

Paloma Partners Management Company

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This brochure (the “Brochure”) provides information about the qualifications and business practices of Paloma Partners Management Company (“PPMC”). If you have any questions about the contents of this Brochure, please contact the Chief Compliance Officer at (203) 861-8405. PPMC is registered as an investment adviser with the United States Securities and Exchange Commission (“SEC”) pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration with the SEC does not imply a certain level of skill or training and the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

This Brochure is not: (i) an offer or agreement to provide advisory services to any person; (ii) an offer to sell interests (or a solicitation of an offer to purchase interests) in any Fund advised by PPMC; (iii) a complete discussion of the strategies, risks, or conflicts of interest associated with any fund advised by PPMC; or (iv) to be relied on in determining whether to invest in a fund or establish an advisory relationship with PPMC. The information provided in this Brochure about any Fund is qualified in its entirety by reference to the relevant Fund Documentation.

Capitalized terms not otherwise defined herein are explained in **DEFINED TERMS**. Additional information about PPMC is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES AND GENERAL INFORMATION

Please note the following material changes to report for this Brochure, dated as of November 21, 2014:

An update has been made to Form ADV Part 1 to clarify certain information throughout and identify Paloma Partners Advisors LP (“Paloma Advisors”) (formerly, Trust Asset Management, LLP (“TAM”)), a Delaware limited partnership, as an investment adviser relying on PPMC’s investment adviser registration with the SEC (“Relying Adviser”) pursuant to the SEC’s Division of Investment Management staff guidance issued in a no-action letter dated January 18, 2012, in response to the American Bar Association’s request for interpretive guidance (the “ABA No-Action Letter”). Paloma Advisors (as TAM) had previously been independently registered with the SEC.

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DEFINED TERMS

CHINA FUNDS: Private equity funds that primarily invest in private companies operating in or affected by economic activity in China and securities reasonably related to such investments. The China Funds are managed by the China Managers (defined below). The China Funds in which the Funds (defined below) are currently invested include: the Cathay Investment Fund, Limited, Cathay Capital Holdings, L.P., Cathay Capital Holdings II, L.P. and Cathay Capital Holdings III, L.P.

CHINA MANAGERS: New China Investment Management, Inc. (SEC File No. 802-73537), New China Capital Management, LP (SEC File No. 801-73538) and Cathay Master GP, Ltd. The China Managers provide investment advice to the China Funds and are each directly and indirectly 50% owned by each of Paul S. Wolansky and S. Donald Sussman. Additional information about the China Managers that advise the China Funds is available on the SEC's website at www.adviserinfo.sec.gov.

CPP FEEDER FUNDS: Capital Preservation Partners L.L.C. ("CPP") and Capital Preservation Partners Limited ("CPPL").

CPP FUND: The CPP Feeder Funds and Capital Preservation Fund L.L.C. ("CPF"), collectively.

FEEDER FUNDS: The Paloma Feeder Funds and the CPP Feeder Funds.

FUND DOCUMENTATION: Each Fund's confidential private offering memorandum (if applicable) and its governing documents.

FUNDS: Collectively, the Paloma Fund and the CPP Fund (each a "Fund").

INVESTMENT PERSONS: Paloma Advisors (defined below), PPMC or the Portfolio Managers.

JPMHFS: JPMorgan Hedge Fund Services – the Paloma Fund's administrator.

PALOMA ADVISORS: Paloma Partners Advisors LP.

PALOMA FEEDER FUNDS: Paloma Partners L.L.C. ("PPLLC") and Paloma International Limited ("PIL").

PALOMA FUND: The Paloma Feeder Funds and Paloma International L.P. ("PILP"), collectively.

PALOMA MANAGEMENT: Collective term for PPMC and Paloma Advisors, except as the context otherwise requires, for instance where the context concerns only one entity but not the other. Except with respect to the application of PPMC's policies and procedures, or as otherwise noted, references to Paloma Management do not include the Trading Teams (defined below) employed by PPMC.

PPMC: Paloma Partners Management Company. Unless the context requires otherwise, references to the activities of PPMC do not include the activities of Trading Teams employed by PPMC.

PORTFOLIO FUNDS: External investment funds in which the Funds invest.

PORTFOLIO MANAGER: Collective term for Trading Teams and Portfolio Funds.

SEC: U.S. Securities and Exchange Commission.

SEI: SEI Investments Global Fund Services – the CPP Fund’s administrator.

SUNRISE: Sunrise Partners Limited Partnership, the primary trading subsidiary of PILP.

TAM: Trust Asset Management, LLP, the predecessor entity to Paloma Advisors.

TRADING TEAMS: Trading Teams that are either engaged as independent contractors to the Paloma Fund (typically through Sunrise), and are responsible for their own operations (e.g., hiring of personnel and information technology), or employed by PPMC to advise the Paloma Fund. Descriptions of Trading Teams and their activities in this Brochure apply to each arrangement with Trading Teams unless otherwise noted.

ITEM 4 – ADVISORY BUSINESS

The responses to this Brochure combine information about PPMC as a registered adviser and Paloma Advisors as a Relying Adviser, unless specifically noted otherwise or as the context may require, for instance where the circumstance is unique to one entity but not the other.

PPMC is a Delaware corporation formed in 1989 and has its principal place of business in Greenwich, CT. PPMC is owned equally by S. Donald Sussman, Douglas Ambrose, Heather Garson, Gregory Hayt, Paul Kukuza, Gavin Morrocu and Randall Tam. Mr. Sussman and Mr. Hayt are PPMC's Directors. PPMC currently provides discretionary investment advisory services to the Paloma Fund and administrative services to the Funds.

Paloma Advisors is a Delaware limited partnership formed in 2014 as the successor entity to TAM, which was a US Virgin Islands limited liability partnership established in 2001. Paloma Advisors has its principal place of business in Florida. Mr. Sussman and Paloma Advisors' managing partner, Capital Asset Management, Inc., a Delaware Corporation (formerly a U.S. Virgin Islands corporation) owned and controlled by Mr. Sussman, own 100% of Paloma Advisors. Paloma Advisors is a Relying Adviser with respect to PPMC's investment adviser registration with the SEC pursuant to the ABA No-Action Letter, as explained in further detail under Item 2 herein.

Mr. Sussman has been providing investment advice to private investment funds since 1981 and currently provides discretionary investment advice to the Funds through Paloma Advisors.

THE PALOMA FUND

The Paloma Fund is a multi-manager, multi-strategy hedge fund which has no material limitations on the investment instruments, markets or countries in which it may invest. Paloma Management has ultimate discretion and control over the Paloma Fund and its investments. Its responsibilities to the Paloma Fund include but are not limited to: strategy and portfolio manager selection; allocation of capital or risk capital (as applicable); risk management; and hedging the Paloma Fund's exposures as it deems appropriate. Investment advice is provided to the Paloma Fund pursuant to the terms of the Fund Documentation; investors in the Paloma Fund cannot obtain services tailored to their specific needs.

PPMC provides investment advisory services to the Paloma Fund separate and apart from Paloma Advisors, but subject to Paloma Advisors' and ultimately Mr. Sussman's authority. Mr. Sussman provides investment advisory services to the Paloma Fund through Paloma Advisors.

PPLLC is a feeder fund organized for the benefit of U.S. taxable investors that invests substantially all of its capital through a "master-feeder" structure in PILP, the master fund. PIL, which also invests substantially all of its capital in PILP, is organized as a feeder fund for the benefit of non-U.S. investors and tax-exempt U.S. investors. The investment programs of PPLLC and PIL are primarily carried out

through PILP, and almost all of the PILP's trading activities are carried out through its primary trading subsidiary, Sunrise. Each of PPLLC and PIL also invest a portion of its assets directly, and indirectly through PILP, in Portfolio Funds (including the China Funds).

PPMC is the special member and Paloma Advisors serves as the managing member of PPLLC, and Paloma Advisors is the investment adviser to PIL. PPMC and Paloma Advisors each serve as general partners to PILP and to Sunrise.

Paloma Management seeks to balance the overall risk profile of the Paloma Fund to generate attractive long-term risk-adjusted returns with low correlation to major market indices. Paloma Management seeks to identify strategies with strong risk-reward opportunities given prevailing market conditions and find strong trading talent to execute those strategies. Paloma Management selects the Paloma Fund's strategies and Portfolio Managers, and makes the capital allocation and risk management decisions for the Paloma Fund. Capital of the Paloma Fund is allocated directly and indirectly through PILP, the master fund, among a diverse group of strategies executed by Portfolio Managers who are either Trading Teams or Portfolio Funds; the majority of the Paloma Fund's capital is managed by Trading Teams. However, Paloma Management also trades for the Paloma Fund, primarily for hedging purposes.

The Paloma Fund's model seeks to tie together the activities of the Portfolio Managers into an integrated hedge fund structure that allows for centralized dynamic capital allocation, risk management and operational controls. Because Trading Teams trade on the Paloma Fund's balance sheet, and not through separate accounts, Paloma Management has daily (but not intra-day) transparency into the Paloma Fund's positions and transactions executed by Trading Teams (on a T+1 basis). This transparency, ongoing liquidity, and the fact that Paloma Management has ultimate control over the Paloma Fund's capital, facilitates Paloma Management's ability to risk manage the Paloma Fund and allocate capital among strategies executed by Trading Teams.

PPMC also facilitates the operations of, and implements certain controls for, the Paloma Fund including:

- Portfolio risk management;
- Granting trading discretion (Trading Teams are authorized to trade, but not exercise custody over the Paloma Fund's capital, e.g. move cash or securities);
- Approving, managing, negotiating and monitoring the Paloma Fund's counterparty, prime brokerage, custodial and financing arrangements;
- Managing the Paloma Fund's risk exposure to prime brokers and counterparties;
- Controlling the Paloma Fund's leverage in consultation with Paloma Advisors;
- Reviewing (in consultation with Paloma Advisors) the valuations of the Paloma Fund's positions which are valued by JPMHFS in accordance with PPMC's pricing procedures;
- Ongoing due diligence reviews of Portfolio Managers;

- Accounting and administration (including managing the Paloma Fund's relationship with JPMHFS);
- Providing tax, legal documentation, compliance, investor relations services, and information technology (including managing the Paloma Fund's relationship with its third-party technology service provider) to the Paloma Fund; and
- Employing directly Trading Teams on behalf of the Paloma Fund, whose services are governed by the terms of their employment agreements with PPMC.

As set out in Item 5, PPMC does not directly receive a fee for its services to the Paloma Fund, but generally the expenses of PPMC are passed through to the Paloma Fund.

Trading Teams generally have discretion with respect to the execution of their investment mandate, which may be modified from time-to-time and is subject to Paloma Management's general direction concerning matters of risk and strategy. Trading Teams that are engaged as independent contractors are responsible for their own operations (e.g., hiring of personnel and information technology), and Trading Teams employed by PPMC are subject to the direct supervision and control of PPMC. Portfolio Funds are responsible for their own operations and regulatory compliance obligations. The day-to-day activities of Portfolio Funds are generally external to the risk management and organizational control of Paloma Management. However, Paloma Management regularly reviews performance and strategy information provided by Portfolio Funds.

THE CPP FUND

The CPP Fund is a "fund-of-funds" that typically invests in Portfolio Funds executing a variety of investment strategies. There are no diversification requirements or material limitations on the investment instruments, markets or countries in which the CPP Fund may invest. The CPP Fund seeks capital appreciation with low volatility and pursues this investment objective by investing directly or indirectly (through the master fund, CPF) in Portfolio Funds. The CPP Fund is not currently marketed to new investors.

Paloma Advisors provides discretionary investment advisory services to the CPP Fund. CPP is a feeder fund organized for the benefit of U.S. taxable investors that invests substantially all of its capital through a "master-feeder" structure in CPF, the master fund. CPPL, which also invests substantially all of its capital in CPF, is organized as a feeder fund for the benefit of non-U.S. investors and tax-exempt U.S. investors. The investment programs of CPP and CPPL are primarily carried out through CPF. CPF currently intends to make an investment in the Paloma Fund in 2015.

Paloma Advisors is the Managing Member of CPF and CPP and the investment adviser to CPPL. Paloma Advisors provides Investment advice to the CPP Fund pursuant to the terms of the Fund Documentation; investors in the CPP Fund cannot obtain services tailored to their specific needs. PPMC provides certain administrative support services to the CPP Fund.

DISCLAIMER

No guarantee or representation is made that any Fund's investment program, including, without limitation, its investment objectives, diversification, strategies or risk monitoring processes will be successful. The risk management process includes an effort to monitor and manage risk, but does not imply low risk. There may be risks which are not monitored or controlled and risks that may be greater than forecasted, especially in unusual market conditions. Nothing herein is intended to imply that a Fund's investment strategy is "conservative", "safe", "risk free", or "risk averse". There can be no assurance that a Fund's investment objective will be achieved or that its portfolio design and risk monitoring strategies will be successful. Investors may lose all or substantially all of their capital.

Additional information about PPMC's and Paloma Advisors' portfolio management activities and certain conflicts of interest related to such activities are provided in ITEMS 8 and 11 of this Brochure.

PPMC and Paloma Advisors do not participate in any wrap fee programs.

As of December 31, 2013, PPMC managed \$2.2 billion on a discretionary basis (the assets under management of the Paloma Fund) and Paloma Advisors managed \$2.4 billion on a discretionary basis (the total combined assets under management of the Paloma and the CPP Funds).

ITEM 5 – FEES AND COMPENSATION

PALOMA FUND

Set out below is a chart indicating the types of fees and expenses borne by each Class of Interests or Shares in a Paloma Feeder Fund. Each such fee or expense is described in further detail below.

	Class A	Class B	Class C	Class D
Management Fee	X	X		
Incentive Fee			X	X
PPMC Expenses	X	X	X	X
Portfolio Manager Expenses (including incentive fees)	X	X	X	X
Liquidity Capital Account Reduction		X		X
Administrative and Operating Expenses	X	X	X	X

CPP FUND

The fees and expenses borne by the CPP Fund include: Management Fee, PPMC Expenses, Portfolio Manager Expenses (including incentive fees) and Administrative and Operating Expenses, defined below. The CPP Fund's direct expenses also include the cost of its one employee.

MANAGEMENT FEE AND INCENTIVE FEE

Management Fee: Paloma Advisors is generally entitled to receive a management fee, monthly in arrears, from each holder of Class A or B Interests/Shares in a Paloma Feeder Fund equal to 1/12 of 1.5% (1.5% annualized) of each such investor's capital account balance or net asset value, as applicable ("Management Fee"). The Management Fee to which Paloma Advisors is generally entitled is calculated in the same manner for interests/shares in each CPP Feeder Fund.

Incentive Fee: Paloma Advisors is generally entitled to receive an incentive fee at the end of each calendar year (or as of any redemption date in the case of redemptions occurring at times other than year-end) from each holder of Class C or D Interests/Shares in a Paloma Feeder Fund in an amount equal to 20% of the net realized and unrealized capital appreciation attributable to such an investor's capital account balance or net asset value, as applicable ("Incentive Fee").

JPMHFS (with respect to the Paloma Fund) and SEI (with respect to the CPP Fund) calculate the amount of the applicable Management Fee or Incentive Fee. The Management Fee or the Incentive Fee may be subject to fee waivers with respect to particular investors (as described further below under "FEE WAIVERS/REDUCTIONS").

PPMC EXPENSES AND OTHER OPERATING AND ADMINISTRATIVE EXPENSES

PPMC does not receive a fixed management fee or performance-based compensation from the Funds. The expenses of PPMC (such as salaries, bonuses and benefits paid to PPMC employees – including Trading Teams employed by PPMC – and other overhead, operating and administrative expenses of PPMC) are passed through to, and paid for or reimbursed by, the Funds. These expenses are significant and create less of an incentive for PPMC to reduce its expenses (including compensation expenses) than would be the case if all or some of its expenses were not passed through to investors but rather had to be covered by a “fixed” fee with respect to the services provided. PPMC maintains policies and procedures which seek to address this conflict.

Expenses allocated to a Fund are material, both on an absolute basis and as a percentage of a Fund’s assets, and are generally borne pro rata by the Feeder Funds (and therefore by investors in the Feeder Funds). However, expenses may be allocated differently if Paloma Management determines that it would be fair and reasonable to do so, and Paloma Advisors may bear the cost of certain expenses directly (e.g., placement agent expenses), rather than passing such expenses through to a Fund.

Each Feeder Fund will bear all of its direct and indirect expenses (as a pro rata share of all fees and expenses incurred in the Master Fund), including, without limitation the Management Fee or the Incentive Fee, as applicable, expenses related to the investment activities of a Fund (including brokerage commissions, management fees and performance-based compensation paid to Portfolio Managers, and withholding taxes), organizational, offering, ongoing operating, administrative, legal, audit, compliance, registrar and transfer agent fees and expenses, insurance and other expenses of any nature related to the business of a Fund, and with respect to PIL and CPPL, the cost of the offshore administrator and board of directors. Expenses are deducted periodically in advance or arrears.

A Fund’s ongoing operating expenses include PPMC’s office, general administrative, overhead and other operating costs or expenses incurred in providing services to a Fund. The expenses for the Chief Compliance Officer and other compliance related expenses (e.g. legal and consulting advice) related to Paloma Advisors’, PPMC’s, or a Fund’s compliance requirements, including regulatory filings, are passed through to a Fund.

The types of expenses which may be passed through to a Fund include, but are not limited to, the fees, costs or expenses related to:

- The salaries, bonuses, fringe benefits, continuing education, certifications, and professional licenses, of employees;
- Consultants, subcontractors, agents, professional advisors, and recruiters;

- Computer hardware, software and other equipment including telephones and Blackberries;
- Reference materials, research services, data feeds, and industry publications;
- Facilities (including leases for office space) and overhead expenses including expenses related to office improvements, fixtures, furniture, and maintenance;
- Travel, meal, lodging, and entertainment expenses related to investor relations, marketing, relationship development, due diligence, or for purposes related to other permissible expenses (e.g. continuing education or recruiting);
- Maintenance, updates, and taxes related to any leases, services, contracts, hardware, or with respect to other permissible expenses described above;
- Directors' and officers' insurance and errors and omissions insurance, if any; and
- Any other fees and expenses incurred in connection with any transactions, engagement, or other agreements entered into by a Fund, PPMC or Paloma Advisors on behalf of a Fund including, among other things, the costs and expenses of JPMHFS, SEI and Trading Teams employed by PPMC to advise a Fund.

Please see ITEM 11 for information about the potential conflicts of interest with respect to the allocation of expenses to a Fund and to and among the Feeder Funds.

PORTFOLIO MANAGER EXPENSES

Portfolio Funds: A Fund's investment in a Portfolio Fund is subject to that Portfolio Fund's asset-based and performance-based compensation, as well as a share of that Portfolio Fund's expenses (which in certain cases may include some or all of the portfolio manager's out-of-pocket expenses).

Trading Team Compensation – Independent Contractors: In addition to the expenses of Trading Teams employed by PPMC, the Paloma Fund will also pay management fees and performance-based compensation to Trading Teams that act as independent contractors. The calculation methodology for management fees and performance-based compensation paid to such contracted Trading Teams varies by Trading Team. The management fee paid to a Trading Team is generally determined through negotiations with Paloma Management and may be based on: (i) committed capital, (ii) anticipated expenses, and/or (iii) any other basis deemed reasonable by Paloma Management. A Trading Team may also receive a refundable or nonrefundable draw, which is generally treated as an advance against the performance-based compensation of that Trading Team (and may therefore be nonrefundable if the Trading Team does not generate sufficient performance-based compensation to repay the draw). The

management fees are paid periodically in advance and performance-based compensation is accrued monthly and paid based on the calculation periods set forth in the investment management agreement.

Performance-based compensation is generally calculated based on a percentage of a Trading Team's net profits as of each calendar year-end and is generally subject to a hurdle rate and a high water mark. A high water mark may be waived or modified for a Trading Team if Paloma Management deems the waiver to be in the best interest of the Paloma Fund.

Certain of the Trading Teams may also manage capital for one or more other clients and receive compensation. The Paloma Fund may share in the compensation earned by a Trading Team from other clients through an income participation agreement with the Trading Team.

The CPP Fund may, but does not typically, engage the services of Trading Teams. If the CPP Fund does engage Trading Teams in the future, the terms of such arrangements would be similar to the terms described herein for the Paloma Fund.

Trading Team Compensation – Employees: As indicated above, Trading Teams employed by PPMC are typically paid a yearly salary and a potential bonus by the Fund. The salary received by a Trading Team may be refundable or nonrefundable, but is generally treated as an advance against the bonus due to that Trading Team and will be set-off against bonus amounts otherwise payable. The bonus amount is based on a percentage of performance of the assets of the Fund allocated to the Trading Team for a given year subject to a performance hurdle (typically the interest rate payable on one-month treasury bills). The amounts available for bonus may be reduced to the extent Paloma Management reimburses the Trading Team for the reasonable out of pocket expenses incurred in connection with the performance of its duties and for amounts paid on behalf of or costs of services provided to the Trading Teams by Paloma Management or the Paloma Fund.

Losses: Performance-based compensation is payable to each Portfolio Manager based solely on its own performance. A Portfolio Manager with positive performance is entitled to receive performance-based compensation even if the overall performance of a Fund is negative. If a Portfolio Manager suffers net losses during the year, the losses are generally carried forward and past losses must be made up before performance-based compensation becomes payable in subsequent years. There is no "carry back" or "claw back" of losses to permit recouping of performance-based compensation from prior years.

LIQUIDITY CAPITAL ACCOUNT REDUCTION¹

Class B or Class D investors in the Paloma Fund are subject to a Liquidity Capital Account Reduction at an annualized rate (depending on the value of the capital account balance) of either 0.25% or 0.50% of the relevant capital account balance. The Liquidity Capital Account Reduction means the sum of the applicable month's increases in the amount of the Fund's expenses allocated to or otherwise borne by the Class B and Class D investors, up to an amount equal to the sum of the Management Fee or Incentive Fee and the Fund's administrative and operating expenses (including PPMC's expenses but excluding trading expenses) allocated to or otherwise borne by the capital accounts relating to Class A or Class C investors for the relevant month in the aggregate; any excess shall be referred to herein as the "Excess Liquidity Reduction." Any Liquidity Capital Account Reduction will be credited to the capital account balances of investors electing an annual withdrawal cycle on a pro rata basis and any Excess Liquidity Reduction is payable to Paloma Advisors.

The Liquidity Capital Account Reduction is applied monthly in arrears.

FEE AND EXPENSE RESERVES

If after giving effect to a withdrawal, an investor would be completely withdrawn from a Fund except for its interest in one or more illiquid investments, Paloma Management may determine to reserve or hold back a portion of the proceeds with respect to such withdrawal that is required, in its reasonable discretion, to pay fees and expenses then expected to be earned or owed, as applicable, and other expenses, liabilities and contingencies then expected to be accrued over the life of those illiquid investments (including general reserves for unspecified contingencies).

PIL- HEDGE CURRENCY SHARE CLASSES

Investors in PIL's non-US dollar share classes will bear the costs incurred by PIL in connection with hedging the applicable currency risk exposure including, without limitation, potential lost opportunity costs related to collateral or other requirements necessary to engage in the hedging activity (which may effectively reduce the amount of capital of hedge currency share class investors that is utilized by PIL for its investment program).

COMPENSATION RECEIVED FROM OTHER FUNDS

The Funds currently invest (or intend to invest), and may in the future invest, in other vehicles from which Paloma Advisors, Mr. Sussman, or an affiliate is entitled to receive compensation. In the event

¹ Investors in PIL are subject to a Liquidity NAV Reduction, which reduces the net asset value of the shareholders' shares with a quarterly redemption cycle at the same rate as the Liquidity Capital Account Reduction reduces PPLLC's investors' capital account balances.

that a Fund invests, or commits capital to invest in a fund from which Mr. Sussman is entitled to Fees (an “Other Fund”), Mr. Sussman will waive, or cause to be waived, the portion of the Management Fee or Incentive Fee, as applicable, that would have otherwise been charged to the Fund with respect to an amount of net asset value equal to the Fund’s Investment Amount. For purposes of this provision, (i) “Fees” mean management fees, other asset-based fees, and performance-based fees; and (ii) a “Fund’s Investment Amount” means the amount of capital invested or committed by a Fund in the Other Fund upon which the Other Fund calculates its management fees.

Other Funds may charge higher overall fees than the Funds charge, which may result in a conflict of interest in determining whether or not to invest a Fund’s assets in the Other Funds. That conflict of interest is discussed further in ITEM 6 below.

FEE WAIVERS/REDUCTIONS

A Fund, with the consent of Paloma Advisors, may elect to reduce, waive, calculate differently, or provide rebates on:

- (i) The Paloma Advisors’ Management Fee or the Incentive Fee with respect to certain investors, including, without limitation, investors that are partners, affiliates, or current and former employees of Paloma Management, members of the immediate families of those persons and trusts or other entities for their benefit, strategic or large investors, or in connection with solicitation arrangements with placement agents and asset aggregators.
- (ii) The Liquidity Capital Account Reduction (defined below) with respect to certain investors in a Paloma Feeder Fund, including, without limitation, strategic or large investors, or in connection with solicitation arrangements with placement agents and asset aggregators (but not investors that are partners, affiliates or employees of Paloma Management, members of the immediate families of those persons and trusts or other entities for their benefit).

A Fund’s Administrative and Operating Expenses (described above) cannot be waived, reduced, calculated differently or rebated (except in accordance with the Liquidity Capital Account Reduction) for any investor.

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

Paloma Advisors and Portfolio Managers are entitled to receive performance-based compensation which creates the following potential conflicts of interest:

- The receipt of performance-based compensation may incentivize Paloma Advisors or a Portfolio Manager to make investments that are riskier or more speculative than it would make if it did not receive performance-based compensation. Furthermore, “net appreciation,” which is the basis for most performance-based compensation, includes unrealized appreciation, and may result in Paloma Advisors or a Portfolio Manager receiving greater performance-based compensation than would be the case if net appreciation was based only on realized gains.
- Paloma Advisors or a Portfolio Manager may be incentivized to favor a client that pays performance-based compensation over a client that does not pay, or pays lower, performance-based compensation. For example, Paloma Advisors or a Portfolio Manager may be incentivized to allocate more profitable assets (or dedicate a great portion of its time) to clients that pay higher performance-based compensation than the Fund. Paloma Advisors and Portfolio Managers maintain policies and procedures that seek fair allocation of time and investment opportunities among all clients.
- Performance-based compensation may encourage Paloma Advisors or a Portfolio Manager to overvalue assets in order to increase the amount of its performance-based compensation.

The Funds currently invest, and may in the future invest, in Other Funds in which Mr. Sussman is entitled to a portion of the fees charged by the Other Funds (such as the China Funds). Mr. Sussman will waive, or cause to be waived, the portion of the Management Fee or Incentive Fee, as applicable, that would have otherwise been charged to the Fund with respect to an amount of net asset value equal to the Fund’s Investment Amount. Other Funds may, however, charge higher fees than are charged by the Funds, which may result in a conflict of interest for Mr. Sussman when allocating a Fund’s assets to an Other Fund with higher fees. In that case, although Mr. Sussman will waive the fees to which he is entitled from the Funds, he could potentially receive a larger amount of compensation through his relationship with the Other Funds.

ITEM 7 – TYPES OF CLIENTS

PPMC and Paloma Advisors provide discretionary portfolio management services to the Funds. In the future, PPMC and Paloma Advisors may provide investment advice to other clients, including other private funds or separately managed accounts.

Interests in the Funds, and the Funds themselves, are not registered under the U.S. Securities Act of 1933, as amended and are excepted from the definition of an “investment company” under Section 3(c)(7) of the Investment Company Act of 1940, as amended. Accordingly, interests in the Funds are offered exclusively to investors satisfying the applicable eligibility and suitability requirements either in private placement transactions within the United States or in offshore transactions. Investors in the Funds are also Qualified Eligible Persons as defined in the Commodity Exchange Act.

The minimum investment is generally \$5 million for the Paloma Fund and may be waived in compliance with applicable law. The CPP Fund is not currently marketed to new investors.

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

METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

The following is a summary of the strategies and methods Paloma Management and/or Portfolio Managers use in formulating advice or managing assets (and their material risks) for the Funds. Any or all of the strategies described below may be undertaken in developing or emerging markets, or in the securities of companies based in developing or emerging markets.

In the execution of these strategies, Paloma Management and/or Portfolio Managers may trade or invest, directly or indirectly, on margin or otherwise, in all forms of securities and other financial instruments, where “securities” and “financial instrument” are given their broadest possible meanings and include any interest of any kind commonly referred to as securities.

The Funds may employ additional strategies, or variations of these strategies without advance notice to investors. Additional strategies and variations of strategies may involve higher levels of risk.

Depending upon the investment strategies employed and market conditions, a Fund may be adversely affected by unforeseen events involving such matters as changes in interest rates, the credit status of an issuer, forced withdrawals of securities, break-up of planned mergers, unexpected changes in relative value, short squeezes, an inability to short stock or changes in tax treatment, among others.

All strategies carry a risk of loss. Certain risks are inherent, or more likely to impact a particular strategy or transaction, while other risks are related to the markets in which the Funds may trade or the instruments are traded. Market risk is inherent in all securities investments to varying degrees, and there can be no assurance that the investment objective of the Funds will be achieved. Certain investment practices may increase the risk profile of the Funds. The Funds’ activities could result in substantial losses (including the complete loss of capital) under certain circumstances.

While Paloma Management currently expects that Portfolio Funds as well as the Funds, will primarily engage in these types of strategies, the Funds and Portfolio Funds may engage in investment strategies and trade in financial instruments that are not described in this Brochure. These descriptions do not in any way limit the Funds’ or Portfolio Funds’ investment activities.

Statistical Arbitrage and Systematic Futures Strategies (Algorithmic Strategies) use quantitative methods and statistical models which seek to identify mispricings among securities and futures based on various metrics such as deviations from equilibria, momentum, pattern recognition, volume, or flow-driven momentum and factors underlying security price variations. The frequency of trading varies by model, but may be high. These portfolios may have directional exposure but generally seek to generate returns with minimal correlation to directional moves of the major markets.

Fundamental and Directional Strategies measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition, prospects and management of a company itself) to determine if a company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Commodities Strategies trade commodities, futures, options, or derivatives on agricultural and energy products, metals and minerals, among others, based on technical and fundamental analysis of relevant markets. Investments can also include the equity of companies that produce, process, convert, transport and service commodities.

Volatility and Correlation Strategies trade derivatives (typically derivatives in which optionality plays a role) that are linked to the realized or implied volatility of an asset or basket of assets, or to the correlation of one or more assets.

Fixed Income Strategies typically include long and short credit positions based on quantitative or qualitative analysis of various fixed income securities to capture inefficiencies in the relative pricing of similar instruments. Instruments traded typically include bonds (including fixed, floating rate and zero coupon bonds), sovereign debt, interest rate swaps, futures contracts, forward contracts, government sponsored agency debt, mortgage backed securities, asset backed securities or related derivatives. These strategies may have significant directional exposure to take advantage of market dislocations.

High Yield Strategies trade and invest in credit derivatives, bank debt, senior and subordinated bonds, equity or other securities of unrated or below investment grade issuers based on an assessment of fundamental values.

Capital Structure Strategies seek to exploit pricing inefficiencies and informational asymmetries through a diversified portfolio of offsetting long and short positions within companies' capital structures. Investments can include bank debt, convertible and non-convertible senior and subordinated debt, and preferred and common stock of one or more companies.

Convertible Securities Strategies seek to exploit price differentials (spreads) between convertible securities and the underlying security. Instruments traded typically include bonds, preferred and common stock, and derivatives.

Long/Short Strategies seek to generate alpha and mitigate correlation to major market directional movements by establishing long and short positions in securities, indices, ETFs or baskets of securities. These strategies can either be market neutral or have some directional exposure.

Distressed Strategies generally invest in the securities and other assets of issuers in weak financial condition (perhaps having a negative net worth), experiencing poor operating results, needing

substantial capital investment, facing special competitive or product obsolescence problems, or involved in various stages of bankruptcy or reorganization proceedings.

Event Driven, Special Situation and Merger Arbitrage Strategies involve investments in opportunities created by certain current or expected events or special situations and may involve a long or a short view with respect to an issuer depending on the anticipated outcome of particular events or transactions. The strategies trade in the securities of publicly-traded companies in announced or prospective mergers, acquisitions, cash tender-offers, exchange offers, corporate recapitalizations or other corporate actions, including the anticipation of such events occurring in the future.

Activist Strategies seek to make investments for the purpose of influencing the management of a company (which may take a cooperative or hostile approach) to realize value through, for example, going private transactions, management changes, divestitures or acquisitions. These strategies typically involve acquiring a substantial ownership stake in an issuer either alone, or in conjunction with others.

Investments in Private Equity/Private Placements are medium to long-term investments in private companies that are not publicly traded securities. In addition to purchasing a company's equity, investments may be in mezzanine debt or other types of financing. Exit transactions from these investment typically involve, but are not limited to, initial public offerings (after which time, the Funds' interests may be subject to transfer restrictions for periods of time) or private sales of the Funds' investment.

Investments in Real Assets are typically opportunistic investments in physical, tangible assets which may include: commodities, equipment, natural resources or property. These investments may be longer-term investments.

Macro Economic Strategies seek to profit by capturing market movements across a global universe of investment opportunities, such as equity, currency, commodity and fixed-income markets, based on a broader economic analysis than would be used for the purchase or sale of specific securities. These strategies may be directional and seek to exploit mispricings across markets and geographies.

Fund-Level Hedging Strategies seek to limit the exposure of the Fund to rapid, adverse changes in the market environment and to "tail risks." However, Paloma Management and Paloma Advisors are not obligated to hedge any specific risk and may elect not to hedge against certain risks or to alter the extent to which the Funds are hedged from time to time.

Investments in Developing or Emerging Markets may utilize any or all of the strategies described herein.

DISCLAIMER

The following is a summary of the certain material risks associated with the types of securities that Paloma Management and/or Portfolio Managers primarily recommend to the Funds (or the Portfolio Funds in which the Funds invest). The information included below does not include every potential risk associated with each investment strategy or security. Investors and prospective investors in the Funds are urged to ask questions regarding risk factors applicable to a particular investment strategy or security, read all product-specific risk disclosures (for example, the Fund Documentation) and determine whether a particular strategy or type of security is suitable for his/her/its own account in light of his/her/its circumstances, investment objectives and financial situation. Investing in securities involves risk of loss, possibly a total loss of invested capital that investors should be prepared to bear.

There is no guarantee that the Funds' investment program, including, without limitation, its investment objectives, strategies, or risk monitoring goals will be successful. Investment results may vary substantially over time. Investments in the Funds are speculative and involve a high degree of risk. There may be risks which cannot be monitored or controlled, and risks that may be greater than forecasted, especially in unusual market conditions. Paloma Management cannot guarantee that any assumptions relied on herein will be true for all future events or that all assumptions have been considered or stated.

Please refer to the relevant Fund Documentation for a more detailed discussion of risk factors as applicable to each Fund.

INVESTMENT AND TRADING RISKS – GENERALLY

- Highly Volatile Markets
- Prime Broker and Counterparty Risk
- Concentration of Investments
- No Fixed Strategy, Instruments, Markets, Sectors or Issuer Weightings
- Discretion of Paloma Management; New Strategies and Techniques
- Dependence on the Manager and Portfolio Managers
- Use of Leverage

INVESTMENT STRATEGY RISKS

- Statistical Arbitrage and Systematic Futures (Algorithmic Strategies)
- Model-Based Trading
- Fundamental or Directional Investments
- Macro-Economic
- Short Selling
- Event Driven, Special Situations and Merger Arbitrage
- Activist Strategies

- Board Participation
- Insider Status
- Hedging Transactions
- Highly Volatile Markets
- “Widening” Risk
- Securities of Non-U.S. Companies
- Legal and Tax Systems
- Developing or Emerging Markets, which also may include the following other risks:
 - Access to Markets
 - Currency Risk
 - Trading Volume; Transparency
 - Emerging Markets Banking and Financial Systems; Inflation

RISKS RELATED TO INSTRUMENTS TRADED

- Convertible Securities
- Fixed Income Securities and Loans
- ABS and MBS
- Distressed and High Yield Securities
- Bankruptcy Claims
- Commodities, Futures and Certain Derivative Investments
- Credit Default Swaps (“CDS”)
- Put Options
- Call Options
- Futures Contracts
- Forward Contracts
- Exchange Rate Fluctuations; Currency Considerations
- Investments in Private Companies
- Illiquid Portfolio Instruments
- Investments in Standalone Funds
- Use of Leverage

OPERATIONAL RISKS

- Trade Errors
- Leverage and Financing Risk
- Change in Margin Terms
- Loss or Insufficiency of Margin on Derivatives
- Net Asset Value Triggers
- Valuation

- In-Kind Distributions
- Lack of Investor Liquidity
- Significant Withdrawals/Redemptions
- Repurchase Agreements
- Commodities Futures and Options Margin
- Margin in Periods of Stress
- Cash Deposit Risk
- Non-U.S. Custodians, Brokers and Counterparties
- Master-Feeder Structure
- General Political, Economic, Legal, Tax and other Regulatory Risks

RISKS RELATED TO PORTFOLIO FUNDS

The Funds' investments in Portfolio Funds present additional risks to investors. These additional risks include, without limitation:

- Liquidity Risk
- Lack of Transparency
- Fraud or Mismanagement
- Valuation Risk
- Risk of multiple levels of fees and expenses

ITEM 9 – DISCIPLINARY INFORMATION

On September 2, 1997, S. Donald Sussman settled a claim (regarding alleged violations of the Advisers Act) with the SEC and paid a \$40,000 civil monetary penalty. The SEC's order (Advisers Act Release No. 1653) is available here: <http://www.sec.gov/litigation/admin/ia1653.txt>.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Each of PPMC and Paloma Advisors is a member of the National Futures Association (“NFA”), a registered commodity pool operator and swap firm. The owners of PPMC are registered with the NFA as principals and PPMC employees involved in investor relations are registered with the NFA as Associated Persons. Mr. Sussman is also registered with the NFA as a principal and as an Associated Person, of both Paloma Advisors and PPMC.

CHINA MANAGERS

The China Managers manage the China Funds, in which the Paloma Fund invests a portion of its assets. Mr. Sussman effectively owns 50% of the China Managers. The China Funds are private equity funds that primarily invest in private companies operating in or affected by economic activity in China and securities reasonably related to such investments.

Because of the affiliation between Paloma Management and the China Managers, there may appear to be a conflict between Paloma Management’s fiduciary duties toward their clients and the benefits accruing to Mr. Sussman. For example, the Paloma Fund invests in the China Funds, and may increase its investment at any time, which results in Mr. Sussman’s being entitled to compensation from both the Paloma Fund and the China Funds for the same capital (i.e., double fees), a conflict further described above in ITEM 6. However, as described above, Paloma Advisors waives the Management Fee and the Incentive Fee in respect of the Paloma Fund’s investments in the China Funds.

PACIFIC ALTERNATIVE ASSET MANAGEMENT CO LLC

Mr. Sussman has a passive indirect ownership interest² in Pacific Alternative Asset Management Co LLC (SEC File No. 801-57416) (“PAAMCO”). Mr. Sussman is registered with the NFA as a principal of PAAMCO.

Mr. Sussman does not currently participate in the management of PAAMCO.

OTHER INVESTMENT ACTIVITIES

Investment Persons may engage directly or indirectly in any business or other activities, including exercising investment advisory and management responsibility and buying, selling or otherwise dealing with securities for their own accounts, for the accounts of family members, and for the accounts of other clients. These activities may conflict with Investment Persons’ activities on behalf of clients. For example, Investment Persons may give advice and take action in the performance of their duties to one client which may differ from the timing and nature of action taken with respect to a Fund.

² Mr. Sussman owns Franklin Realty Company, which owns Franklin Realty Holdings LLC, which has a substantial ownership interest in PAAMCO Founders Co., LLC, which owns the majority of PAAMCO.

These other activities may affect the prices and availability of the securities and other financial instruments in which a Fund invests.

In certain circumstances, the Funds may invest in securities or other instruments of the same issuer (or affiliated group of issuers) having a different seniority in the issuer's capital structure. If the issuer becomes insolvent, restructures or suffers financial distress, there may be a conflict among the interests of the Funds, insofar as the issuer may be unable (or in the case of a restructuring prior to bankruptcy may be expected to be unable) to satisfy the claims of all classes of its creditors and security holders. Under these circumstances it may not be feasible to reconcile the conflicting interests of the Funds in a way that protects each Fund's interests.

BOARD MEMBERSHIPS

Investment Persons may serve as directors of companies in which a Fund invests. In addition to any fiduciary duties owed to a Fund, as a director of a company, an Investment Person also owes a fiduciary duty to the company. Board memberships may place an Investment Person in a position where they must make a decision that is not in the best interests of a Fund. Investment Persons serving as directors may receive non-public information as a result of their duties and such knowledge may restrict a Fund's ability to buy or sell securities of the relevant company.

PERSONAL INTERESTS IN OTHER FUNDS

Investment Persons that have ownership interests in certain clients may have an incentive to favor those clients (and therefore themselves) over other clients. For example:

- Certain Investment Persons do own and may in the future acquire additional interests in certain of their clients (including the Funds).
- An Investment Person (or its affiliate) may provide most of the initial seed money for a new fund (in which case that fund may be wholly or principally owned by that Investment Person (or its affiliate)).

Paloma Management has in place various policies and procedures to ensure that the Funds are treated fairly and that Investment Persons act in the best interests of a Fund (see, for example, Paloma Management's allocation procedures, as described below).

MASTER-FEEDER STRUCTURE

The Feeder Funds invest through a master-feeder structure which may create a conflict of interest in that different tax considerations may cause a Master Fund to structure or dispose of an investment in a manner that provides more advantageous tax treatment, or better (or worse) returns, to a Feeder Fund. Additionally, a Feeder Fund may trade and invest part of its capital for its own account, when presented with investment opportunities appropriate for it and its investors but that are not appropriate or not optimal (for tax or other reasons) for other Feeder Funds. Paloma Management or affiliates, including

Mr. Sussman, may, and typically do, have a disproportionate investment in one of the Feeder Funds and may, therefore, receive any benefit derived disproportionately by that Feeder Fund.

ALLOCATION POLICY

The Paloma Fund, CPP Fund, and China Fund have relatively distinguishable mandates: the Paloma Fund typically invests through managed accounts and makes other opportunistic investments; the CPP Fund typically invests in other hedge funds; and the China Funds invest primarily in private companies operating in China. To the extent that any of these funds make investments which may appear to be more suitable for another fund (e.g. if the Paloma Fund invests in another hedge fund) the rationale for the allocation decision will be documented.

LETTERS OF UNDERSTANDING A/K/A "SIDE LETTERS"

By entering into side letters, certain investors in a Fund may receive information that is not generally requested or utilized by other investors in a Fund, and as a result, may be able to act on such information (i.e., request redemptions).

Any rights related to access to information that are given to any investor in a Fund are generally available to all investors in that Fund.

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

The Code of Ethics applicable to the Funds provides a standard of conduct for, among other things, the personal trading of Access Persons. Access Persons must provide the Chief Compliance Officer with initial and annual holdings reports (excluding accounts holding certain securities or discretionary accounts) and quarterly transactions reports. Access Persons including Mr. Sussman (the only employee of Paloma Advisors who is also an Access Person, in accordance with the Code of Ethics) are generally prohibited from participating in initial public offerings and executing transactions in issuers included on PPMC's Restricted List. Certain employees including Mr. Sussman also must obtain preapproval from the Chief Compliance Officer prior to investing in any private placement. The Chief Compliance Officer reviews violations of the Code of Ethics to determine appropriate internal sanctions.

If there is adequate capacity, Paloma Management and/or their affiliates may invest, or co-invest directly, side-by-side or otherwise (through special purpose vehicles created by those parties, in conjunction with third parties or otherwise) in a Portfolio Fund, or any other investments of a Fund. In the event that a conflict of interest arises, Paloma Management will seek to resolve such conflicts in a fair and equitable manner.

Investors and prospective investors in the Funds may obtain a complete copy of the Code of Ethics free of charge by submitting a written request to the Chief Compliance Officer, Heather Garson, at Two American Lane, Greenwich, CT 06831 or by phone at (203) 861-8405.

EXPENSES

Investors and prospective investors should note that Paloma Management may have a conflict with respect to controlling their expenses, as the Fund Documentation does not limit the amount of expenses that the Funds may pay, advance or reimburse.

Paloma Management has established policies and procedures to review their respective expenses for compliance with expense disclosures in the relevant Fund Documentation. The expense allocation policies and procedures seek to allocate costs and expenses equitably among the Funds. While Paloma Management believes its methodologies are reasonable, reasonable alternative methodologies may exist which could yield different results.

Paloma Management believes that its expense allocation procedures provide an objective methodology for allocating expenses among the Funds, and serve to mitigate any potential conflict arising from their employees' investments in certain of those funds.

AFFILIATED INVESTMENTS, CROSS TRADES AND PRINCIPAL TRADES

Investment Persons may act in multiple capacities, and may effect transactions with, or for an account in instances in which Investment Persons may have multiple interests. Paloma Management has and may in the future invest assets of a Fund in entities managed by their affiliates.

Investment Persons receive asset and/or performance-based compensation (as well as reimbursement of certain expenses and indemnification guarantees) in respect of investments by the Funds in other funds managed by Investment Persons. The determination by Paloma Management to effect any such investment will be based on such criteria as Paloma Management may determine to be appropriate at the time.

It is possible that other funds managed by Investment Persons in which such investments are made may charge higher fees and expenses than would be the case if such investment were made in a comparable, non-affiliated collective investment fund or vehicle. Paloma Management has no obligation to determine whether an investment in a comparable, non-affiliated collective investment fund or vehicle would subject the Funds or clients to lower fees and expenses.

Trading Teams have established, and may in the future establish, one or more funds which may or may not also be Portfolio Funds. In such instances, the Paloma Fund typically receives a share in the management fees and performance-based compensation generated from those funds. Such interests may be in the form of a special class of shares or limited partnership interest in the fund (or an affiliated fund), or a contractual agreement with the fund (or an affiliated fund) or its portfolio manager. The CPP Fund is currently invested in a Portfolio Fund from which the Paloma Fund receives a share of the management and performance fee.

The Funds do not, but may in the future, engage in principal or cross trades. This Brochure will be modified and investors will be informed of any future changes with regard to these types of transactions.

ITEM 12 – BROKERAGE PRACTICES

SELECTION OF BROKER-DEALERS

For the purpose of this ITEM 12, and unless otherwise specifically noted, the term “Portfolio Managers” includes Paloma Management and Trading Teams.

Portfolio Managers have the authority to determine without client consultation or consent the broker-dealer or other counterparty through which securities or other instruments are bought and sold, and the commission rate (or other cost) at which transactions are effected. However, PPMC reviews, approves and monitors the prime brokers, executing broker-dealers and counterparties used by Trading Teams for the Paloma Fund. Executing broker-dealers and counterparties are chosen by Trading Teams from those that have been reviewed and approved by PPMC.

With respect to soft dollar arrangements, the conflicts that typically give rise to concerns underlying the use of soft dollars do not generally exist for Paloma Management because the Funds (and not Paloma Management) bear all of the expenses related to their own operations. Therefore, the use of soft dollars does not result in any expense shifting between Paloma Management.

In selecting brokers and dealers to effect portfolio transactions, Portfolio Managers consider the full range of quality of the broker’s service in selecting brokers to meet best execution obligations and may not pay the lowest commission rates or prices available. The following are some factors that contribute to efficient execution, although Portfolio Managers are not required to weigh any of these factors equally:

- reliability;
- reputation;
- experience in the industry;
- financial stability;
- capital commitment;
- efficiency in executing and clearing transactions;
- confidentiality of trading activity;
- provision of Products and Services (defined below);
- idea generation;
- competitive rates; and
- general responsiveness.

Products and Services constituting “research” may be in any form (e.g., written, oral or on-line) and may include, without limitation:

- traditional research reports analyzing the performance of a particular company or stock, market, company and financial data;
- market, economic, political and financial information (including studies and forecasts);
- statistical information;
- data on the pricing and availability of securities; and
- seminars and conferences relating to the investment in securities or containing analyses of issuers, industries, securities, economic factors and trends and portfolio strategy.

Products and Services constituting “brokerage” may include, without limitation:

- clearance services;
- settlement services; and
- custody services.

Portfolio Managers do not have an obligation to obtain the lowest available commission cost. Accordingly, if a Portfolio Manager determines in good faith that the commissions charged by a broker or the transaction costs charged by a dealer are consistent with their obligation to seek best execution and are reasonable in relation to the value of the Products or Services provided by the broker or dealer, a Fund may pay commissions to the broker or transaction costs to the dealer in an amount greater than another might charge to execute the same transaction.

From time to time, the Paloma Fund may be introduced to potential investors interested in investing through “capital introduction” events sponsored by the Paloma Fund’s prime brokers. Neither Paloma Management nor the Paloma Fund compensates any prime broker for organizing the events or for investments in the Paloma Fund ultimately made by prospective investors attending the events. However, the events and other services (including, without limitation, capital introduction services) provided by a prime broker may influence Paloma Management to some extent in selecting prime brokers and determining the extent to which a prime broker will be used.

Soft dollar arrangements provide an incentive to select or recommend a broker-dealer based on an interest in receiving Products or Services, rather than on receiving most favorable execution. Soft dollar arrangements may cause a Fund to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). Portfolio Managers with clients in addition to a Fund (or a Portfolio Fund in which a Fund is invested) may also benefit from the use of soft dollars. Therefore, it is theoretically possible that another fund will benefit (which benefit may be disproportionate relative to its contribution to the expenditure that generated them) from soft dollar services paid for by a Fund.

To the extent that a Fund's commissions are used to acquire Products and Services through the use of "soft dollars," Products and Services received will be of the type contemplated by Section 28(e) of the U.S. Securities Exchange Act of 1934 (that is, "research" and "brokerage"), although transactions may or may not otherwise comply with the provisions of Section 28(e) (e.g., may relate to transactions in instruments other than securities).

A consequence of the use of soft dollar arrangements is that, under GAAP, items that would otherwise have been characterized as expense in the consolidated financial statements of a Fund will instead be included within commissions. As a result, line-item expenses will appear smaller than they would have had soft dollars not been utilized. It is possible that some expenses paid through the utilization of soft dollar arrangements might be greater than if the Products and Services had been purchased directly.

Investors cannot direct brokerage.

Trade Errors: A Fund (and not Paloma Advisors, PPMC or Portfolio Managers) will bear the cost of any losses (and reap the benefits of any gains) resulting from trading errors and similar human errors, absent gross negligence or intentional misconduct. Trading errors might include, for example, keystroke errors that occur when entering trades into an electronic trading system or typographical or drafting errors related to derivatives contracts or similar agreements. Given the volume of transactions executed on behalf of a Fund, investors should assume that trading errors (and similar errors) will occur and that a Fund will be responsible for any resulting losses, even if such losses result from negligence.

ITEM 13 – REVIEW OF ACCOUNTS

PALOMA FUND

Risk management analysis and reporting are the responsibilities of PPMC's Chief Risk Officer and PPMC's Risk Management Group.

PPMC has developed a proprietary Risk Management System that has functioned for many years as a key component of a Fund's operations. Paloma Management monitors and analyzes the portfolio using PPMC's Risk Management System, other tools, research, expertise and knowledge, and adjusts risk when appropriate.

Reports to Clients

Investors receive monthly unaudited account statements, quarterly net asset value statements for the applicable Feeder Fund, portfolio reports, periodic letters and annual financial statements audited by an independent public accounting firm.

CPP FUND

Paloma Advisors is responsible for all investment and redemption decisions for the CPP Fund. Portfolio monitoring is conducted on an ongoing basis through due diligence meetings, reviews of communications and other information about the Portfolio Fund.

Reports to Clients

Every investor in a Fund at any time during the fiscal year receives annual financial statements audited by an independent accounting firm. Investors also receive monthly unaudited account statements, quarterly net asset value statements for the applicable Feeder Fund, periodic letters and quarterly updates.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

PPMC, Paloma Advisors or the Paloma Fund may enter into arrangements with third parties whereby such third parties receive fees, Management Fee waivers or rebates of the Management Fee for introducing investors to the Paloma Fund pursuant to a written agreement and in compliance with applicable rules and regulations.

The CPP Fund is not currently marketed to new investors.

ITEM 15 – CUSTODY

To the extent required by applicable law, a Fund's securities and funds are held by qualified custodians. Investors in a Fund receive annual financial statements audited by an independent public accounting firm, within 120 days (Paloma Fund) and 180 days (CPP Fund) of the fiscal year end, for a Fund in which they have invested. Investors should carefully review these statements.

ITEM 16 – INVESTMENT DISCRETION

PPMC and Paloma Advisors exercise discretion in managing the Funds based on a Fund's investment objectives, policies and strategies disclosed in the applicable Fund Documentation. PPMC's investment discretion is subject to Paloma Advisors' ultimate authority. Paloma Advisors typically assumes this authority through its agreements with a Fund.

ITEM 17 – VOTING CLIENT SECURITIES

Pursuant to each Trading Team's investment management agreement, the Trading Team is generally granted the discretion to vote any proxies related to the Paloma Fund's assets managed by that Trading Team. Trading Teams vote proxies in the best interest of the Paloma Fund.

Portfolio Funds vote proxies in accordance with their own proxy voting policies.

Investors in a Fund may obtain a complete copy of PPMC's or Paloma Advisors' Proxy Voting Policy and Procedures or information on how Paloma Management voted proxies for a Fund free of charge by submitting a written request to the Chief Compliance Officer at 2 American Lane, Greenwich CT 06831 or by phone at (203) 861-8405.

ITEM 18 – Financial Information

At this time, PPMC and Paloma Advisors do not have information to report that is applicable to this ITEM 18.