the risk of prepayment for the other tranches. On the other hand, mortgage-backed and asset-backed securities are subject to substantially the same risk of depreciation during periods of rising interest rates as other fixed-income securities. Portfolio Managers may also invest in derivative mortgage-backed securities, such as principal-only and interest only or inverse floating-rate securities, which are more exposed to mortgage repayments, and which therefore generally involve a greater amount of risk. Small changes in repayments can

significantly impact the cash flow and the market value of these securities. In addition, particular derivative securities may be leveraged such that their exposure (*i.e.*, price sensitivity) to interest rate and/or prepayment risk is magnified.

Loan Participations. The Portfolio Managers may invest in loan participations. Investment in loan participations involves certain risks in addition to those associated with direct loans. A loan participant has no contractual relationship with the borrower of the underlying loan. As a result, the participant is generally dependent upon the lender to enforce its rights and obligations under the loan agreement in the event of a default, and may not have the right to object to amendments or modifications of the terms of such loan agreement. A participant in a syndicated loan generally does not have the voting rights, which are retained by the lender. In addition, a loan participant is subject to the credit risk of the lender as well as the borrower, since a loan participant is dependent upon the lender to pay its percentage of payments of principal and interest received on the underlying loan.

Municipal Securities. The Portfolio Managers may invest in municipal securities. Various factors may adversely affect the value and yield of municipal securities. These factors include political or legislative changes and uncertainties related to the tax status of municipal securities or the rights of investors in these securities. To the extent that Clients invest heavily in a particular state's municipal securities, the Clients will be more vulnerable to factors affecting that state. The Clients' investments in revenue securities, where principal and interest payments are made from the revenue of a specific project or facility, and not general tax revenues, may have increased risks. Factors affecting the project or facility, such as local business or economic conditions, could have a significant impact on the project's ability to make payments of principal and interest on these securities.

ITEM 9
DISCIPLINARY INFORMATION

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

ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status.

The Investment Advisers and their 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.

The Acorn Investment Adviser is registered as a Commodity Pool Operator with the Commodity Futures Trading Commission.

C. Material Relationships or Arrangements with Industry Participants.

The Acorn Investment Adviser has invested a significant portion of the assets of the Acorn Funds in Funds managed by the Acorn Investment Adviser or its affiliates, including the Acorn Portfolio Funds. Investors in the Acorn Funds will not be charged a management fee at the Acorn Fund level with respect to their investments in Acorn Portfolio Funds managed by the Acorn Investment Adviser or its affiliates and the Investment Adviser Overhead Expenses payable at the Acorn Funds will be adjusted so that the Acorn Funds are not also assessed Investment Adviser Overhead Expenses relating to an investment by the Acorn Fund in an underlying Acorn Portfolio Fund advised by the Acorn Investment Adviser which bears those same expenses. The Acorn Funds will, however, bear their share of the management fee as well as the operating and other expenses associated with such Acorn Portfolio Funds.

The Acorn Investment Adviser may have greater financial interest in the performance of such other Acorn Portfolio Funds than the performance of the Acorn Funds. These interests may create an incentive for the Acorn Investment Adviser to allocate the Acorn Funds' assets among, and remain invested in, such Acorn Portfolio Funds in a manner that will be of benefit to such Acorn Portfolio Funds. The Acorn Investment Adviser will also have information about the Acorn Portfolio Funds that other investors in such funds do not have which may affect investment decisions made by the Acorn Investment Adviser for the Acorn Funds. As a result of the foregoing arrangements, it is possible that the Acorn Investment Adviser might face, in certain circumstances, competing fiduciary obligations with respect to the Acorn Funds and such Acorn Portfolio Funds. Notwithstanding any such actual and potential conflicts of interest, the Acorn Investment Adviser undertakes to resolve such conflicts in a fair and equitable manner for the Acorn Funds and such Acorn Portfolio Funds, which in some instances might mean a resolution that would not maximize the benefit to investors in the Funds as a whole.

Two of the Other Accounts, for which the Investment Advisers provide investment advice regarding investments in Portfolio Funds, are held by related parties. This relationship presents a potential conflict of interest to other Clients of the Investment Advisers as there may be an incentive to allocate trades to favor these related parties in allocating potential investment opportunities. The Investment Advisers seek to mitigate

this potential conflict by allocating investment opportunities to Clients on a fair and equitable basis as described in Item 6.

The Investment Advisers and certain of their related parties, including other investment advisory entities, share certain personnel, office space and facilities in common pursuant to a cost-sharing arrangement.

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

Except as described in Item 10C, the Investment Advisers do not recommend or select other investment advisers for its Clients.

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

A. Code of Ethics.

As investment advisers, the Investment Advisers stand in a position of trust and confidence with respect to its Clients. Accordingly, the Investment Advisers have a fiduciary duty to place the interests of its Clients before the interests of the Advisers and their employees. In order to assist the Investment Advisers and their employees in meeting their obligations as fiduciaries, the Investment Advisers have adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles which all employees are expected to uphold:

- They must at all times place the interests of the Clients first.
- All personal securities transactions must be conducted in a manner consistent with the Code and avoid any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility.
- Employees must not take any inappropriate advantage of their positions at the Investment Advisers.
- Information concerning the identity of securities held by, and the financial circumstances of, the Clients and investors in the Clients must be kept confidential.
- Independence in the investment decision-making process must be maintained at all times.

The Investment Advisers believe that these general principles not only help it fulfill its fiduciary obligations, but also protect the Investment Advisers' reputation and instill in their employees the Investment Advisers' commitment to honesty, integrity and professionalism. Employees should understand that these general principles apply to all conduct, whether or not the conduct also is covered by more specific standards or procedures. Failure to comply with the Code may result in disciplinary action, including termination of employment.

The complete Code is available to investors in the Clients upon request.

B. Securities That An Employee or a Related Person Has a Material Financial Interest.

The Investment Advisers may determine that it would be in the best interests of certain Clients to transfer a security from one Client to another (each such transfer, a "Cross Trade") for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the Clients, or to reduce transaction costs that may arise in an open market transaction. If the Investment Advisers decide to engage in a Cross Trade, the Investment Advisers will determine that the trade is in the best interests of each Client involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those Clients.

In certain limited circumstances, the Investment Advisers may engage in principal transactions in accordance with Section 206(3) of the Advisers Act. Section 206(3) of the Advisers Act requires an investment adviser to provide written disclosure to a Client and obtain the Client's consent prior to settlement of any principal transaction. The written disclosure must state that the adviser is acting as principal and describe the material terms of the transaction, which generally include (i) the adviser's original purchase price for any security it sells to a Client; (ii) the price the adviser expects to receive on the resale of any security it buys from a Client; and (iii) the price at which a security could be bought or sold elsewhere when the price would be better for the Client.

The application of Section 206(3) with respect to transactions involving a Client may not always be clear. Some of the issues can include (i) determining whether a Client should be viewed as a principal account of an Investment Adviser and (ii) determining who on behalf of the Client can receive the written disclosure and provide the necessary consent. Accordingly, any potential principal transaction, including any Cross Trade between any of the Clients, must be presented to the Chief Compliance Officer for review prior to being consummated. The Chief Compliance Officer will determine whether or not the transaction would constitute a principal transaction, and if so, whether all required Client notice and consent requirements have been satisfied. The Chief Compliance Officer will then determine whether or not to proceed with the transaction.

C. Investing in Securities That an Employee or Related Person Recommends to Clients.

The Investment Advisers and their affiliates may engage in investment activities for their own accounts. Such activities may involve the purchase and sale of investments (including, but not limited to, investments in the investment vehicles of Portfolio Managers of the type described above) that are the same as or similar to, but in different amounts or at different times than, those purchased or sold on behalf of the Clients. The Investment Advisers or their affiliates may also, from time to time, make an investment while, at the same time, it is selling the same for a Client (or *vice versa*). Such transactions are subject to the Code of Ethics of the Investment Advisers and their affiliates. Such policy contains various reporting requirements and restrictions on personal securities transactions by the Investment Advisers' and their affiliates' access persons, as defined therein. The Code of Ethics contains, in addition to general requirements concerning compliance with applicable securities laws, pre-approval requirements for certain securities transactions by such access persons.

D. Conflicts of Interest Created by Contemporaneous Trading.

The Investment Advisers are committed to allocating investment opportunities on a fair and equitable basis and has established policies and procedures to address the conflicts of interest that may arise. Please refer to Item 6 for a discussion of such policies and procedures.

ITEM 12

BROKERAGE PRACTICES

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

The Portfolio Managers, and the Investment Advisers and their affiliates when making direct investments, allocate portfolio transactions to brokers on the basis of best execution. In selecting brokers and dealers to effect portfolio transactions, the Portfolio Managers, and the Investment Advisers and their affiliates when making direct investments, have authority to, and may, consider such factors including, but not limited to, price, the ability of the brokers and dealers to effect the transaction, their facilities, reliability and financial responsibility and any research or other services or property provided by such brokers and dealers.

1. Research and Other Soft Dollar Benefits.

Research or other services or property provided by brokers and dealers are generally of benefit to Clients of the Portfolio Managers, including the Funds, but may not directly relate to any transactions for the benefit of the Funds. If a Portfolio Manager (or the Investment Advisers) determines in good faith that the amount of transaction costs (e.g., commissions, markups and markdowns) imposed by a broker or dealer is reasonable in relation to the value of the products or services provided by such broker or dealer, the Portfolio Managers (or the Investment Advisers) may incur transaction costs to such broker or dealer in an amount greater than the amount that might be incurred if another firm were used. "Soft dollar" payments or rebates of amounts paid to brokers and dealers may arise from over-the-counter principal transactions, as well as exchange traded agency transactions. Portfolio Managers may use soft dollars generated on transactions outside of the safe harbor of Section 28(e) of the Exchange Act to obtain non-brokerage or non-research products or services. To the extent the Investment Advisers use soft dollars such use will be within the safe harbor of Section 28(e) of the Exchange Act.

2. Brokerage for Client Referrals.

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

3. Directed Brokerage.

The Investment Advisers do not recommend, request or require that a Client direct the Investment Advisers to execute transactions through a specified broker-dealer.

B. Order Aggregation.

In the instances in which the Clients directly engage in transactions involving securities such as stocks or bonds, the Investment Advisers may, in circumstances believed to be appropriate, bunch or aggregate orders for several Clients.

Because of prevailing trading activity, it may not be possible to receive the same price or execution on the entire volume of securities purchased or sold. When this occurs, the various prices may, in the Investment Advisers' discretion, be averaged and accounts will be charged or credited with the average price in fairness to all participating Clients. The effect of such aggregation may operate in certain instances to a Client's disadvantage, but is intended to be fair and equitable over time.

ITEM 13

REVIEW OF ACCOUNTS

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

With regard to the Portfolio Funds, the Investment Advisers review accounts twice per month by obtaining performance information from the Portfolio Funds with which the Clients invest, which is compared to the managers' respective peer groups. Any performance outside of the expected range (positive or negative) is followed up by communications with the Portfolio Manager to obtain an explanation of the reasons for the performance variation. All Portfolio Fund performance is accumulated in the Investment Advisers' internal portfolio accounting system which produces portfolio balances and performance for each Client twice monthly. At each month-end, performance for each Client is reconciled to account statements provided by the Portfolio Funds and updated estimates are compared to original estimates. In the case of the Funds, updated estimates are also reconciled with estimates prepared by such Funds' administrator. Variations from estimates at month-end are followed up by communications with the relevant Portfolio Fund. Following each year-end, audited financial statements for the Portfolio Funds are reviewed. Audited capital statements from each Portfolio Fund are reconciled to each Client's year-end accounting records. Any variations from audited financial statements to performance information provided by the Portfolio Fund are followed up with the Portfolio Manager. Performance reviews are performed by the Chief Operating Officer, and members of her staff under her supervision on a continual basis, as well as monthly at meetings of the Funds' Investment Committee. Any Clients' direct investments may be monitored on a more frequent basis, if required by the Client.

B. Content and Frequency of Account Reports to Clients.

The Acorn Investment Adviser generally provides annual audited financial statements to its Funds within 180 days of the applicable Funds fiscal year end. The Equity Fund prepares a special purpose audit as further described in its governing documents.

Investors in the Funds receive a monthly letter from the Acorn Investment Adviser documenting the performance of the Fund in which they invest, although the Acorn Investment Adviser may provide certain investors with information on a more frequent and detailed basis if agreed to by the Acorn Investment Adviser. In addition, the Acorn Investment Adviser issues investors audited financial statements concerning their respective Funds within 180 days of the end of the Fund's fiscal year.

The Funds may offer certain investors additional information and reporting that other investors may not receive. Such information could affect an investor's decision to request a withdrawal/redemption from the applicable Fund.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients.

The Investment Advisers 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.

The following compensation arrangement is in effect for Client referrals:

The Acorn Investment Adviser has entered into a placement agreement with Dominick and Dominick LLC (the "Placement Agent"), dated as of April 4, 2005 (the "Placement Agreement"), pursuant to which the Placement Agent has agreed to introduce potential investors to the Funds. The Placement Agreement has since been terminated but the Investment Adviser continues to pay the Placement Agent fees in the amount of \$25,000 per year under the terms of the Placement Agreement.

ITEM 15 CUSTODY

The Acorn Investment Adviser is deemed to have custody of the Funds' and the Equity Fund's funds and securities because it has the authority to obtain 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 the Clients are sent by qualified custodians to the Investment Advisers.

The Investment Advisers are subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, they are not required to comply (or are deemed to have complied) with certain requirements of the Custody Rule with respect to each Client because they comply with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Client 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 Client that is structured as a "fund of funds" distribute its audited financial statements to all investors within 180 days of the end of its fiscal year.

ITEM 16

INVESTMENT DISCRETION

The Investment Advisers serve as the investment adviser with discretionary trading authority for each Client except for two of the Other Accounts, for which the Investment Adviser provides services on a non-discretionary basis.

The Investment Advisers' investment decisions and advice with respect to each Client are subject to each Client's investment objectives and guidelines, as set forth in its offering documents, partnership agreements, or investment management agreements.

The Investment Advisers or an affiliate of the Investment Advisers entered into an investment management agreement, or similar agreement, with each Client, pursuant to which the Investment Advisers or an affiliate of the Investment Advisers were granted discretionary trading authority, where applicable.

ITEM 17

VOTING CLIENT SECURITIES

The SEC has adopted Rule 206(4)-6 under the Advisers Act. Under this rule, registered investment advisers that exercise voting authority over client securities are required to implement proxy voting policies and describe those policies to their clients.

The Chief Investment Officer of the Investment Advisers in the case of non-routine matters and the Chief Operating Officer of the Investment Advisers in the case of routine matters, are responsible for making all proxy voting decisions in accordance with these proxy voting policy and procedures (the "Policies"). The Chief Operating Officer is responsible for causing the actual voting of all proxies in a timely manner, while the Chief Compliance Officer is responsible for monitoring the effectiveness of the Policies.

The Investment Advisers may, from time to time, determine that it is in the best interests of a Client to depart from specific policies described herein. The Chief Compliance Officer will memorialize the rationale for any such departure in writing.

The general policy is to vote proxy proposals, amendments, consents or resolutions relating to Portfolio Funds (collectively, "proxies") in a manner that serves the best interests of a Client managed by the Investment Advisers, as determined by the Investment Advisers in their discretion, taking into account relevant factors, including:

- the impact on the value of the returns of the Portfolio Fund or other investment;
- the attraction of additional capital to the Portfolio Fund or other investment;
- alignment of the Portfolio Manager's or Investment Advisers' interests with its investor's interests, including establishing appropriate incentives for Portfolio Managers, where applicable;
- the costs associated with the proxy;
- impact on redemption or withdrawal rights;
- the continued or increased availability of portfolio information; and
- industry and business practices.

For routine matters, the Investment Advisers will vote in accordance with the recommendation of the Portfolio Manager, as applicable, unless, in the Investment Advisers' opinion, such recommendation is not in the best interests of the Client.

Non-routine matters involve a variety of issues and may be proposed by Portfolio Manager's investors in a Portfolio Fund.

All other decisions regarding proxies will be determined on a case-by-case basis taking into account the general policy, as set forth above.

The Investment Advisers will abstain from voting (which generally requires submission of a proxy voting card) or affirmatively decide not to vote if the Investment Advisers determine that abstaining or not voting is in the best interests of the applicable Client. In making such a determination, the Investment Advisers will consider various factors, including, but not limited to: (i) the costs associated with exercising the proxy (*e.g.* translation or travel costs); and (ii) any legal restrictions on trading resulting from the exercise of a proxy.

At times, conflicts may arise between the interests of a Client, on the one hand, and the interests of the Investment Advisers or their affiliates, on the other hand. If an Investment Adviser determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, the applicable Investment Adviser will address matters involving such conflicts of interest as follows:

A. if a proposal is addressed by the specific policies herein, the Investment Adviser will vote in accordance with such policies.

B. If the Investment Adviser believes it is in the best interest of such Client to depart from such policies, the Investment Adviser will be subject to the requirements of clauses C or D below, as applicable.

C. The Investment Adviser may vote such proxy as it determines to be in the best interest of the Client without taking any action described in clause D below, provided that such vote would be against the Investment Adviser's own interest which gives rise to the perceived or actual conflict. The Chief Compliance Officer will memorialize the rationale of such vote in writing.

D. If the Investment Adviser believes it should vote in a way that may also benefit, or be perceived to benefit, its own interest, then the Investment Adviser will take one of the following actions in voting such proxy: (a) delegate the voting decision for such proxy proposal to a committee of independent partners, members, directors or other representatives of such Client, as applicable; or (b) obtain approval of the decision from the Chief Compliance Officer.

Investors in the Clients may obtain a copy of the Investment Advisers' proxy policy, and a record of proxies voted with respect to the Client in which they are invested upon request.

ITEM 18
FINANCIAL INFORMATION

The Investment Advisers are not required to include a balance sheet for their most recent fiscal year, are not aware of any financial condition reasonably likely to impair their 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.