

SOUTH FERRY CAPITAL MANAGEMENT L.P.



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This brochure provides information about the qualifications and business practices of South Ferry Capital Management (“South Ferry”). If you have any questions about the contents of this brochure, please contact us at (212) 612-3344 or Marshall.Terry@southferrylp.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT SOUTH FERRY OR ANY PRINCIPALS OR EMPLOYEES OF SOUTH FERRY POSSESS A PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY BUSINESS OR ANY OTHER BUSINESS.

Material Changes

There have been no material changes to this brochure since the last annual update in March 2013.

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Advisory Business

South Ferry is a limited partnership organized under the laws of Delaware in April, 2010. The principal owner of South Ferry is John Reilly.

South Ferry provides discretionary investment advisory services to its clients, certain private investment funds (the “South Ferry Funds”), focusing on maximizing absolute returns by using an event-driven strategy to invest in long and short positions that South Ferry believes have attractive risk-adjusted return profiles. South Ferry is generally granted broad investment authority with respect to the management of the accounts of its clients. All accounts are managed based on South Ferry’s expertise in fundamental analysis. South Ferry seeks to maximize total return through investment primarily related to event-driven situations such as bankruptcies and reorganizations; changes in fundamental business drivers; changes in the regulatory or legal environment; mergers, acquisitions, spin-offs or other corporate transactions; or other events that may cause a mispricing of risk relative to a projected event or result.

South Ferry ordinarily provides investment advisory services based on the investment objectives, risk profile, financial situation and cash flow needs of each client, as reflected by the investment management agreement that South Ferry enters into with each client, or in any other governing documents that may apply to each account. South Ferry does not tailor its services to the needs of any particular investor in any South Ferry Fund. South Ferry may agree in the investment management agreement with a client to investment restrictions or guidelines with respect to the types or amounts of securities or other financial instruments that may be purchased or sold for the client’s account. South Ferry may pursue different investment strategies for different clients.

As of January 1, 2014, South Ferry provides discretionary investment advisory services with respect to South Ferry Funds with regulatory assets under management of \$209 million. South Ferry may in the future provide advisory services, either on a discretionary or non-discretionary basis, to other funds or managed accounts.

Fees and Compensation

Clients and investors in the South Ferry Funds are typically charged an annual management fee equal to a percentage of net assets, payable each quarter in advance, and an annual performance fee or allocation equal to a percentage of the amount by which the net value of each account as of the end of each calendar year exceeds the net value of the account as of the beginning of the year.

The management fee is usually deducted directly from the assets of each account as such fees become payable, which is generally quarterly in advance. The performance allocation is payable annually in arrears, or upon termination of a client account or withdrawal of capital from any South Ferry Fund.

The South Ferry Funds are responsible for all costs and expenses incurred in connection with the investments in their accounts, including brokerage commissions; clearing fees; fees, interest and other costs in connection with margin accounts or other borrowings; borrowing charges on securities sold short; custodial fees; bank service fees; costs of any outside appraisers, accountants,

attorneys or other experts or consultants engaged by South Ferry in connection with specific investments (including transactions that fail to close); costs of research and data services; and any legal fees and costs arising in connection with any litigation or regulatory investigation instituted against South Ferry or any client. The South Ferry Funds also pay all of their operating costs, including administration, legal, accounting, auditing and insurance costs and expenses, as described in greater detail in the offering materials for each South Ferry Fund. For additional information about brokerage expenses, see “Brokerage Practices” below.

Performance-Based Fees and Side-By-Side Management

South Ferry, or an affiliate of South Ferry, ordinarily receives a performance-based fee or a special allocation of profits from each of its investors as described above under “Fees and Compensation” and as described in the governing documents for each South Ferry Fund. Different client accounts may be subject to different performance-based compensation arrangements. At present, South Ferry only manages one account. In the future, if South Ferry manages more than one account for clients and is entitled to receive a higher percentage of the net profits of one client than from another client, then South Ferry may have an incentive to favor, or to allocate certain riskier or more speculative investments to, the client that is subject to the higher percentage.

South Ferry will allocate all investment opportunities among its clients in a manner that it considers fair and equitable to all clients, considering all factors potentially applicable to each client. Among the factors that may be considered by South Ferry in allocating trades among client accounts are: investment policies, guidelines or restrictions applicable to each specific client; tax considerations; actual and targeted cash availability; liquidity requirements for payment of redemptions or other purposes; risk tolerances; restrictions under ERISA or other applicable laws or regulations; available credit lines; counterparty arrangements; account size; benchmark sector weightings; industry and security weightings; and hedging objectives and activity.

Types of Clients

South Ferry provides advice to the South Ferry Funds and may in the future provide advice to separate account clients. The South Ferry Funds also have minimum investment amounts as described in the offering materials for each South Ferry Fund, subject to waiver or modification at the discretion of South Ferry or the board of directors of the relevant South Ferry Fund. In particular, each investor in each of the South Ferry Funds generally must be an “accredited investor” as defined in Regulation D under the Securities Act of 1933, as amended (the “Securities Act”), and a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”).

Methods of Analysis, Investment Strategies and Risk of Loss

South Ferry primarily uses an event-driven strategy to invest in long and short positions that have attractive risk-adjusted return profiles. South Ferry utilizes an approach that emphasizes fundamental analysis with an awareness and understanding of outside influences that may affect outcomes.

South Ferry's fundamental analysis requires it to obtain an understanding of the capital structure of a particular company; analysis of future cash flows generated by a company and understanding the order and magnitude of claims against those cash flows; evaluation of variables that may affect the performance of companies within a particular sector; the legal and regulatory environment that may affect the performance or activities of a company or specific sectors; the outcome of significant litigation against a company or key persons; or any other factor that South Ferry identifies as relevant to the research process. South Ferry will also analyze other factors that determine the suitability of a potential investment for the portfolio, such as the liquidity of a security; transaction costs; available hedges that can minimize downside risk to an investment; and other factors that South Ferry feels are necessary to analyze before placing an investment in the portfolio.

South Ferry may cause its clients to invest in a range of instruments, including public and private debt securities, loans, convertible debt, equity securities, credit default swaps, options and related instruments. South Ferry may also invest in non-performing or distressed loans, bonds, preferred stock, or equities of companies that are in distress or undergoing some form of change on behalf of its clients. South Ferry's principal sources of information include quarterly and annual reports, personal interviews with directors and officers of portfolio companies, visits to portfolio companies, SEC and other public filings, general industry knowledge, and contacts with other participants in the relevant industry and financial markets.

Although event-driven investments may result in significant returns to the clients of South Ferry, they also involve a substantial degree of risk. Investors in the South Ferry Funds should refer to the confidential private placement memorandum, limited liability company agreement and other governing documents for each South Ferry Fund (the "Governing Documents") for more complete information on investment strategies employed by the South Ferry Fund and the corresponding risks associated with such investment strategies. South Ferry generally accepts only investors that are able to bear the financial risk of the investment strategy for an indefinite period of time and are able to sustain the loss of all or a significant part of their investment.

The investment strategy employed by South Ferry on behalf of its clients involves significant risks. The following summary of certain risks does not purport to be complete, but includes some of the potential risks generally associated with the South Ferry investment strategy:

Equity Securities. Equity securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities. The market price of equity securities may be affected by general economic and market conditions, such as a broad decline in stock market prices, or by conditions affecting specific issuers, such as changes in earnings forecasts.

Fixed Income Investments. South Ferry may invest in bonds, loans and other fixed-income securities and instruments, including, without limitation, second lien loans, mezzanine debt, unsecured debt and other "higher yielding" (and, therefore, higher risk) debt securities and instruments. Such securities and instruments may be below "investment grade" or non-rated and may face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the obligor's inability to meet timely interest and principal payments. The market prices, if any, of such investments may be subject to abrupt and erratic

market movements and changes in liquidity and above-average price volatility, and the spread between the bid and asked prices of such investments may be greater than those prevailing in other more liquid markets.

Distressed Securities. South Ferry may invest in investments that are rated below investment grade, including debt of companies in bankruptcy or receivership proceedings. Such investments typically involve greater credit and liquidity risk than debt with an investment grade rating. The risks of debt instruments include (among others): (i) limited liquidity and secondary market support, (ii) the possibility that earnings of the relevant obligor may be insufficient to meet its debt service, (iii) the declining creditworthiness and potential for (or actual) insolvency of the relevant obligor of such debt during periods of economic downturn, (iv) the relevant obligor is often a small or mid-size company serving only local or regional interests, (v) spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received, and (vi) if subordinated, subordination to the prior claims of other debt or senior lenders. Debt instruments are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for debt instruments and adversely affect the value of outstanding debt and the ability of the borrowers thereof to repay principal and interest. Moreover, the default history for debt instruments is limited, actual defaults may be greater than indicated by historical data, and the timing of defaults may vary significantly from historical observations.

Hedging Transactions. South Ferry may hedge investment positions in an effort to obtain protection against adverse price movements; however, hedging is not without its costs and risks. Hedging may limit gains, while not hedging and imperfect hedging may result in losses or may fail to fully mitigate losses. Hedging strategies may not achieve the desired results due to implementation lag, other timing factors, portfolio management decision-making, economic or market conditions or other unanticipated factors.

Credit Risk. South Ferry may enter into investments that entail risks including the possibility that cash flows of an obligor of an underlying asset may be unable to meet its debt service obligations thereunder and the declining creditworthiness and potential for insolvency of an obligor of such asset during periods of rising interest rates and economic downturn. Further economic downturn could disrupt the market for leveraged loans and adversely affect the value thereof and the ability of the obligor thereunder to repay principal and interest.

Prepayment Risks. The frequency at which prepayments (including voluntary prepayments and accelerations due to defaults) occur on bonds and loans will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. The upside potential of an investment prepayable at par may be limited, and unexpected prepayments may disrupt related hedges, resulting in substantial losses.

Synthetic and Other Derivative Assets. South Ferry may invest in synthetic assets such as credit linked notes, CDS indices, tranches options, and TRS, and engage in credit default swaps and Loan CDS transactions, in lieu of investing in bonds or loans in “cash” form. Such transactions do not perfectly replicate direct ownership of the referenced or underlying assets, and present

additional risks, such as exposure to the creditworthiness of the counterparty, leverage, and relatively lower liquidity. These obligations are subject to a number of risks, including prepayment risk, credit risk, liquidity risk, structural risk, legal risk, counterparty risk and interest rate risk, which may be different from those of other types of debt obligations. The performance of a reference obligation may be affected by a variety of factors, including the amount and timing of payments and recoveries on the underlying assets.

Investment in Reorganizations. South Ferry may invest in companies that are experiencing or are expected to experience severe financial difficulties, including companies undergoing reorganization. These severe financial difficulties may never be overcome and may cause such companies to become subject to bankruptcy proceedings. In such situations, an investment may be subject to the risk that a bankruptcy filing may adversely and permanently impact the value of a company and that high administrative costs may impair the value of the company. Such investments could involve certain additional potential liabilities that may exceed the value of the original investment. Investments in distressed companies may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims.

Loans. South Ferry may invest in loans. Loans include fixed and floating rate loans arranged through private negotiations between one or more financial institutions and an obligor in an emerging country. Although loans are traded among certain financial institutions, some of the loans South Ferry may invest in will be considered illiquid.

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

Illiquidity of Debt Instruments. Debt instruments and interests in debt instruments have significant liquidity risks and market value risks since they are not generally traded in organized exchange markets but are traded by certain banks and other institutional investors. In such cases, the primary resale opportunities for such debt instruments are privately negotiated transactions with a limited number of purchasers. The debt of highly-leveraged companies or companies in default also may be less liquid than other debt. This may restrict the ability of South Ferry to dispose of investments in a timely fashion and/or at a favorable price.

Highly-Leveraged Borrowers. Companies in which South Ferry may invest may be highly leveraged. A borrower's leverage may create a greater possibility of default or bankruptcy of the borrower. It is also possible that the pledging of collateral (if any) to secure the debt could be

found to constitute a fraudulent conveyance or preferential transfer which would be nullified or subordinated to the rights of other creditors of the borrower under applicable law.

Convertible Instruments. A convertible instrument is a bond, debenture, note, preferred stock, or other security that may be converted into or exchanged for a prescribed amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. Convertible debt instruments have characteristics of both fixed income and equity investments. Convertible instruments may have varying conversion values. If a convertible instrument is called for redemption, the investor will be required to permit the issuer to redeem the instrument, or to convert the instrument into the underlying stock, and may hold the stock to the extent that South Ferry determines that such equity investment is consistent with the client's investment objective.

Swaps and Derivatives. South Ferry may invest and trade in swaps, including credit default swaps, "synthetic" or derivative instruments, over-the-counter options and other customized financial instruments issued by banks, brokerage firms or other financial institutions. Swaps and other derivatives are subject to the risk of non-performance by the swap counterparty, including risks relating to the financial soundness and credit worthiness of the swap counterparty. Swaps and other forms of derivative instruments are not guaranteed by an exchange or clearing house. It may not be possible to dispose of or close out a swap or other derivative position without the consent of the counterparty, and South Ferry may not be able to enter into an offsetting contract in order to be able to limit risk.

Futures. In the futures markets, margin deposits typically range between 2% and 15% of the notional value of the futures contract purchased or sold. Because of these low margin deposits, futures trading is inherently highly leveraged. As a result, a relatively small price movement in a futures contract may result in immediate and substantial losses to the trader. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. A decrease of more than 10% would result in a loss of more than the total margin deposit. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent South Ferry from promptly liquidating unfavorable positions and result in losses. In addition, South Ferry may not be able to execute futures contract trades at favorable prices if little trading in the contracts involved is taking place. It also is possible that an exchange or the Commodity Futures Trading Commission may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. Certain commodity exchanges have also established limits, referred to as "position limits," on the maximum net long or net short positions which any person may hold or control in particular commodity futures contracts.

Short Sales. A short sale involves the sale of a security by a party that such party does not own in the hope of purchasing the same security (or a security exchangeable for such security) at a later date at a lower price. To make delivery to the buyer, South Ferry must borrow the security, and is obligated to return the security to the lender, which is accomplished by a later purchase of the security. Short selling can result in profits when the prices of the securities sold short decline. In a generally rising market, short positions may be more likely to result in losses because the environment would be more conducive for the securities sold short to increase in value. A short sale involves the theoretically unlimited risk of an increase in the market price of the securities sold short.

Foreign Investments. Investments in foreign or domestic securities denominated in foreign currencies and/or traded outside of the United States. Such investments require consideration of certain risks typically not associated with investing in U.S. securities or property. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the United States or foreign governments, U.S. and foreign withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in foreign nations.

There may be less publicly available information about certain foreign companies than would be the case for comparable companies in the United States and certain foreign companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Securities markets outside the United States, while growing in volume, have for the most part substantially less volume than U.S. markets, and many securities traded on these foreign markets are less liquid and their prices more volatile than securities of comparable U.S. companies. Settlement of trades in some non-U.S. markets is much slower and more subject to failure than in U.S. markets. There also may be less extensive regulation of the securities markets in particular countries than in the United States.

Additional costs could be incurred in connection with international investment activities. Foreign brokerage commissions generally are higher than in the United States. Expenses also may be incurred on currency exchanges. Increased custodian costs as well as administrative difficulties (such as the applicability of foreign laws to foreign custodians in various circumstances, including bankruptcy, ability to recover lost assets, expropriation, nationalization and record access) may be associated with the maintenance of assets in foreign jurisdictions.

Sovereign Debt. South Ferry may invest in debt securities issued by governments and their agencies, including governments of emerging markets. Investing in instruments of government issuers in emerging markets may involve significant economic and political risks. Holders of certain emerging markets instruments may be requested to participate in the restructuring and rescheduling of these obligations and to extend further loans to their issuers. The interests of holders of emerging markets instruments could be adversely affected in the course of restructuring arrangements. The issuers of sovereign debt securities have in the past experienced serious difficulties in servicing their external debt obligations. These difficulties have, among other effects, forced such countries to reschedule interest and principal payments on obligations, and to restructure certain indebtedness. Rescheduling and restructuring arrangements have

included reducing and rescheduling interest and principal payments by negotiating new or amended credit agreements, or converting outstanding principal and unpaid interest to “Brady Bonds” or similar instruments, and obtaining new credit to finance interest payments. Sovereign debt rated below investment grade by Moody’s and S&P is regarded as predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal in accordance with the terms of the obligations.

Currencies. To the extent unhedged, the value of assets denominated in currencies other than the U.S. dollar will fluctuate with changes in U.S. dollar exchange rates. Thus, an increase in the value of the U.S. dollar compared to other currencies will reduce the effect of increases and magnify the effect of decreases in the prices of the securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of non-U.S. dollar securities.

Options. South Ferry may purchase calls and puts for investment or for hedging purposes. South Ferry may also write calls or puts for speculative purposes. For the purchase of an option to be profitable, the market price of the underlying security must decline sufficiently below the exercise price (in the case of a put) or must increase sufficiently above the exercise price (in the case of a call) to cover the premium and transaction costs paid by the purchaser. If an option purchased is not sold or exercised when it has remaining value, or if at expiration the market price of the underlying security remains equal to or greater than the exercise price (in the case of a put) or remains equal to or below the exercise price (in the case of a call), the investor will lose its investment in the option, that is, the premium paid upon purchase. The options markets have the authority to prohibit the exercise of particular options, which if imposed when trading in the option has also been halted, would lock holders and writers of that option into their positions until one of the two restrictions has been lifted.

Concentration of Investments. South Ferry may concentrate investments in a relatively small number of securities positions. As a result, a loss in any one position could have a materially adverse effect on an entire portfolio.

Illiquid Assets. Certain investments may have limited liquidity. The lack of liquidity may adversely affect the ability of South Ferry to execute trade orders at desired prices in rapidly moving markets. South Ferry may also invest in “restricted securities.” Restricted securities ordinarily are less liquid than publicly-traded securities. South Ferry may not be able to readily dispose of illiquid investments and, in some cases, will be legally or contractually prohibited from disposing of such investments for a specified period of time.

Disciplinary Information

South Ferry and its principals have not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction.

Other Financial Industry Activities and Affiliations

South Ferry and its principals are not registered as a broker-dealer or a registered representative of a broker-dealer or affiliated with any broker-dealer or bank.

Employees of South Ferry and its affiliates may serve as officers, advisors, directors or in comparable management functions for portfolio companies in which the South Ferry Funds invest, or provide other services to portfolio companies, and may receive compensation in connection therewith. Employees of South Ferry may also from time to time serve on the board of directors or a creditors committee of a portfolio company, or be given access for other reasons to confidential information relating to companies in which the South Ferry Funds invest. As a result, South Ferry may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the debt or securities of such a portfolio company, which prohibition may have an adverse effect on clients of South Ferry.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

South Ferry has adopted a Code of Ethics as required by Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), that requires all employees to conduct business consistent with the level of ethical standards and fiduciary duties owed by South Ferry to its clients. South Ferry has appointed a Chief Compliance Officer (“CCO”) who is responsible for maintaining and enforcing the Code.

The Code of Ethics contains policies and procedures with respect to personal securities transactions by employees and related accounts that are designed to prevent front-running, scalping, the misuse of inside information and other improper activities. Employees must obtain the prior approval of the CCO for certain personal securities transactions, and must report all personal transactions to the CCO (or a designee) on at least a quarterly basis. The CCO (or a designee) monitors all transactions by employees in order to identify any pattern of conduct that may evidence conflicts or potential conflicts with the principles and objectives of the Code of Ethics, or other inappropriate behavior.

South Ferry will provide to any investor or client or prospective investor or client at no cost a copy of the Code of Ethics.

South Ferry may, on occasion, cause one or more of its clients to buy securities from, or sell securities to, other clients of South Ferry at current market prices, including accounts in which South Ferry, its principals or employees are investors or in which such persons may have a financial interest due to the payment of a performance allocation to South Ferry (or an affiliate) by such client. Where applicable, the consent of the appropriate client (which, in certain circumstances, may be provided by the client’s independent directors) to such transaction will be obtained in accordance with the Advisers Act and related rules.

On occasion, the principals and employees of South Ferry may buy and sell securities for themselves that they also recommend to clients. South Ferry and its principals and employees are investors in some of the investment funds managed by South Ferry. The Code of Ethics contains policies and procedures designed to prevent improper practices with respect to such transactions, and compliance with the Code of Ethics by South Ferry and its employees is the primary method employed by South Ferry to address the conflicts of interest that arise with respect to these transactions. Employees of South Ferry are required to obtain prior written

approval of the Chief Compliance Officer or the Senior Managing Principal before executing a personal securities transaction in a security in which any client of South Ferry has a position.

Brokerage Practices

Research and Other Soft Dollar Benefits. South Ferry selects brokers and dealers to execute transactions for client accounts based on the benefits and costs of their services as compared to others in the marketplace. South Ferry attempts at all times to achieve best execution. South Ferry may take into account special expertise or capacities of a particular broker as well as research and other services provided to South Ferry by brokers. South Ferry considers such factors as price, the ability to effect the transactions, the brokers' or dealers' facilities, reliability and financial responsibility, special execution capabilities, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, efficiency of execution and error resolution, quotation services, the availability of stocks to borrow for short trades, custody, recordkeeping and similar services, and any research or investment management-related services and equipment provided by such brokers or dealers. South Ferry does not necessarily solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

South Ferry may cause a higher commission to be paid to a broker or dealer that furnishes research, services or equipment than might be charged by another broker or dealer for effecting the same transaction, provided that South Ferry determines in good faith that the amount of commissions charged is reasonable in relation to the value of the brokerage and research or investment management-related services and equipment provided by such broker or dealer.

Research services provided to South Ferry by brokers may include written information and analyses concerning specific securities, companies or sectors (whether produced by the broker or a third party); market, financial and economic studies and forecasts (whether produced by the broker or a third party); statistics and pricing services; discussions with research personnel; data bases; and other news, technical and telecommunications services utilized by South Ferry in the investment management and execution process, accounting fees and legal fees. South Ferry does not generally receive any benefits outside the safe harbor under Section 28(e) of the Securities Exchange Act of 1934, as amended, for the use of commissions or "soft dollars" to obtain "research and execution" services. Research services provided by brokers may be used for the benefit of all clients of South Ferry. Clients may pay higher commissions than are obtainable from other brokers as a result of the consideration of research services as a factor in selecting brokers in addition to commission cost and best execution.

South Ferry's use of client brokerage commissions to obtain research services is a benefit to South Ferry because South Ferry does not have to produce or pay for such research services. This may result in an incentive for South Ferry to select or recommend a broker-dealer based, in part, on the interest of South Ferry in receiving such research services, rather than exclusively on the interest of South Ferry's clients in receiving most favorable execution.

South Ferry and its affiliates may have other business arrangements with brokers and dealers used to execute transactions for clients. Brokerage firms and their affiliates and representatives may invest in funds managed by South Ferry, and may provide financing or other services to

South Ferry or other accounts managed by South Ferry. Brokerage firms and their employees may offer gifts to employees of South Ferry, and may invite employees of South Ferry to entertainment and social events. It is South Ferry's policy that factors such as gifts and entertainment that do not benefit client accounts should not be considered when selecting brokers and counterparties to execute transactions for clients.

Brokerage for Client Referrals. Subject to seeking best execution, South Ferry may consider referrals of potential investors in the funds that it manages as a factor in the selection of brokers. South Ferry may have an incentive to select or recommend a broker-dealer based on its interest in receiving referrals of investors in such funds, rather than on the interest of the clients of South Ferry in receiving most favorable execution.

Aggregation of Orders. South Ferry has established allocation and aggregation procedures for the allocation of portfolio investment transactions among its clients. The allocation and aggregation procedures are designed to ensure that each client is treated fairly and that transactions are allocated in a manner that is fair and equitable to each client relative to the other clients, taking into account all relevant facts and circumstances. South Ferry will always take into account each client's investment objectives and investment allocation policy in the allocation process. In general, if orders for an investment cannot be completely filled, the orders are allocated either (a) *pro rata* among the client participating in an aggregated transaction or (b) on a basis other than *pro rata* if such other method of allocation is reasonable and does not result in an improper advantage or disadvantage to one participating client as compared to another client, taking into account all relevant criteria, including investment objectives, size and capital available for investment, diversification needs, the size of the opportunity, and current and anticipated market conditions.

Review of Accounts

All client accounts are reviewed on a daily basis by John Reilly or Jason Byun. Investors in the South Ferry Funds receive a monthly statement of valuation and annual audited financial statements of the South Ferry Fund.

Client Referrals and Other Compensation

South Ferry or its affiliates may enter into arrangements with unaffiliated placement agents or other third parties to introduce clients to South Ferry or investors to a South Ferry Fund. At present, South Ferry does not have any arrangements with any third party to introduce prospective clients to South Ferry. Any such compensation arrangements will be disclosed to clients of South Ferry in accordance with, and otherwise comply with, Rule 206(4)-3 under the Advisers Act.

As described above, South Ferry may also consider referrals of clients and investors in determining its selection of broker-dealers for securities transactions for its clients. A potential conflict of interest may arise between the interests of clients of South Ferry in obtaining best price and execution and South Ferry's interest in receiving such referrals. However, South Ferry will only consider referrals of clients and investors in determining its selection of broker-dealers when South Ferry believes that the selection of the relevant broker is consistent with the

obligation of South Ferry to seek best execution for all transactions on behalf of its clients, taking into account all relevant factors including, but not limited to, execution quality, price, the level of service offered, reliability, and such other factors as South Ferry deems relevant.

Custody

All securities in the accounts of South Ferry clients will be held by a qualified custodian, except that certain privately offered, uncertificated securities may be recorded on the books of the issuer or its transfer agent in the name of the relevant South Ferry Fund or client and are not required to be maintained with a qualified custodian.

It is South Ferry's policy to cause the financial statements of each South Ferry Fund with assets over which South Ferry is deemed to have "custody" to be audited annually, and to distribute such audited financial statements to investors no later than 120 days after the end of each fiscal year. Any managed account clients should receive at least quarterly statements from their custodian, which clients should review carefully and compare to any account statements provided by South Ferry.

Investment Discretion

South Ferry has discretionary authority to manage the securities accounts of such clients, buys and sells investment securities conforming to the objectives and constraints of each client, and determines the appropriate size and amount of each security to be held. South Ferry generally enters into a written investment management agreement with each client granting such discretionary authority.

Unless otherwise agreed to between South Ferry and each client, South Ferry will not ordinarily be responsible for losses in client accounts, whether caused by the actions of South Ferry or unrelated third parties, unless caused by the gross negligence, fraud or willful misconduct of South Ferry. Accordingly, South Ferry will not ordinarily be responsible for the consequences of ordinary trade errors, unless caused by the gross negligence, fraud or willful misconduct of South Ferry.

Voting Client Securities

South Ferry has adopted policies and procedures regarding the voting of proxies as required under Rule 206(4)-6 under the Advisers Act. These policies and procedures are designed to ensure that proxies received with respect to securities in client accounts for which South Ferry exercises voting discretion are voted in the best interests of such clients and that South Ferry maintains records of its proxy voting in compliance with the Advisers Act.

Unless otherwise instructed by a client, South Ferry will vote client proxies consistent with guidelines that South Ferry has adopted and that South Ferry believes reflect the best interests of its clients, after taking into consideration all relevant facts and circumstances at the time of the vote.

South Ferry will provide to any investor or client or prospective investor or client at no cost a copy of its voting policies and procedures and information regarding how such client's proxies have been voted in the past.

Financial Information

Not applicable.

Requirements for State-Registered Advisers

Not applicable.