

Item 1: Cover Page

**FORM ADV PART 2A
FIRM BROCHURE**

Meritage Group LP

**Pier 5, The Embarcadero, Suite 101
San Francisco, CA 94111
Telephone: (415) 399-5330
Facsimile: (415) 591-0850**

March 28, 2014

This brochure provides information about the qualifications and business practices of Meritage Group LP (“**Meritage**”). If you have any questions about the contents of this brochure, please contact us at (415) 399-5330. 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.

Meritage is an investment adviser registered with the SEC. Registration with the SEC does not imply a certain level of skill or training.

Additional information about Meritage Group LP is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Summary of Material Changes

None.

Item 3: Table of Contents

Item 1: Cover Page.....	1
Item 2: Summary of Material Changes	2
Item 3: Table of Contents	3
Item 4: Advisory Business	4
Item 5: Fees and Compensation	5
Item 6: Performance-Based Fees and Side-By-Side Management	7
Item 7: Types of Clients.....	9
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	10
Item 9: Disciplinary Information	20
Item 10: Other Financial Industry Activities and Affiliations	21
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	23
Item 12: Brokerage Practices	25
Item 13: Review of Accounts	28
Item 14: Client Referrals and Other Compensation	29
Item 15: Custody	30
Item 16: Investment Discretion.....	31
Item 17: Voting Client Securities.....	32
Item 18: Financial Information	33

Item 4: Advisory Business**Our Firm**

Meritage Group LP (“**Meritage**”) is a Delaware limited partnership that was formed in November 2006. It began managing the Private Investment Funds’ (as defined below) investment program effective January 1, 2007. Meritage’s general partner is MWG GP LLC, which is controlled by Nathaniel Simons, David Zierk and Alexander Magaro. The 1998 Simons Family Revocable Trust is the principal owner of Meritage. As of December 31, 2013, Meritage had approximately US \$11.608 billion of regulatory assets under management, managed on a discretionary basis.

Private Investment Funds

Meritage provides discretionary investment management services to private investment funds for which Meritage serves as investment manager and/or investment general partner (each, a “**Private Investment Fund**” and collectively, the “**Private Investment Funds**”). The Private Investment Funds are exempt from registration under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”).

Meritage utilizes two primary strategies on behalf of the Private Investment Funds: (i) fund-of-funds investing (i.e., investing with external managers (“**External Managers**”)) and (ii) direct investing, in long/short equities (including options thereon), private equity securities, as well as other public and nonpublic financial instruments including loans and other credit and credit-related instruments or obligations and derivatives, among other strategies (“**Direct Investments**”). Meritage has broad discretion to invest in other investment instruments and employ other strategies in pursuing the objectives of the Private Investment Funds. Meritage manages the Private Investment Funds pursuant to the investment objectives and restrictions of each such fund. The investment objective and strategy for each Private Investment Fund is described in its particular offering materials. Please see Item 8 for a more detailed description of the strategies pursued by the Private Investment Funds.

Ability to Tailor Services and Impose Restrictions

Meritage provides investment management services directly to the Private Investment Funds as pooled investment vehicles based on the specific investment objectives and strategies of the Private Investment Funds themselves and not individually to investors in the Private Investment Funds (the “**Investors**”). Therefore, Meritage does not tailor its advisory services to the individual needs of any of the Investors. The Investors generally may not impose restrictions on investing in certain securities or types of securities.

Other Advisory Services

Meritage also provides certain discretionary investment advice to the trustees of a charitable trust that invests assets in connection with its donor advised fund program (the “**Non-Fund Client**” and together with the Private Investment Funds, the “**Clients**”) with respect to a portion of the assets of certain accounts in the Non-Fund Client’s donor advised fund program. Pursuant to an Investment Adviser Agreement with the Non-Fund Client, Meritage determines suitability and directs investment decisions for such accounts solely with respect to investment in a certain private investment fund (in addition to cash and cash equivalents).

Item 5: Fees and Compensation**Fee Schedule**

Meritage (or an affiliate) generally receives (i) an annual asset-based management fee, which is typically payable quarterly in advance and is charged to an Investor's capital account and (ii) from some of its Clients, performance-based compensation, as described in more detail in Item 6 below.

Clients pay Meritage a management fee quarterly in advance. The management fee for the Private Investment Funds generally ranges from 1%-1.5% per annum of the net asset value of each Investor's interest, but certain Investors may be charged a different or no management fee. This management fee is calculated (i) as of the first business day of each calendar quarter or (ii) semi-annually on January 1 and July 1 of each year. Fees for each Private Investment Fund are set forth in the offering documents for each such fund, which are available to Investors. Certain Investors, including but not limited to supervised persons of Meritage, may be eligible for fee structures that differ from, and are more beneficial than, the standard fee structure, depending on, among other factors, the relationship between Meritage and the Investor. Management fees are generally not refunded to Investors if withdrawals are made prior to the end of a calendar quarter. Fees charged to the Non-Fund Client are set forth in the Investment Advisor Agreement with such Non-Fund Client.

As described in Item 6 below, Investors in some of the Private Investment Funds also bear semi-annual performance-based allocations of a percentage of the realized and unrealized net capital appreciation with respect to the Investors' interests.

Other Fees and Expenses

The Private Investment Funds bear, both directly or indirectly (i) all costs and expenses associated with the offering of interests in such funds; (ii) all transaction costs and investment-related expenses incurred in connection with such funds' investment and trading activities, including brokerage and other execution costs, clearing, and custodial expenses, research expenses, due diligence expenses, as well as the costs of any independent accountants, legal counsel or other experts or consultants engaged by Meritage in connection with specific transactions; (iii) for Private Investment Funds that are feeders in a master-feeder structure, their proportionate share of the fees, expenses and costs associated with the operation of the master fund, including all investments by the master fund in External Managers, managed accounts, and Direct Investments, which include subscription or redemption charges, the master fund's proportionate share of the expenses of the External Managers and management and performance charges payable to External Managers, which will typically include a management fee as a fixed percentage of the assets allocated to each External Manager and a performance-based fee or allocation as a percentage of the net increase in the net asset value of such assets; (iv) any fees, expenses and costs payable to External Managers arising out of investments by the Private Investment Funds with External Managers and in managed accounts on their own behalf, as well as the Private Investment Funds' proportionate share of the fees, expenses and costs associated with the formation and operation of the Private Investment Funds and any other investment vehicle formed by Meritage to facilitate investments by the Private Investment Funds; (v) any interest, fees and costs of borrowings by or related to the Private Investment Funds and the Private Investment Funds' proportionate share of any interest, fees and costs of master fund-related borrowings; (vi) routine operational costs such as legal, accounting, bookkeeping, auditing, consulting and other professional expenses, administration and tax preparation expenses, all taxes (if any) and fees payable to governments or agencies as well as interest costs, if any, related to payments to Investors; (vii) third-party and out-of-pocket research and market data expenses, as well as quotation services such as Bloomberg and other news quotation services; and (viii) extraordinary expenses (e.g., litigation costs and indemnification obligations), if any.

Other than a management fee, the Non-Fund Client does not bear any other fees or expenses.

Please see Item 12 below for further information about Meritage's brokerage practices.

Item 6: Performance-Based Fees and Side-By-Side Management

Meritage (or an affiliate) is entitled to a semi-annual performance-based allocation from certain Private Investment Funds, generally approximately 10-12% of the realized and unrealized net capital appreciation with respect to each Investor's interest for the immediately preceding half year. A performance-based allocation will also be calculated with respect to any Investor that withdraws, in whole or in part, as of any date other than June 30 or December 31. The performance-based allocation is subject to loss recovery provisions, sometimes referred to as a "high-water mark," whereby the performance-based allocation may be reduced until prior losses are recouped or may be payable only after recoupment of prior losses. Any such performance-based allocations will be made in accordance with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "**Advisers Act**"). Not all of the Private Investment Funds are subject to performance-based compensation. The amount of the performance-based allocation for each Private Investment Fund is set forth in the offering documents for each such fund, which are available to Investors. Certain Investors, including but not limited to supervised persons of Meritage, may be eligible for performance-based allocation structures that differ from, and are more beneficial than the standard performance-based allocation structure, depending on, among other factors, the relationship between Meritage and the Investor.

Performance-based allocation arrangements may create an incentive for Meritage to recommend investments which may be riskier or more speculative than those which would be recommended under a different arrangement. Further, Meritage and its affiliates may have significant investments in the Private Investment Funds. As a result, Meritage may have an incentive to favor Clients in which Meritage has a more significant proprietary interest, including in the allocation of investment time and attention.

Meritage has designed and implemented procedures to ensure that where investment opportunities are allocated among the Private Investment Funds, investment opportunities are allocated fairly and equitably, taking into consideration such factors as Meritage deems relevant, which may include the investment objectives and restrictions and the tax characteristics of the Investors in the Private Investment Funds.

It is Meritage's policy to provide individualized treatment to each Private Investment Fund. Thus, given the differing investment objectives and restrictions of the Private Investment Funds, as well as the differing tax characteristics of the Investors in the Private Investment Funds, each Private Investment Fund will not necessarily participate in each transaction in a security or instrument that might be considered within the range of permissible investments. Meritage will not engage in "cherry picking" (allocation of transactions to favored accounts based on market movements between trade and later day allocations). In managing the assets of the Private Investment Funds, from time to time Meritage may deem it advantageous to one Private Investment Fund to engage in certain transactions with respect to commonly held positions that are not beneficial to one or more other Private Investment Funds. As a result, conflicts of interest arise because these transactions may carry certain economic risks to all the Private Investment Funds' assets as transaction costs that are allocated to each of them pro rata. Meritage will only engage in such transactions where it determines that the risks to the non-participating Private Investment Funds are not material. Further, one Private Investment Fund (either directly or through an affiliated investment vehicle) and another Private Investment Fund may invest in different parts of the capital structure of the same target company (e.g., equity and debt), thus making their interests potentially adverse to each other, such as, if the target company experiences financial distress, undergoes a restructuring or files for bankruptcy. Meritage will seek to resolve any conflicts in good faith and with a view to the best interests of all parties, but there can be no assurance that in hindsight Meritage will have made the correct judgment.

When buying or selling a security at the same time for one or more Private Investment Funds, Meritage will attempt to do so *pari passu*. However, if it is impracticable to do so, certain Private Investment Funds

may be given a priority over other Private Investment Funds that pursue a more limited investment strategy, as set forth in the investment policies and restrictions and disclosed in the relevant offering documents.

The Non-Fund Client does not pay performance-based fees. Meritage receives a management fee from the Non-Fund Client based upon the portion of the assets it manages regardless of the ratio it allocates to the private investment fund versus cash and cash equivalents. As such, Meritage does not expect there to be a conflict of interest in determining the size of the investment in the private investment fund with respect to the Non-Fund Client. The Non-Fund Client is provided an opportunity to invest in the private investment fund directly by the private investment fund's External Manager in an amount that the External Manager determines, and as a result, Meritage expects that the Non-Fund Client will not be at a disadvantage vis-à-vis the Private Investment Funds as a result of the Non-Fund Client not bearing performance-based fees.

Item 7: Types of Clients

Meritage provides advice to Private Investment Funds and not individually to the Investors in the Private Investment Funds. The Private Investment Funds are exempt from registration under the Investment Company Act.

There is no minimum account size for a Private Investment Fund. With respect to the Investors in the Private Investment Funds, there are minimum initial investment amounts that range from US \$25,000 to US \$10,000,000. Meritage may make exceptions to such minimums, as determined in its discretion.

Meritage also provides advice to the Non-Fund Client, the trustees of a charitable trust that invests assets in connection with its donor advised fund program.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**Methods of Analysis & Investment Strategy**

Meritage utilizes two primary strategies on behalf of the Private Investment Funds: (i) fund-of-funds investing (i.e., investing with External Managers) and (ii) Direct Investments.

With respect to the Private Investment Funds' fund-of-funds strategy, Meritage allocates the Private Investment Funds' assets among a diversified portfolio of investment pools managed by External Managers using a variety of investment and trading styles, some of which are more traditional investment strategies emphasizing investments in stocks and bonds, but many of which are less traditional investment strategies such as short sales, hedging (including the use of derivatives), option trading, and leverage (including margin trading and investing in derivatives). Many of these strategies may involve greater degrees of risk than more traditional strategies. External Managers may also be engaged to trade a portion of the Private Investment Funds' assets through managed accounts.

The investment instruments utilized by External Managers to which the assets of the Private Investment Funds are allocated may include, but are not limited to, the following: U.S. and non-U.S. stocks, bonds, notes, loans, options, warrants, convertible securities, repurchase and reverse repurchase agreements, futures, currencies, forward contracts, physical commodities, American Depositary Receipts and similar instruments, swaps, options, mortgage-related and other asset-backed securities, real estate investment trusts, insurance and reinsurance contracts, other derivatives and cash or cash equivalents (such as treasury notes and bills, certificates of deposit, commercial paper, broker balances, bankers acceptances, or non-U.S. mutual funds that invest in these types of instruments). Some of the instruments utilized by the External Managers may not be traded in public markets. In addition, the External Managers may participate in real estate, private equity and venture capital transactions, although these activities are not currently intended to be a primary focus of the Private Investment Funds' activities. Finally, a Private Investment Fund may invest in another fund-of-funds.

With respect to fund-of-funds investing, Meritage has the sole and absolute discretion to allocate the Private Investment Funds' assets among External Managers. In making such allocation decisions, Meritage may consider a number of factors, including correlation of an External Manager's strategy with the overall portfolios of the Private Investment Funds and certain other funds, diversification, due diligence matters, the External Manager's experience and reputation, fees charged, liquidity, risk versus return, track record and whether the investment will constitute a "seed investment". It should be noted that these factors are general in nature and it should not be assumed that each External Manager will necessarily meet any particular criteria.

With respect to Direct Investments, Meritage generally uses fundamental analysis including, among other things, company filings and research provided by others, interviews with industry consultants and cash-flow modeling, as the basis for its fundamental direct equity and credit investing strategies, but may use other types of analysis.

Meritage focuses its fundamental long/short equity trading activities primarily on listed U.S. and non-U.S. equities (including options thereon) and may also invest in other public and non-public securities and financial instruments, including, but not limited to, U.S. corporate fixed income securities, exchange traded funds, commodity and financial futures, currencies and derivatives and private equity securities. It is presently anticipated that the majority of the Private Investment Funds' long/short investment portfolio will consist of publicly traded non-U.S. and U.S. equity securities with an expected holding period of over six months. Meritage's investment horizon with respect to other securities and futures is likely to be from one month to three years, but could be longer or shorter depending on the circumstances.

Meritage also pursues a “long-only” equity strategy for certain of its Private Investment Funds.

Meritage’s Direct Investment strategy focusing on credit trading involves investments in a variety of credit and credit-related instruments or obligations including, but not limited to, bank loans (whether syndicated or privately sourced and including, but not limited to, assignments and participations), bonds, notes, debentures, bills, trade claims, and other forms of indebtedness or liability (secured, unsecured and subordinated) issued or incurred by corporations and other business entities, municipalities, sovereign nations, governmental agencies and instrumentalities, and other persons. This strategy also includes investing in securities issued as part of structured vehicles, including, but not limited to, collateralized debt obligations, collateralized loan obligations, commercial mortgage-backed securities, residential mortgage-backed securities and other asset-backed securities, and derivative instruments, including, but not limited to, listed and over-the-counter fixed income derivative instruments, credit default swaps and other swaps and options (purchased or written). This strategy involves investing in instruments which have a fixed or floating rate of return and will have various maturity dates, and may also involve the use of sophisticated and often multidimensional financial instruments with debt characteristics, including without limitation investments in notes, bonds, preferred stock, debentures and credit facilities.

Meritage’s private equity Direct Investment strategy involves investments in and acquisition of, securities of privately-held companies or publicly-traded companies and are likely to include minority investments and control stakes, opportunistic investments in public and private debt, equity, hybrid securities, options and warrants as well as participating in “going private” transactions. Such investments could be pursued in companies at an early or mature stage of business development. Meritage believes this strategy will be best accomplished by investing in markets where industry knowledge and superior analysis can offer an investing edge. Meritage expects to employ this strategy primarily in North America and Western Europe, but may make private equity investments in other regions as well. Meritage has made, and may continue to make, private equity investments either as Direct Investments or as part of its fund-of-funds strategy through investment pools managed by External Managers that make private equity investments. Due to legal, tax, regulatory, internal investment policy or guideline or other considerations, a private equity investment may not be appropriate for all of the Private Investment Funds. As a result, Meritage may make certain private equity investments solely on behalf of a single Private Investment Fund either directly or through an affiliated investment vehicle at any time.

Meritage is not limited in the investment strategies it may use for the Private Investment Funds and may use any investment strategy or strategies that it considers appropriate under the circumstances. There are no limitations or restrictions on the particular assets that the Private Investment Funds may acquire or employ or the magnitude of any investment by a Private Investment Fund, or on the trading and investment strategies and techniques that Meritage may utilize on behalf of the Private Investment Funds.

Risk of Loss

Investing in securities involves risks of loss that Investors should be prepared to bear.

Material risks to the Private Investment Funds relating to investing with External Managers include, but are not limited to, the following:

- Selection of External Managers. All External Managers are selected by Meritage. The Investors have no opportunity to select or evaluate External Managers’ investments or strategies. The likelihood that Investors will realize income or gain will depend in part on the skill and expertise of Meritage in selecting External Managers and the skill of such External Managers. Past performance of an External Manager is not indicative of such manager’s future results.

- Fees. The External Managers charge fees for their services to the Private Investment Funds or to the funds in which the Private Investment Funds invests. Such fees may be payable irrespective of profitability and may be substantial even during fiscal periods where such funds have suffered losses. A Private Investment Fund may be required to pay performance-based fees to External Managers at times when the Private Investment Fund as a whole has not realized a profit. The Investors may lose money if the profits made by the External Managers are not enough to cover their fees. Meritage may be able to negotiate lower fees for the Private Investment Funds in some cases, but is under no obligation to do so. Performance fees payable to the External Managers may create incentives for External Managers to make investments that are riskier than would otherwise be the case. The Private Investment Fund also will pay a management fee to Meritage, which will be paid irrespective of the Private Investment Funds' profitability.
- No Control/Limited or No Transparency. Meritage exercises little or no control over the External Managers in which the Private Investment Funds invest. Although Meritage attempts to monitor the performance of each External Manager, the Private Investment Funds must ultimately rely on each External Manager to operate in accordance with the investment strategy or the guidelines laid out by the External Manager and the accuracy of the information provided to the Private Investment Funds by the External Manager. If an External Manager does not operate in accordance with the investment strategy or guidelines, or if the information furnished to the Private Investment Funds is not accurate, the Private Investment Funds might sustain losses with respect to their investment with the External Manager despite Meritage's attempt to monitor the investment. Meritage will generally not have access to the portfolio positions of External Managers. In addition, Meritage generally does not have any control over the institutions selected by the External Managers for brokerage, clearing, and custody services with respect to the Private Investment Funds' assets. Bankruptcy or fraud at one of these institutions could impair the operational capabilities or the capital position of the Private Investment Funds.
- Substantial Positions. The Private Investment Funds may from time to time acquire substantial positions with particular External Managers. The External Managers may have restrictions in their governing documents that limit the Private Investment Funds' ability in whole or in part to withdraw capital from, or invest additional capital with, the External Managers, other than at specified times or in specified amounts. In addition, the External Managers may invest in instruments with limited liquidity. Such restrictions may limit Meritage's flexibility to reallocate the Private Investment Funds' assets among the External Managers, or to pay a redemption request by an Investor. Among the actions External Managers may take if they determine it necessary to restrict redemptions are the following: suspension of redemption rights, suspension of the calculation of the External Managers' net asset value, suspension or delay in making redemption payments, creation of "side pockets" for illiquid investments, and/or the imposition of redemption "gates" (which limit the amount of total redemptions on each redemption date to a specified percentage or dollar amount of an External Manager's net assets). There is no uniformity in the External Managers' ability to take these extraordinary actions or their inclination to do so, whether in whole or in part. During periods of substantial financial markets instability (such as existed during the latter part of 2008 and the first half of 2009) the likelihood of some or all of these measures being taken by one or more of the External Managers increases.
- No Coordination. The External Managers do not coordinate their investment strategies with each other or with Meritage, and at times may take positions on behalf of the Private Investment Funds which are the same as, or opposite from, positions taken by other External Managers or by Meritage. As a result, Investors may bear two sets of transaction fees while bearing little or no exposure to a certain position, or may end up with disproportionate exposure to a single position.

- Legal Proceedings. The Private Investment Funds or underlying funds managed by External Managers may be subject to lawsuits or proceedings by government entities or private parties as a result of such investments. Expenses or liabilities of the Private Investment Funds or the underlying funds arising from any such suit would be borne by the Private Investment Funds.
- Small Operations. Some of the External Managers to whom the Private Investment Funds allocate capital may consist of only one or a few principals. If those individuals for any reason ceased to provide services to the External Manager, the Private Investment Funds might sustain substantial losses.
- Investments in New External Managers. Certain of the External Managers in which the Private Investment Funds may invest, including the External Managers in which the Private Investment Funds may make seed investments, may have little or no operating history. The prior performance of the principal(s) of any External Manager in any similar venture is not a guarantee of future results. There is no assurance that any External Manager will achieve its investment objective or that any External Manager will create a profitable investment management business.
- Changes of Allocation. Meritage expects from time to time to change the percentage of assets of each Private Investment Fund allocated to specific strategies, or to a particular External Manager. These changes are made in Meritage's sole discretion and may be made for any reason whatsoever. No assurance can be given that an allocation change will result in increased profits for the Private Investment Funds.
- Valuation. Meritage relies on the valuations provided by External Managers in calculating the net asset value of the Private Investment Funds and in preparing the Private Investment Funds' financial statements. There is no assurance that such valuations will be correct or that such information will be received in a timely manner.

Material risks of Direct Investments include, but are not limited to, the risks set forth below. It should be noted that, to the extent External Managers utilize similar investment strategies, such risks will also apply to the Private Investment Funds' investments with External Managers.

- Equity Securities. The Private Investment Funds invest in equity securities. Prices of equity securities may fluctuate in accordance with changes in the financial condition of their respective issuers and also in accordance with overall market and economic conditions. In addition, the Private Investment Funds may invest in equity securities issued by unseasoned companies and such investments may be highly speculative. The Private Investment Funds' investments in equity securities may not generate any income or appreciate in value and may lose value.
- Short Sales. A short sale will result in a gain if the price of the securities sold short declines between the date of the short sale and the date on which securities are purchased to replace those borrowed. A short sale will result in a loss if the price of securities sold short increases. Any gain from a short sale will be decreased, and any loss will be increased, by the amount of any payment, dividend or interest that the Private Investment Funds may be required to pay with respect to the borrowed securities, offset (wholly or partly) or (in very low interest rate environments) exacerbated by short interest credits. In a generally rising market, short positions may be more likely to result in losses because the securities sold short may increase in value. A short sale involves a finite opportunity for appreciation, but a theoretically unlimited risk of loss. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase.

- Hedging. Hedging strategies in general are intended to limit or reduce investment risk, but can also be expected to limit or reduce the potential for profit. While a Private Investment Fund may (but is not required to) enter into hedging transactions to seek to reduce risk, there is no guaranty that such hedging transactions will do so and such transactions may result in poorer overall performance for a Private Investment Fund than if it had not engaged in any such hedging transaction.
- Volatility. Long-only strategies may result in a greater level of volatility in comparison to hedge funds that pursue other investment strategies due to fluctuating prices of equity securities and derivative instruments.
- Margin/Leverage/Other Borrowing. Leverage may be acquired through traditional borrowing transactions, through the use of margin and through derivative transactions, such as options, futures, forward contracts and equity swaps, credit default swaps and other types of swaps, and repurchase agreements that have a similar effect. Such strategies can increase the profit potential of a securities portfolio, but concomitantly increase the risk of loss. Such strategies also can increase the Private Investment Funds' transaction costs, interest expense and other costs and expenses. Access to capital could be impaired by many factors, including market forces or regulatory changes. If a Private Investment Fund were unable to borrow capital, it may need to liquidate assets in order to meet its liabilities. The level of margin available will generally be limited only by the credit decisions of the relevant prime brokers. There can be no assurance, however, that such prime brokers will either continue existing arrangements or that such prime 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 investment performance. There can be no assurance that the Private Investment Funds will be able to secure or maintain adequate financing, without which the Private Investment Fund may not continue to be viable. Margin trading requires the pledge of securities as collateral, and margin calls can result in the Private Investment Funds being required to pledge additional collateral or to liquidate securities at substantial losses that would not otherwise be realized. The failure to satisfy a margin call, or the occurrence of other material defaults under margin or other financing agreements, may trigger cross-defaults under the Private Investment Funds' agreements with other brokers, lenders, clearing firms or other counterparties, multiplying the adverse impact to the Private Investment Funds.
- Derivatives. Derivatives may be used as a primary strategy or as a hedging technique for other strategies, and may expose the Private Investment Funds' investments to risk of default by the counterparty, premature termination of the transaction, adverse changes in market conditions, and substantial costs for creating and maintaining the transaction. There may not be any liquid secondary market for such derivative transactions. Such derivative transactions may include, but are not limited to, futures, interest rate swaps, currency swaps, credit default swaps, other swap contracts, forward foreign exchange contracts, swaptions, options, caps, collars and floors. The Private Investment Funds will have complete flexibility to invest in any such securities and derivative instruments which may be developed and which may involve additional risks not described herein.

Certain derivatives instruments purchased by the Private Investment Funds may be privately negotiated and therefore may not be traded on an exchange. The risk of nonperformance by obligors on such instrument may be greater and the ease with which the Private Investment Funds can dispose of or enter into closing transactions with respect to such instruments may be less than in the case of exchange-traded instruments. Significant disparities may exist between "bid" and "ask" prices for such instruments. In addition, such instruments are not subject to the same type of government regulation as exchange-traded

instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. In these transactions, the Private Investment Funds must rely on the creditworthiness of its counterparty and counterparty or credit risk may be affected by the lack of a central clearinghouse.

- Futures and Commodities. Futures contracts are customarily bought and sold on margins which range upward from less than 5% of the purchase price of the contract being traded. Because of these low margins, price fluctuations in futures markets may create profits and losses which are greater than are possible in other forms of investment. The minimum amount of margin required for a particular futures contract is set from time to time by the exchange upon which such futures contract is traded and may be modified by the exchange at any time during the term of the contract. When the market value of a particular position changes to a point where the margin on deposit does not satisfy margin maintenance requirements, the Private Investment Fund will be subject to a margin call from its broker. If the margin call is not met within a reasonable time, usually less than 24 hours, the broker may close out the position.
- Fixed Income Investments. The value of the fixed income financial instruments in which the Private Investment Funds may invest, including but not limited to, bonds, notes, debentures, bills, trade claims, and other forms of indebtedness or liability issued or incurred by corporations, municipalities, sovereign nations, governmental agencies and instrumentalities, business entities or other persons, will generally change as interest rates fluctuate in the relevant financial markets, in addition to being affected by such factors as credit risk and financial condition relating to particular issuers. Generally, when interest rates decline, the value of any long fixed income portfolio held by the Private Investment Funds can be expected to rise while that of any short fixed income portfolio can be expected to decline. Conversely, when interest rates rise, the value of a long fixed income portfolio can be expected to decline while that of a short fixed income portfolio can be expected to rise. Adverse interest rate developments, such as interest rate increases, instability, or even increased uncertainty, may be expected to adversely affect the debt markets and render more difficult the achievement of satisfactory returns in such markets.
- Credit Securities. Credit securities may be unrated and possess speculative characteristics. An economic recession may severely disrupt the market for credit securities and could adversely impact the value of these securities. The issuers of these securities may face uncertainties which may adversely affect the issuer's ability to make timely payments of interest and principal.
- Bank Loans and Participations. The Private Investment Funds may invest in bank loans which take the form of participations or assignments of bank loans. There are special risks associated with these obligations, including the possible invalidation of a transaction as a fraudulent conveyance under creditors' rights laws, lender-liability claims by the issuer of the obligations, environmental liabilities that may arise with respect to collateral securing the obligations, and limitations on the ability of the Private Investment Funds to directly enforce their rights with respect to participations.
- Mortgage-Backed, Asset-Backed Securities and Other Structured Credits. Investments by the Private Investment Funds in residential mortgage-backed securities ("MBS") involve the general risks typically associated with investing in traditional fixed income securities (including interest rate and credit risk) and certain additional risks and special considerations (including the risk of principal prepayment and the risk of indirect exposure to real estate markets).

In addition, the Private Investment Funds may also purchase bonds or notes backed by other obligations ("ABS"). There is no limit on the types of obligations that underlie ABS. Common examples of these are

credit card receivables, auto loans, manufactured-housing contracts, home equity loans and legal settlements. ABSs are subject to a variety of risks, including the risk that a change in interest rates may influence the pace of pre-payments of the underlying loans which, in turn, affects yields. The risks of investing in MBS and ABS instruments generally reflect the risks of investing in the underlying assets, including the effect of local and other economic conditions on the underlying assets and the ability of obligors to make payments on the relevant obligations.

The Private Investment Funds may also invest in other structured products such as collateralized debt obligations (“CDO”), collateralized loan obligations (“CLO”) and variable rate MBS and ABS, including adjustable-rate mortgage securities. Certain components of each such investment introduce additional risks for the Private Investment Funds, including risks related to the movements in specific indices or interest rates that may be difficult or impossible to hedge, and that also interact in a complex fashion with prepayment risks. Further, certain investments by the Private Investment Funds in MBS, ABS and other securities and structured products may be subordinate to one or more senior classes. Investments in subordinated securities involve greater credit risk of default than the senior classes of the issue or series.

- Cash Equivalent Investments. To the extent the Private Investment Funds hold cash, cash equivalents and other liquid investments, such investments may reduce returns to the Private Investment Funds.
- Credit Ratings. Credit ratings of debt securities are not a guarantee of quality. A credit rating represents only the applicable rating agency’s opinion regarding credit quality based on the rating agency’s evaluation of the safety of the principal and interest payments. In determining a credit rating, rating agencies do not evaluate the risks of fluctuations in market value. As a result, a credit rating may not fully reflect the risks inherent in the relevant security. Rating agencies may fail to make timely changes to credit ratings in response to subsequent events. In addition, to the extent that a rating agency rates a security at the request of an issuer, the rating agency has a conflict of interest in providing such rating.
- Municipal Securities. The Private Investment Funds may invest in different types of municipal securities, each of which has different kinds and varying degrees of risk. For example, certain types of municipal securities are not direct obligations of any government, and the payment of such obligations is generally dependent on the collection of anticipated revenues from a particular facility or special excise tax. In the event that special revenues backing such obligations are not received, the Private Investment Funds will have no recourse against the issuer or any other party for repayment of such obligations. In the case of general obligations, there is the risk that an issuer of such obligations could become insolvent and default on the obligations. In such case, the Private Investment Funds would be creditors of the issuer and would likely not receive full payment of principal and interest on the obligations.
- Investments in Non-U.S. Financial Instruments. The Private Investment Funds invest in non-U.S. financial instruments. Investing in securities of non-U.S. companies, which are generally denominated in non-U.S. currencies, and utilizing options or derivatives based on non-U.S. indices, involve certain considerations comprising both risk and opportunity not typically associated with investing in U.S. companies. These considerations include a fluctuation in exchange rates of non-U.S. currencies; the possible imposition of an exchange control regulation or a currency blockage; less public information with respect to issuers of securities; less governmental supervision of stock exchanges, securities brokers and issuers of securities; possible securities clearance and settlement problems; lack of uniform accounting, auditing and financial reporting standards; the possible expropriation of assets or confiscatory taxation by a host government; the fact that many non-U.S. markets are not as liquid as those in the United

States; and the possible imposition of additional taxes. In addition, the Private Investment Funds may invest in financial instruments of emerging market countries, which may expose the Private Investment Funds to significant risks not typically associated with investment in developed countries.

- Private Equity Investments. Private equity investments involve a high degree of business and financial risk that can result in substantial losses. Among these are the risks associated with investing in companies (i) that may be in an early-stage of development or with little or no operating history, (ii) operating at a loss or with substantial variations in operating results from period to period, (iii) with unpredictable operating results and limited financial resources, (iv) that may be unable to meet their obligations, and (v) with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. These companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and service capabilities, and a larger number of qualified managerial and technical personnel. Private equity investments also may be made in companies in rapidly changing fields, and that may face special risks of obsolescence of their products or services and competition from other companies in the same or related fields. The foregoing factors may, among other things, result in a deterioration of a target company's equity securities or any collateral or guarantees provided with respect to its debt.

Private equity investments may rely heavily on the use of leverage, and the ability to achieve attractive rates of return on these private equity investments may depend on the ability to access sufficient sources of indebtedness at attractive rates. For example, in many private equity investments, indebtedness may constitute a significant portion of a portfolio company's total debt and equity capitalization, including debt that may be incurred in connection with the investment. The absence of available sources of sufficient debt financing for extended periods of time could therefore materially and adversely affect such an investment. In addition, an increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness could make it more expensive to finance these types of investments. Further, a portion of the indebtedness used to finance private equity investments often includes high-yield debt securities issued in the capital markets. Availability of capital from the high-yield debt markets is subject to significant volatility, and there may be times when Meritage or an External Manager might not be able to access those markets at attractive rates, or at all, when completing an investment. Investments in highly leveraged entities, such as portfolio companies, also are inherently more sensitive to declines in revenue, as well as adverse economic, market and industry developments.

Before making private equity investments, Meritage does, and will continue to, and the External Managers are expected to, undertake a due diligence investigation of the target company, and in doing so may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Nevertheless, due diligence investigations may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating the investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful

- Illiquid Securities. Securities in which the Private Investment Funds invest may be thinly traded and relatively illiquid or may cease to be traded after the Private Investment Funds invest. The Private Investment Funds may also acquire significant positions in particular financial instruments. In such cases, and in the event of extreme market activity, the Private Investment Funds may not be able promptly to liquidate investments if the need should arise. In addition, the Private Investment Funds' sale of thinly traded financial instruments could depress the market value of such instrument and thereby reduce the Private Investment Funds' profitability or

increase its losses. Such circumstances or events could materially and adversely affect the amount of gain or loss the Private Investment Funds may realize.

- Tax-Exempt Fixed Income Securities. One of the Private Investment Funds has been formed exclusively to pursue a targeted investment strategy based on a single investment idea involving federally tax-exempted fixed income securities. Investing in the tax-exempt fixed income market involves certain risks. The amount of public information available about tax-exempt bonds is generally less than that for corporate equities or other taxable bonds. The secondary market for tax-exempt fixed income securities, particularly the market for fixed income securities whose rating is below investment grade, also tends to be less well-developed or liquid than many other securities markets. This may adversely affect Meritage's ability to sell these instruments at attractive prices. The tax-exempt fixed income market is fragmented to a significantly greater degree than comparable taxable markets. This fragmentation can lead to aberrational pricing as well as periods of illiquidity. In addition, many tax-exempt fixed income bond issues carry call provisions that allow retirement of the bond prior to stated maturity. To the extent that the Private Investment Fund purchases such instruments that are called prior to maturity, it will lose its anticipated investment appreciation therein.
- Restricted Securities. The Private Investment Funds may invest in restricted securities that are not traded in public markets. Restricted securities generally are difficult or impossible to sell at prices comparable to the market prices of similar securities that are publicly traded. No assurance can be given that any such restricted securities will be eligible to be traded on a public market even if a public market for securities of the same class were to develop.
- Designated Investments and Follow-up Investments. In the event that an Investor requests to redeem all or part of his or its interest prior to the disposition of a "**Designated Investment(s)**" in which such interest participates, the redeeming Investor will (i) maintain his or its interest in such Designated Investment(s) until the occurrence of a recognition event, and/or (ii) receive an in-kind redemption payment of his or its pro rata portion of the Designated Investment(s), in whole or in part, as determined by the Private Investment Funds' managers in their sole discretion. For so long as an Investor holds an interest in one or more Designated Investments, that Investor will continue to receive his or its allocable share of the gains, losses and expenses related to each Designated Investment in which the Investor participates, and, if the Investor has otherwise redeemed his or its interest, the Investor will remain an Investor to the extent, but only to the extent, of his or its interest in such Designated Investment and, upon a recognition event with respect to each Designated Investment, the interest such Investor has in the Designated Investment will be redeemed, without notice, at the redemption price, determined as set forth in the offering documents for the Private Investment Fund. In addition, profits and losses of "follow-up" investments to Designated Investments may be allocated only to the Investors who participated in the original Designated Investment.
- Material Non-Public Information. During the course of the Private Investment Funds' regular investing activities, Meritage may obtain material non-public information with respect to a company, or the Private Investment Funds may become subject to trading restrictions pursuant to Meritage's internal trading policies or as a result of applicable law or regulations. As a result, the Private Investment Funds may be prohibited for a period of time from purchasing or selling such companies' securities and such prohibition may have an adverse effect on the Private Investment Funds.

The discussion of risks above is not exhaustive. Investors in a Private Investment Fund should refer to the offering documents of the relevant Private Investment Fund for a more detailed explanation of the risk factors associated with an investment in a Private Investment Fund.

Meritage advises the Non-Fund Client in accordance with the Investment Advisor Agreement and the applicable program guidelines of the Non-Fund Client. With respect to a portion of the assets of certain donor advised fund accounts, Meritage determines suitability and directs investment decisions solely with respect to a certain private investment fund managed by a particular External Manager (in addition to cash and cash equivalents). Material risks of such services include, but are not limited to, risks similar to those set forth above under “Risk of Loss” for Private Investment Funds relating to investing with External Managers such as “Selection of External Manager,” “Fees,” “No Control/Limited or No Transparency,” “Legal Proceedings,” and “Valuation,” each taken in the context of the limited discretionary advisory services provided by Meritage to the Non-Fund Client.

Item 9: Disciplinary Information

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

Item 10: Other Financial Industry Activities and Affiliations

Mendocino GP LLC is a relying investment adviser that serves as general partner to certain Private Investment Funds that engage in a long-only investment strategy.

None of Meritage or its management personnel is registered, or has an application pending to register, as a broker-dealer, futures commission merchant, commodity pool operator (“**CPO**”), a commodity trading advisor, or is an associated person of the foregoing entities. Meritage has claimed fund-of-funds CPO registration relief pursuant to the November 29, 2012, CFTC No-Action Letter No. 12-38. This relief permits Meritage to operate the Private Investment Funds without having to register as a CPO, notwithstanding the Private Investment Funds’ indirect exposure to commodity interest through their fund-of-funds investments. Meritage will be permitted to rely on the no-action relief until six months from the date that the CFTC issues revised guidance on the application of the de minimis thresholds in CFTC Regulation Section 4.13(a)(3) to operators of funds-of-funds. Thereafter, Meritage may be required to register as a CPO if it is not able to satisfy the revised guidance.

Nathaniel Simons, the Chairman and a Senior Managing Director of the general partner of Meritage, is a director of Renaissance Technologies LLC (“**Renaissance**”), a registered commodity pool operator and commodity trading advisor, and in his capacity as such, is registered as a listed principal with the National Futures Association.

Renaissance serves as a third-party administrator to certain of the Private Investment Funds and as administrator with respect to services provided to the Non-Fund Client. Renaissance, which is an SEC-registered investment adviser, a commodity pool operator and a commodity trading adviser is not an advisory affiliate or otherwise a related person of Meritage. Nathaniel Simons, the Chairman of Meritage’s general partner, is a minority owner and, as stated above, a director of Renaissance. However, Mr. Simons does not have any active involvement in Renaissance’s investment or trading activities and his relationship with Renaissance does not create a material conflict of interest with Meritage’s clients. Certain Renaissance personnel participate in the donor advised fund platform sponsored by Meritage’s Non-Fund Client. Meritage’s investment advisory services with respect to the Non-Fund Client is limited to determining suitability and directing investment decisions with respect to a private investment fund managed by Renaissance (in addition to cash and cash-equivalents). Meritage, its personnel, and the Private Investment Funds may invest in the same Renaissance-managed private investment fund, or an affiliated private investment fund, as the Non-Fund Client, but such allocation will generally not affect the availability of such investment opportunity for the Non-Fund Client.

Conflicts of Interest

Meritage expects that Investors affiliated with Meritage or with Renaissance (the “**Affiliated Investors**”) will remain the primary investors in the Private Investment Funds for the foreseeable future. Unaffiliated Investors should note that Meritage may allocate the Private Investment Fund’s capital to External Managers based on the perceived optimal allocation for one or more of such Affiliated Investors. In particular, Meritage may limit the Private Investment Fund’s participation in commodity futures, statistical arbitrage or other strategies utilized by the funds managed by Renaissance, and may avoid investment in other vehicles with a positive correlation to such funds. In addition, (i) an Affiliated Investor may be permitted to invest on more favorable terms than an unaffiliated Investor, and (ii) an Affiliated Investor who Meritage classifies as a large, strategic Investor may receive reports about the Private Investment Fund’s portfolio holdings in investment funds managed by External Managers, provided that the Investor signs a non-disclosure agreement prior to receipt of any such information.

Meritage has an affiliated entity, Monterey Management Group LP (“**Monterey Management**”), that provides investment advisory services to a privately offered investment fund that employs a fund-of-funds

investment strategy (the “**Monterey Fund**”). Monterey Management is registered with the SEC as an investment adviser. The Monterey Fund and the Private Investment Funds invest in many of the same investment funds managed by the same External Manager. In the event that the Private Investment Funds and the Monterey Fund seek an investment with the same investment fund managed by an External Manager with limited capacity, the Private Investment Funds will be given priority over the Monterey Fund with respect to that investment.

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

Meritage has adopted a Code of Ethics pursuant to Advisers Act Rule 204A-1 that is applicable to Meritage's limited partners and supervised persons (collectively, "**Supervised Persons**"). The Code of Ethics requires Supervised Persons to exercise their authority and responsibility for the benefit of Clients and to refrain from activities that may conflict with the interests of Clients. The Code of Ethics contains policies and procedures that, among other things:

- prohibit trading on the basis of material non-public information;
- prohibit Supervised Persons from taking personal advantage of opportunities belonging to Clients;
- place limitations on personal trading by Supervised Persons (including prohibiting investing in initial public offerings) and impose reporting and certain pre-clearance obligations with respect to such trading;
- require Supervised Persons to obtain pre-clearance of transactions in private placements;
- impose limitations on the giving or receiving of gifts and entertainment; and
- restrict Supervised Persons' outside business activities.

Meritage's Chief Compliance Officer ("**CCO**") monitors compliance with these and all other aspects of the Code of Ethics.

Supervised Persons of Meritage may engage in investment and trading activities and may invest in one or more External Managers for their own account. Any such investment is subject to Meritage's Code of Ethics, described above. Any conflict between a Private Investment Fund and a Supervised Person with respect to investing in an External Manager would be addressed in Meritage's pre-clearance process, in accordance with its Code of Ethics.

Meritage and its principals currently do, and may in the future, manage the trading of other investment and trading accounts with objectives similar to those of the Private Investment Funds, including, the Monterey Fund, in which Meritage has or may have an equity interest ("**Affiliated Investment Vehicles**"). The portfolios of the Affiliated Investment Vehicles may be comprised, in whole or in part, of instruments in which the Private Investment Funds also invests or are permitted to invest. Where an investment in an Affiliated Investment Vehicle is deemed suitable for the Private Investment Funds, they may be afforded an opportunity to participate therein if Meritage deems it appropriate and equitable under the circumstances. In addition, the Private Investment Funds may, from time to time, make an investment in an issuer in which one or more Affiliated Investment Vehicles or other clients (collectively, "**Other Clients**") invest in a different part of the issuer's capital structure. There may be instances in which such issuer may become insolvent or bankrupt and where the Private Investment Funds' and/or the Other Client's interests in such issuer may conflict. To the extent that the Private Investment Funds hold securities in an issuer with rights, preferences and privileges that are different from those held by one or more Other Clients in the same issuer, Meritage and its affiliates may be presented with decisions in which the interests of the Private Investment Funds and such Other Clients are in conflict. The same may be true with respect to investments made by a Private Investment Fund unless all other Private Investment Funds participate in that investment. It is possible that in a bankruptcy proceeding, the Private

Investment Funds' interests may be subordinated or otherwise adversely affected by virtue of the Other Client's involvement and actions relating to its investment.

Meritage is not obligated to devote any specific amount of time to the affairs of the Private Investment Funds nor is it required to accord exclusivity or priority to the Private Investment Funds in the event of limited trading or investment opportunities arising from the application of position limit or other trading restrictions or opportunities.

Conflicts of interest are discussed in further detail in the offering documents for the Private Investment Funds. The Code of Ethics provides that, at all times, Supervised Persons must ensure that Meritage meets its fiduciary obligations to Clients.

A copy of the Code of Ethics is available to Clients or prospective clients by submitting a request to the CCO at (415) 399-5330.

Interest in Client Transactions

Meritage may invest Private Investment Fund assets in one or more private investment vehicles for which Meritage or its affiliates acts as investment manager; however, in such case Investors do not bear additional layers of management fees or performance allocations.

It is Meritage's general policy not to engage in principal trades. In any situation where Meritage determines that a principal trade is appropriate, it will obtain prior written approval from Investors based upon written disclosure to the Investors in compliance with Section 206(3) of the Advisers Act.

Meritage may engage in cross trades. In these cases Meritage has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross trades. Generally, if Meritage engages in a cross trade between two Client accounts for Direct Investments, such cross trades will be executed in the public marketplace at the current market price using unaffiliated brokers trading as agents. Occasionally Meritage may engage in a cross trade if Meritage or an affiliate is seeking to acquire or dispose of an investment with an underlying manager for one Private Investment Fund and another Private Investment Fund managed by either Meritage or an affiliate is seeking to effect the contrary investment action. Further, principal or cross trade transactions may occur in connection with portfolio rebalancing among Private Investment Funds or accounts. Such cross trades will generally be effected at the current market price (which for investments with an External Manager is expected to be the last reported net asset value) and no fees or other remuneration will be paid in connection with any such transaction.

Item 12: Brokerage Practices**Best Execution**

Meritage has the authority to determine for the Private Investment Funds, without obtaining any consent, (1) securities to be bought and sold, (2) the amount of such securities to be bought and sold, (3) the broker or dealer to be used, and (4) commission rates paid. Meritage's authority is limited by its own internal policies and procedures and each Client's investment guidelines. Brokers for transactions in respect of Meritage's Direct Investments for the Private Investment Funds will be selected by Meritage, and brokers for transactions in connection with Meritage's fund-of-funds strategy for the Private Investment Funds will be selected by the External Managers.

In selecting brokers to execute transactions, Meritage or the External Managers need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost to be charged by the brokers it or they select. Because brokers are selected based on factors other than "execution only" commission rates, a client may be deemed to be paying for other products and services, including research, provided by the broker which are included in the commission rate. Portfolio transactions for the Private Investment Funds may be allocated to brokers on the basis of obtaining the best overall terms available, which each External Manager or Meritage, as the case may be, will evaluate based on a variety of factors, including the ability to achieve prompt and reliable execution at favorable prices, the operational efficiency with which transactions are effected, the competitiveness of the commission rates, the terms of borrowings available from the broker, the financial strength, integrity and stability of the broker, and the quality, comprehensiveness and frequency of available research and related services considered to be of value. Recognizing the values of these factors, Meritage or the External Managers may select a broker who charges brokerage commissions in excess of that which another broker might have charged for effecting the same transaction. With respect to the selection of brokers for its Direct Investing strategy, Meritage will make a good faith determination that the amount of commission is reasonable in relation to the value of the brokerage and research services received, viewed in terms of either the specific transaction or Meritage's overall responsibility to its clients.

Research and Other Soft Dollar Benefits

As noted above, Meritage and the External Managers may pay a broker a commission in excess of that which another broker might have charged for effecting the same transaction in recognition of the value of the brokerage, research and related services provided by the broker. Such brokerage practices are often referred to as the use of "soft dollars." These arrangements allow Meritage and the External Managers to supplement their own research analysis with the research and information provided by the broker. Such arrangements also provide an incentive for Meritage and the External Managers to direct client transactions to brokers that provide the research and other services.

To the extent that such research products and services are obtained or "soft dollar credits" (which can be used to pay for soft dollar items) are generated, Meritage and/or the External Managers will be receiving a benefit by reason of the direction of commissions because they will not need to produce or pay for the products or services (or charge such expenses to clients). As a result of the brokerage arrangements utilized by Meritage and the External Managers, conflicts of interest may arise between the External Manager or Meritage, on the one hand and their clients, on the other hand, because some research and other products and services may not necessarily be used by the External Manager or Meritage, as applicable, in servicing the clients whose commission dollars provided for the research and clients may not, in any particular instance, be the direct or indirect beneficiary of the research or other products and services provided.

Section 28(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) provides a safe harbor that allows investment managers with discretionary authority over client accounts to pay more than the lowest possible commission in order to obtain “brokerage and research services” without breaching their fiduciary duties to clients. Meritage currently seeks to limit the use of “soft dollar” benefits from brokers to products and services that fall within the safe harbor provided by Section 28(e).

Meritage intends to use, and in the past fiscal year has used, research products and services within the Section 28(e) safe harbor. Such products and services generally include, among other things, advice, analyses, reports, publications and writings that furnish advice as to the value of investments, the advisability of investing in, purchasing or selling investments, and the availability of investments, as well as analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts which Meritage determines constitute advice, analysis or reports. Such research services also include, among other things, market data services such as stock quotes, last sale prices, trading volumes and financial and economic data, pre-trade and post-trade analytics, software and other products that depend on market information to generate market research (including research on optimal execution venues and trading strategies), raw data which Meritage can use to prepare its own research analytics, conferences and seminars related to research discussions, meetings with corporate executives to obtain reports on, among other things, the performance of a company, publications targeted at a narrow audience, including, without limitation, publications which are directed to readers with specialized interests in particular products, industries or issuers, and software that provides analyses of investment portfolios.

In addition, Meritage intends to acquire, and in the past fiscal year has acquired, certain brokerage services within the Section 28(e) safe harbor. Such services generally include clearance, settlement and short term custody services in connection with trades effected by the broker or dealer, post-trade services incidental to executing a transaction, comparison services that are required by SEC or self-regulatory organization rules, such as the use of electronic confirmation and affirmation of institutional trades, communications services related to execution, clearing and settlement of investment transactions, trading software to route orders to market centers, software that provides algorithmic trading strategies and software used to transmit orders to direct market access systems.

External Managers also may use brokerage and research services within the safe harbor provided by Section 28(e), including those described above. However, they may not necessarily comply with the safe harbor provided by Section 28(e) in all circumstances. Conduct outside the safe harbor afforded by Section 28(e) is subject to the applicable standards of fiduciary duty under applicable law and the Advisers Act. To the extent an External Manager uses commission to obtain soft dollar credits that would otherwise be an expense of the External Manager, such credits in effect constitute additional compensation to the External Manager.

Directed Brokerage

Meritage may request External Managers that trade a portion of Private Investment Funds’ assets through managed accounts to direct brokerage transactions to particular brokers, but the External Managers will generally not be under any obligation to do so. Brokerage fees for such managed accounts are paid directly by the Private Investment Funds; brokerage fees for investments by investment pools managed by External Managers are generally one of the expenses of such investment pools.

Aggregation

It is possible that Meritage may aggregate sale and purchase orders of securities held by the Private Investment Funds with similar orders being made simultaneously for other accounts, if in Meritage's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to one or more Private Investment Funds such as a relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In certain instances, the purchase or sale of securities for one or more Private Investment Funds will be effected simultaneously with the purchase or sale of like securities for another Private Investment Fund. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, and at Meritage's sole discretion, the Private Investment Funds may be charged or credited, as the case may be, the average transaction price.

Trade Errors

It is Meritage's policy that the utmost care is to be taken in making and implementing investment decisions on behalf of Client accounts. To the extent that any errors occur, they are to be corrected promptly and reported to the Chief Operating Officer ("COO") or the portfolio manager in charge of the account and the CCO as set forth in Meritage's policies and procedures. Resolution of trade errors is handled on a case-by-case basis.

Item 13: Review of Accounts

The COO and portfolio management personnel monitor the Private Investment Funds' trading on a daily basis and regularly review the portfolio to ensure it is consistent with the Private Investment Funds' respective investment objectives and guidelines. The portfolio managers also meet with the Chairman periodically to review the activities of the Clients (including any investment guidelines or restrictions) on a regular basis.

Reports

Within 120 days (or 180 days as required) of Meritage's fiscal year end, Meritage will send to each Investor in a Private Investment Fund an annual written report containing audited financial statements with respect to the prior year. As soon as practicable following year end, Meritage will send to each Investor in a Private Investment Fund annual tax information needed for the preparation of the Investor's income tax returns. During the year, Investors will receive at least quarterly unaudited written reports on the applicable Private Investment Fund's performance.

Meritage will provide, at a minimum, quarterly investment performance reporting to the Non-Fund Client.

Item 14: Client Referrals and Other Compensation

Neither Meritage nor any of its related persons have any arrangements, oral or in writing, through which they are paid cash by or receive an economic benefit from a non-client in connection with giving advice to Clients. In addition, Meritage does not currently compensate third parties, including brokers and dealers or placement agents, in connection with the solicitation of prospective clients or Investors.

Item 15: Custody

Some of Meritage's clients are the Private Investment Funds, which are pooled investment vehicles. By virtue of its role as investment general partner and/or investment manager, Meritage may be deemed to have custody of the assets of such Private Investment Funds. Assets of such Private Investment Funds are maintained with qualified custodians to the extent required by Rule 206(4)-2 under the Advisers Act. An independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, audits the Private Investment Funds annually and the audited financial statements are distributed to Investors within 120 days (or 180 days as required) after the end of the Private Investment Funds' fiscal year.

Item 16: Investment Discretion

Meritage provides discretionary investment management services to the Private Investment Funds in accordance with the investment objectives and restrictions of each such fund. This means that Meritage has the authority to determine (i) the securities to be purchased and sold for the Private Investment Funds (subject to the investment objective and restrictions of each Private Investment Fund) and (ii) the amount of securities to be purchased or sold for the Private Investment Funds, in each case without notice to, consulting with, or seeking the consent of, the Private Investment Funds or the Investors prior to engaging in such transactions.

Meritage provides limited discretionary investment management services to the Non-Fund Client in accordance with the Investment Advisor Agreement and the applicable program guidelines of the Non-Fund Client. With respect to investments in the private investment fund, Meritage will determine suitability and will direct the Non-Fund Client to make such investment as determined by Meritage and then subscription materials will be filled out and executed by the Non-Fund Client. Meritage will also take into account the amount of investment in such private investment fund as a percentage of the Non-Fund Client's total invested assets.

Item 17: Voting Client Securities

Meritage has authority to vote proxies associated with the Private Investment Funds' Direct Investment portfolio and acknowledges its fiduciary obligation to vote such proxies in the best interests of the Private Investment Funds, consistent with their investment objectives. When exercising voting authority, Meritage aims to consider the relevant material factors of its vote that could affect the value of the applicable Private Investment Fund's investments in order to vote, in its judgment, in a manner that is most likely to maximize the value of the applicable Private Investment Fund's investments. Specifically, Meritage will generally support proposals aimed at effectuating standard and necessary aspects of business operations, which will not typically have a significant effect on the value of the investment, such as name changes, elections of directors and employee stock purchase or ownership plans, and Meritage will generally vote against any management proposals that Meritage believes could prevent companies from realizing their maximum market value, or would insulate companies and/or management from accountability to shareholders or prudent regulatory compliance. There may be situations where Meritage determines that it is appropriate and in the Private Investment Funds' best interests for Meritage not to vote proxies with respect to certain direct investment positions (e.g., those involving rehypothecated securities).

In the event of a conflict of interest is identified in connection with voting a particular proxy, the CCO will determine whether such conflict is material and determine the appropriate action with respect to voting such proxy (including whether to inform Investors of the conflict or seek the recommendation of a third party). The CCO will document the steps taken to evidence that the proxy vote or abstention was in the best interest of Clients and not the product of any material conflict.

Meritage has adopted proxy voting policies and procedures in accordance with Rule 206(4)-6 under the Advisers Act. Meritage will ensure that all books and records relating to its proxy voting activities are retained in accordance with the requirements of Rule 204-2(c)(2) under the Advisers Act. Clients may obtain a copy of Meritage's proxy voting policies and procedures and information about how Meritage voted their securities by contacting the CCO at (415) 399-5330.

Item 18: Financial Information

Meritage is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients. Meritage has not been the subject of a bankruptcy proceeding within the past 10 years.