

***LionEye Capital Management LLC***

***February, 2014***

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**Item 1. Cover Page**

This brochure provides information about the qualifications and business practices of LionEye Capital Management LLC (the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at 212-257-5695 and/or kireland@lioneyecap.com. This information has not been approved or verified by the SEC or by any state securities authority.

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

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

*LionEye Capital Management LLC  
152 West 57th Street, 10th Floor  
New York, New York 10019  
United States of America  
Tel: 212-257-5690  
Fax: 212-320-3878  
Website: [www.lioneyecap.com](http://www.lioneyecap.com)*

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**Item 2. Material Changes**

The Adviser has substantially updated the previous Firm Brochure dated as of April 2013. For many Items, new content has been added in addition to edited and reorganized text. Clarifications were made throughout the Brochure related to differences between the Separately Managed Accounts and the Funds.

The Adviser recommends that clients read the entire Firm Brochure due to the extensive changes that have been made. Set forth below is a summary of the material changes that have been made:

1. Item 4 – The description of the Adviser's Fund accounts was expanded and the Adviser's regulatory assets under management as of 12/31/13 is noted.
2. Item 5 – The description of fees and expenses paid by Fund Investors was updated and there is an explanation of the Adviser's trade error policy.
3. Item 6 – This Item was expanded to provide additional explanation related to performance-based fees and side-by-side management.
4. Item 10 – Item 10(c) was revised to specifically address the Adviser's current material relationships.
5. Item 11- This Item was significantly revised to set forth, among other things, (i) the Adviser's current Code of Ethics personal trading policies and the potential conflicts resulting therefrom, and (ii) the Adviser's policies and procedures related to investing in securities where the Adviser has a material financial interest and contemporaneous trading with Clients.
6. Item 12- Item 12(B) was revised to set for the Adviser's current order aggregation and allocation policies.
7. Item 13 – This Item was expanded to include additional information about Client portfolio reviews and the provision of information to Clients.
8. Item 14 – Item 14(B) was revised to provide information on the Adviser's current third-party placement agent arrangements.
9. Item 16 – This Item was revised to specifically address the Adviser's discretionary authority and its derivation.

In the future, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

A complimentary copy of this Brochure may be requested by contacting Kelly Ireland, the Adviser's Chief Compliance Officer ("CCO"), at (212) 257-5695 or by email at [kireland@lioneypicap.com](mailto:kireland@lioneypicap.com).

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#### **Item 4. Advisory Business**

##### ***A. General Description of Advisory Firm.***

The Adviser is an investment adviser with its principal place of business in New York, New York. The Adviser commenced operations as an investment adviser on August 15, 2008. Stephen Raneri and Arthur Rosen are the principal owners of the Adviser (the “Managing Members”).

##### ***B. Description of Advisory Services.***

The Adviser provides investment advisory services on a discretionary basis to its clients, which include a master-feeder fund structure and from time-to-time, individual separately managed accounts (“Separately Managed Accounts”). The Adviser provides investment advice to the following funds:

*LionEye Fund, L.P.* – US feeder fund (the “Onshore Feeder Fund”)

*LionEye Offshore Fund, Ltd.* – Offshore feeder fund (the “Offshore Feeder Fund”)

*LionEye Master Fund, Ltd* – Offshore master fund (the “Master Fund”)

The Onshore Feeder Fund, the Offshore Feeder Fund and the Master Fund are herein collectively referred to as the “Funds”. The Funds and the Separately Managed Accounts are sometimes herein referred to as “Clients”. Investors in the Funds and the Separately Managed Accounts are referred to herein as “Investors”.

##### ***C. Availability of Tailored Services for Individual Clients.***

The Adviser does not tailor its advisory services to the individual needs of Investors in the Funds and the Sub-Advisory Accounts and does not accept Investor-imposed investment restrictions from such Investors. These Client accounts are managed in accordance with each such Client's offering memorandum or other constituent documents.

For individual Separately Managed Accounts, the Adviser provides investment advisory services based on specific investment objectives and strategies. The Adviser tailors its advisory services to the individual needs and specified investment objectives and strategies of each such client, as set forth in the constituent documents for each individual Separately Managed Account.

***D. Wrap Fee Programs*** – The Adviser does not participate in wrap fee programs.

##### ***E. Client Assets under Management.***

As of January 1, 2014, the Adviser managed approximately \$522,740,654 of regulatory assets under management on a discretionary basis.

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## **Item 5. Fees and Compensation**

### **A. Advisory Fees and Compensation.**

#### *Asset-Based Compensation*

*For the Funds:* The Adviser charges each Investor in the Funds an investment management fee of up to 2.0% per annum based on the value of each client's assets under management.

Investment management fees are generally charged each month in advance, based on the total market value of the assets in the Investor account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the first day of the month. If a new Investor account is established during a month or an Investor makes an additional investment in its account during a month, the investment management fee will be charged as of the effective date of the investment based on the value of the assets as of the applicable date and will be prorated for the number of days remaining in the month.

The investment management fees for the Funds are generally not negotiable; however, the Adviser, in its sole discretion, may waive, modify or reduce the fees for certain Fund Investors who are principals, employees or affiliates of the Adviser, relatives of such persons and for certain large or strategic investors.

*For the Separately Managed Accounts:* Investors in the Separately Managed Accounts pay investment management fees pursuant to the individually negotiated constituent documents of each such account.

#### *Performance-Based Compensation*

*For the Funds:* The Adviser (or its related person) will also be paid or allocated, as applicable, a performance-based fee or allocation, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of an Investor. This compensation may be paid or allocated, as applicable, to the Adviser (or its related person) and may equal up to 20% of net profits, subject to a loss carryforward.

The performance-based compensation paid or allocated to the Adviser (or its related person) is generally not negotiable; however, the Adviser, in its sole discretion, may waive, modify or reduce such compensation for certain Fund Investors who are principals, employees or affiliates of the Adviser, relatives of such persons and for certain large or strategic investors.

*For the Separately Managed Accounts:* Investors in the Separately Managed Accounts pay performance-based compensation pursuant to the individually negotiated constituent documents of each such account.

### **B. Payment of Fees.**

*For the Funds:* The Adviser deducts the investment management fee from Investor accounts monthly.

Performance-based compensation is deducted from Investor accounts at the end of each fiscal year or upon withdrawal or redemption by an Investor and paid to or reallocated to, as applicable, the Adviser (or its related person).

*For the Separately Managed Accounts:* Both the investment management fee and performance-based compensation are payable according to the terms of the individually negotiated constituent documents of each such account.

### **C. Other Fees and Expenses.**

*For the Funds:* In addition to paying investment management fees and, if applicable, performance-based compensation, Investors will also be subject to other expenses including legal, accounting (including third-party accounting services), auditing and other professional expenses (including those related to Form PF and FATCA), organizational expenses, administrator fees and expense, research expenses (including research-related travel), investment expenses such as commissions, custodial fees, bank service fees and other expenses related to the purchase, sale or transmittal of Fund assets. In addition, Client assets may be invested in money market mutual funds, ETFs or other registered investment companies, which may charge their own fees. In these cases, the Client will bear its pro rata share of the investment management fee and other fees of the fund, which are in addition to the investment management fee paid to the Adviser. The Onshore Feeder Fund and the Offshore Feeder Fund bear a pro rata share of the expenses associated with the related Master Fund. As noted, Clients will incur brokerage and other transaction costs. Please refer to Item 12 of this Firm Brochure for a discussion of the Adviser's brokerage practices.

*For the Separately Managed Accounts:* The other fees and expenses that are payable by the Separately Managed are chargeable according to the terms of the individually negotiated constituent documents of each such account. In general however, Separately Managed Accounts will incur brokerage and other transaction costs, in addition to other costs and expenses. Please refer to Item 12 of this Firm Brochure for a discussion of the Adviser's brokerage practices.

*For both the Funds and the Separately Managed Accounts:* It will be the responsibility of the Adviser to take all commercially reasonable efforts to correct all trade errors prior to settlement date. Each Client will bear the cost of any trading losses, liabilities, damages, expenses or any other costs resulting directly from a trade error (collectively, the "Error Costs"), except for the following two limited exceptions: (i) Error Costs that directly result from the intentional misconduct, bad faith or gross negligence of the Adviser (as shall be determined in the sole discretion of the Adviser by the Business and Compliance Committee ("BACC")), or (ii) Error Costs that may not be waived or limited by the Adviser under applicable law. Further, if any benefit results to a Client from a trade error, each such Client will receive the benefit of that trade error. The BACC reviews all trade errors at its periodic meetings.

### **D. Prepayment of Fees.**

*For the Funds:* As noted in Item 5(B) above, the investment management fee is paid monthly in advance. Once charged to an Investor's account, there is no refund of any of the fees and expenses that have been charged.

*For the Separately Managed Accounts:* Prepayment and refund terms are individually negotiated and are contained in the terms of the individually negotiated constituent documents of each such account.

### **E. Additional Compensation and Conflicts of Interest**

No supervised person of the Adviser accepts compensation for the sale of securities or other investment products.

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**Item 6. Performance-Based Fees and Side-by-Side Management**

The Adviser charges the Funds and the Separately Managed Accounts performance-based fees (sometimes called an “incentive fee” or “incentive allocation”). Not all Clients are charged these fees at the same rate. In addition, some of the investment personnel working at the Adviser receive compensation that includes a performance-based component.

Given the differing fee structures amongst Clients, as well as the fact that some personnel receive compensation that includes a performance-based component, the potential exists for the Adviser to favor one Client account over another Client account. The Adviser has adopted and implemented policies and procedures intended to address potential conflicts of interest relating to the management of multiple accounts and the allocation of investment opportunities to ensure that all Clients are treated fairly. At the quarterly BACC meetings, accounts are reviewed for any evidence of favoritism to higher fee paying accounts. See Item 12 for further discussion of the Adviser’s allocation policy.

The incentive allocation, once made, is not subject to claw-back in the event of subsequent losses. Thus an Investor may be subject to an incentive allocation even where it did not receive a profit during the entire term of its investment.

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**Item 7. Types of Clients**

The Adviser provides investment advisory services only to private funds (i.e., hedge funds) and separately managed accounts (whose beneficial owners may be, for example, individuals, partnerships, pension plans, trusts or investment companies). The minimum initial investment in the Funds is \$1,000,000, subject to waiver, reduction, or increase by the General Partner or the Board of the Directors, as the case may be (but in no event will the minimum be less than \$100,000 in the Offshore Fund). Potential Investors must meet the requirements set forth in the Funds' subscription documents in order to invest in the Funds.

The Separately Managed Accounts have an individually negotiated minimum investment requirement. There are no minimums to maintain an investment in the Funds.



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## Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

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

1. The Adviser invests client assets in event-driven investment opportunities, primarily in publicly-traded North American common equities and listed options. The Adviser seeks to diversify event-driven investments across various risk arbitrage opportunities and special situations opportunities; however the Adviser does not intend to adhere to any specific diversification restrictions among companies, industries, geographic areas or types of securities.

- *Risk Arbitrage.* Risk arbitrage opportunities typically include investments in issuers engaged in extraordinary corporate transactions, such as publicly-announced definitive mergers or acquisitions, hostile take-over offers or other more complex publicly-announced M&A situations.

- *Special Situations.* Special situations opportunities typically include investments in issuers engaged in major corporate events, whether publicly announced or otherwise anticipated, such as recapitalizations, spinoffs, corporate reorganizations, proxy contests/shareholder activism situations, share buybacks, divestiture programs, potential mergers or company sales, operational restructurings, management changes and event-driven short ideas.

- *Hedging.* To reduce the impact of movements in the overall capital markets on the value of the client's assets, the Adviser also seeks to maintain a portfolio of hedge positions. The Adviser typically maintains a number of equity market hedge positions, including securities or commodity interest (futures) positions in various financial market indices. In addition, the Adviser may invest in exchange-traded funds (ETFs), which generally track the performance of certain broad market or industry indices or baskets of specified securities.

2. The Adviser utilizes an investment process which consists of four key steps: (i) idea sourcing, (ii) due diligence, (iii) positioning, (iv) portfolio construction and risk management.

*(i.) Idea Sourcing.* The Adviser intends to invest significant resources in the idea sourcing process. In addition to its research team, the Adviser has developed, and intends to make use of, several automated research tools. The Adviser typically sources ideas from a broad range of publicly available and subscription-based news sources and services, a network of industry contacts, conferences, company presentations, regulatory filings and sell-side research, among other sources. To supplement the idea sourcing process, the Adviser monitors technical and market indicators such as actionable trading patterns, market dislocations and notable insider activity.

*(ii.) Due Diligence.* The Adviser implements its due diligence strategy to vet potential investments through fundamental research and trading analysis, each of which the Adviser conducts in a parallel path.

The fundamental research component starts with an overview of the potential idea designed to efficiently identify catalysts, gather facts, ascertain preliminary valuation views, assess trade dynamics and identify risk vs. reward. If a more detailed review is warranted, the Adviser will carry out a more comprehensive study of company and industry fundamentals which includes, but is not limited to, company and peer valuation, liquidity analysis, industry fundamentals and structure, competitive position and management assessment. Resources utilized may include publicly available information such as regulatory filings, meetings and teleconferences with company management, news reports, sell-side research and other sources. The Adviser also focuses research resources on the identification, timing and likelihood of catalysts for each potential investment and further analyzes and monitors the strategic rationale underlying the anticipated catalysts.

The trading analysis component of the due diligence process is designed to identify potential entry and exit points, optimal trade expression and key technical levels. In addition, the Adviser analyzes hedging strategies which it may implement in conjunction with each potential investment to attempt to reduce the impact of movements in the overall capital markets on the value of client's assets.

(iii.) *Positioning and Trading.* If the Adviser determines that a potential investment is consistent with a client's investment objective, the Adviser may allocate a portion of the client's assets to that investment. The size of the investment is generally based on the fundamental research and technical analysis described above and the Adviser may adjust the size of the investment, as appropriate, since the due diligence process continues during the life of the investment. As discussed above, the Adviser intends to implement hedging strategies as assets are invested.

The Adviser may increase or decrease the size of any investment based on a number of factors, including, but not limited to, continued fundamental research and technical analysis, overall market conditions, performance of that particular investment and the portfolio as a whole and the availability of alternative potential investments. When the Adviser determines that an investment is no longer consistent with the client's investment objective, the Adviser will generally cause the client to exit the investment. Exited positions may be monitored for future investment potential.

The Adviser will seek to generate alpha and protect client's assets by actively trading core positions.

(iv.) *Portfolio Construction and Risk Management.* The Adviser seeks to invest client assets in a portfolio of event-driven risk arbitrage and special situation investment opportunities and hedging positions designed to achieve the client's investment objective. A client portfolio will typically consist of approximately 40 investment ideas, although there is no specific minimum or maximum number, nor is there a limit on the allocation between risk arbitrage and special situations ideas.

The Adviser will generally determine the size of individual positions based on its estimate of the maximum loss in the downside case. Typically, the Adviser determines position sizes based on an expected loss in the downside case of 100-150 bps of the client's assets. If a special situations investment causes a loss of in excess of 200 bps of the client's assets, the Adviser will generally exit that investment. If a risk arbitrage investment causes a loss of in excess of 300 bps of the client's assets, the Adviser will generally exit that investment. In measuring these individual position stop loss limits, the Adviser includes any offsetting gains from idiosyncratic hedges associated with such individual position, but excludes any offsetting gains from overall portfolio hedges. In addition to these limits, the Adviser generally expects to limit investment concentration in any individual position to no more than 10% of the net market value of the client's assets. The Adviser may also implement overall concentration limits to a client's investment portfolio. For instance, while the Adviser may utilize leverage, the Adviser will generally seek to limit gross exposure to no more than 250% of the client's assets, net exposure from special situations investments in the portfolio to -20% to +20% of assets and gross exposure to a particular industry sector to 35% of assets. The Adviser also typically will invest not more than 20% of a Fund's assets outside of North American listed markets.

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

*Event-Driven Strategy Risk.* Because of the inherently speculative nature of event-driven investing, investment results may fluctuate from period to period and are not expected to correlate with the direction of the equity markets. Accordingly, the results of a particular period will not necessarily be indicative of results which may be expected in future periods. Investments will be made in the securities of a company engaging in an extraordinary transaction or event (such as a tender offer, merger, spin-off, reacquisition,

reorganization, bankruptcy, liquidation or other catalytic change or transaction) after the event has been announced. Because the price offered for securities of a company involved in an announced deal will generally be at a significant premium above the market price prior to the announcement, the failure of a proposed transaction to close is generally followed by a significant decline in the value of the securities as their market price returns to a level comparable to that which existed prior to the announcement of the transaction. Furthermore, the difference between the price paid for securities of a company involved in an announced transaction and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be small. If the proposed transaction appears likely not to be consummated or, in fact, is not consummated or is delayed, the market price of the securities will usually decline sharply, perhaps below the price at which the security was purchased.

The Adviser invests in the securities of large, medium or small capitalization companies that the Adviser believes are potential candidates in an extraordinary corporate transaction. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security, the value of which will be less than the purchase price. Similarly, if such investments were made and the anticipated transactions were not in fact to occur, the securities would likely be sold at a loss.

*Arbitrage Transaction Risks.* If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified to the extent the Adviser is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable “spreads”, which can also be identified, reduced or eliminated by other market participants.

*Activist Strategy.* The Adviser may engage in aggressive shareholder activism that will attempt to influence the destinies of target companies. There exists the risk that the intended strategy for a particular company will be unsuccessful. Further, when securities are purchased in anticipation of influencing the future direction of a company, a substantial period of time may elapse between the Adviser's purchase of the securities on behalf of a client and the anticipated results. During this period, a portion of a client's capital would be committed to the securities purchased, and such client might finance some portion of such purchases with borrowed funds on which it must pay interest. Additionally, if the anticipated results do not in fact occur, such client may be required to sell its investment at a loss. Moreover, there may be instances where a client and/or the Adviser will be restricted in transacting in or redeeming a particular investment as a result of the Adviser's activist investment strategy. Because there is substantial uncertainty concerning the outcome of transactions involving the target companies in which the Adviser may invest client funds, there exists a potential risk of loss by a client of its entire investment in such companies.

*Leverage.* Performance may be more volatile if a client's account employs leverage.

*Interest Rate Risks.* Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.

*Lack of Diversification.* Client accounts may not be diversified among a wide range of types of securities, or may not have exposure to investments in different countries or industry sectors. Accordingly, client portfolios may be subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments.

*Short Selling Risk.* The Adviser's investment program includes a significant amount of short selling. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short

sellers of the subject security are receiving similar requests, a “short squeeze” can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

*Hedging.* There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser’s investment portfolios than if the Adviser did not engage in any such hedging transactions.

*Issuer-Specific Changes.* Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security’s or instrument’s value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

The Adviser’s strategies may use frequent trading which may result in significantly higher commissions and charges to client accounts due to increased brokerage, which will offset client profits.

***C. Risks Associated With Types of Securities that are Primarily Recommended (Including Significant, or Unusual Risks).***

*Equity Securities.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short term as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and “growth” stocks can react differently from “value” stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

*Distressed Securities.* Investments in unrated or low grade debt securities of distressed companies are subject to greater risk of loss of principal and interest than higher-rated debt securities. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

*Options.* If options are purchased with respect to securities anticipated to be received in an exchange or merger and the proposed transaction is not consummated, the market price of the securities may rise above the exercise price of the options, resulting in the cost of the options not being recovered. If options are purchased with respect to securities which are the subject of a proposed cash tender offer or cash merger and the transaction is consummated, the options may not be exercised and the premiums paid therefore may be lost. In addition, premiums paid for options increase transaction costs and, in certain situations, may result in a sufficient reduction in the spread between the acquisition price and the anticipated price to be received to make the investment so unattractive based upon a return on capital/risk-reward analysis that the Adviser may determine not to take a portfolio position. Since options expire on specific dates, in the event consummation of a transaction is delayed beyond the expiration of an option held, the anticipated benefit of the option may be lost.

*Fixed-Income and Debt Securities.* Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a client’s portfolios to the risk that the value of these securities

overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

*Illiquid Instruments.* Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Adviser's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Adviser to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio.

*Non-U.S. Securities.* Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

*Risk Arbitrage Securities.* A merger, other restructuring, tender, or exchange offer proposed at the time the Adviser invests in risk arbitrage securities may not be completed on the terms or within the time frame contemplated, resulting in losses.

*Security Futures and Options.* In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in the client's account. In addition, the Adviser's investments in security futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

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**Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an Investor's evaluation of the Adviser or the integrity of the Adviser's management. The Adviser has no disclosures to make in this regard about any of its management persons, employees or the Firm itself.

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**Item 10. Other Financial Industry Activities and Affiliations**

**A. Broker-Dealer Registration or Affiliation.** Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

**B. Commodity Exchange Act Registration or Exemption.** LionEye Advisers LLC, an affiliate of the Adviser, relies on an exemption from registration as a commodity pool operator under CFTC Reg. 4.13(a) (3), and has affirmed such exemption by a filing with the National Futures Association.

**C. Material Relationships or Arrangements.** Except for LionEye Advisory LLC, which is the general partner entity that acts as a sponsor of the Onshore Feeder Fund, the Adviser and its management persons have no relationships or arrangements with advisory affiliates or persons under common control with the Adviser that are material to its advisory business, its Clients or its Investors. The Adviser does not believe that this structure creates a conflict of interest to Clients or Investors.

**D. Recommendations of Other Advisers to Clients.** The Adviser does not recommend or select other investment advisers for its Clients.

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

The Adviser has adopted a Code of Ethics (the “Code”) under Rule 204A-1 of the Investment Advisers Act that obligates the Adviser and its related persons to comply with applicable federal securities laws, put the interests of the Adviser’s Clients before their own interests and to act honestly and fairly in all respects in their dealings with Clients. Investors and prospective Investors may obtain a copy of the Code by contacting the Chief Compliance Officer by email at kireland@lioneypcap.com, or by telephone at 212-257-5695.

Pursuant to the Code of Ethics, employees are prohibited from transacting in any of the following types of personal securities transactions:

1. Transacting in single name equity securities and options on equity securities; and
2. Transacting in “covered securities” that the Firm is evaluating for a transaction in a Fund or Separately Managed Account; and
3. Transacting in any “covered security” if the issuer is named on the Firm’s restricted list.

In addition, all transactions in “covered securities” (if not prohibited), require pre-clearance by the Chief Compliance Officer and one of the Managing Members. The term “covered securities” is specifically defined in the Code of Ethics and generally includes all debt and equity securities, as well as options, futures and commodities, with certain limited exceptions pursuant to SEC rules and regulations.

In addition, the Adviser has adopted in its Compliance Manual policies and procedures regarding the possession of material nonpublic information about issuers of securities that the Adviser may have invested in or which the Adviser is researching for a possible investment. The Adviser and any of its related persons are prohibited from improperly disclosing or using such information for their own benefit or for the benefit of any other person, regardless of whether such other person is a Client.

***B. Investing in Securities where Adviser has a Material Financial Interest.***

Neither the Adviser nor any of its related persons recommend to the Funds or the Separately Managed Accounts, or buy or sell for the Funds or the Separately Managed Accounts, securities in which the Adviser has a material financial interest.

Please note however that principals of the Adviser as well as other key employees of the Adviser may maintain substantial investments in the Funds, so in this regard, the Adviser may in fact be recommending securities in which it does have a material financial interest. Neither the Adviser nor any of its related persons buy or sell securities to or from the Funds or the Separately Managed Accounts as principal (a “principal transaction”). The Adviser would only complete such a transaction in accordance with the requirements of Section 206(3) of the Advisers Act. All potential principal transactions are brought to the attention of the Chief Compliance Officer prior to execution so that the proper course of action can be determined.

Except for the Master Fund, which acts as the investing entity for its Feeder Funds, neither the Adviser nor any of its related persons act as a general partner or investment manager in a Fund in which other



Funds are solicited to invest. Neither the Adviser nor any of its related persons act as an investment adviser to an investment company that it recommends to the Funds or the Separately Managed Accounts.

***C.D., Investing in Securities Recommended to Clients; Contemporaneous Trading.***

The Adviser has no proprietary trading accounts and therefore would not invest in the same (or related) securities that the Funds or Separately Managed Accounts are invested in.

It is theoretically possible that an employee of the Adviser may hold the same security that a Client holds in two scenarios: (i) the employee holds the same security that the Client subsequently buys for its portfolio, and/or (ii) the employee holds a non-single name security (such as an ETF or index fund) that the Client also holds in its portfolio. In either case, the employee must be granted permission to sell such a security from their personal account by the Chief Compliance Officer and one Managing Member, who would make a determination at that time as to whether the employee's sale of such security could adversely affect Clients.

The Adviser has adopted the procedures in the Code of Ethics described above to address potential conflicts of interest arising from personal account trading (such as front-running or personal trading having an effect on price of a security).

The Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the employees of the Adviser will not interfere with making decisions in the best interest of advisory Clients. Employee trading is monitored every quarter by the Chief Compliance Officer to ensure compliance with the Code of Ethics.

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**Item 12. Brokerage Practices*****A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.***

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution, offering to the Adviser on-line access to computerized data regarding a client's accounts. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The BACC meets periodically to evaluate the broker-dealers used by the Adviser to execute Client trades using the foregoing factors.

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

The Adviser receives research or other products or services other than execution from broker-dealers and/or third parties in connection with Client securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

The BACC meets regularly to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of Client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser may cause Clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for Clients.

Research and brokerage services obtained by the use of commissions arising from a Client's portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of other Client accounts. The Adviser does not seek to allocate soft dollar benefits to Client accounts proportionately to the soft dollar credits the accounts generate.

During the Adviser's last fiscal year, as a result of Client brokerage commissions (or markups or markdowns), the Adviser and/or its related persons acquired research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services.

In some instances, the Adviser may obtain a product or service that is used, in part, by the Adviser for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). Such determination will be based on the actual use of the product or service by the Adviser's personnel. The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by Client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources. The determination of the appropriate allocation of "mixed use" products and services creates a potential conflict of interest between the Adviser and clients and is monitored by the BACC.

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

From time to time the Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to Clients. The Adviser may have an incentive to select or recommend a broker-dealer based on its interests to receive Investor referrals rather than on the Client's interests to receive most favorable execution. The Adviser, however, will only place Client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

## ***B. Order Aggregation.***

Consistent with the Adviser's duty to seek best execution, and to the extent practicable, the Adviser may seek to aggregate orders that are placed for more than one Client throughout a trading day. Such aggregation may enable the Adviser to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. If the order is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. Allocation of trades amongst all Clients for which the purchase or sale of any particular security might be appropriate will be made by the Adviser in a fair and reasonable manner in light of all relevant investment considerations. In general, except as may be otherwise stated in a Client's offering documents or investment agreement, purchases

and sales that are deemed appropriate for two or more Clients will be allocated amongst those Clients pro rata in accordance with relative net assets under management (subject to rounding), after taking into account relative liquidity of each Client and the particular security in question.

Recognizing that allocation decisions for the purchase or sale of a particular security may be made based upon the risk profile and investment objectives of a particular Client, at its regular quarterly meeting, the BACC will review a sample of trade allocations for the prior quarter in order to monitor the effectiveness of the Adviser's allocation processes.

The allocation of an order may only be changed under the supervision of the CCO in order to ensure accurate risk exposure for each Client however, all Clients will receive fair and reasonable treatment as specified in the allocation policy above.

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**Item 13. Review of Accounts*****A. Frequency and Nature of Review.***

The portfolio manager(s) and analysts of the Adviser evaluate the portfolios of the Funds and the Separately Managed Accounts on a real-time basis. These accounts are actively managed by the respective portfolio manager(s) through daily position sizing evaluations, liquidity reviews, hedging adjustments and overall maintenance of the stated portfolio parameters as set forth in the Offering Memoranda or investment advisory agreement (as applicable). A periodic BACC meeting is held to provide oversight over trading for the Funds and the Separately Managed Accounts.

***B. Factors Prompting a Non-Periodic Review of Accounts.***

The Funds and the Separately Managed Accounts are actively managed and are reviewed regularly throughout the trading day.

***C. Content and Frequency of Regular Account Reports.***

*Reports Provided to Investors in the Funds* – (i) audited financial statements within approximately one hundred twenty (120) days after the end of each fiscal year, (ii) information necessary for the preparation of a tax return, (iii) a monthly account balance statement from the Funds' administrator, (iv) monthly unaudited reports of the performance of the Funds. Although the Adviser will use its best efforts to provide timely tax information to Investors, it is possible that it may be late in providing tax information, and Investors should be prepared to file for extensions with the relevant Federal and State taxing authorities.

Investors may from time-to-time request additional information related to a Fund and its investment activities, however, the Adviser evaluates each such request individually and may not provide information in response to all such requests. Any such additional information that is provided may not be provided to all Investors.

*Reports Provided to Separately Managed Account Investors* – Separately Managed Account Investors receive the information as agreed upon in their agreement with the Adviser.

All reports described above are written (although some may be delivered electronically).

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**Item 14. Client Referrals and Other Compensation*****A. Economic Benefits Received from Non-Clients for Providing Services to Clients.***

The Adviser has no arrangements whereby a party who is not a Client compensates or otherwise provides an economic benefit to the Adviser for providing services to Clients.

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

The Adviser compensates two third-party placement agents for referral of Investors to its Funds and Separately Managed Accounts. These agents are compensated based on the amount of assets the referred Investors invest in the Funds and/or Separately Managed Account over the course of a pre-determined period of time.

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**Item 15. Custody**

The Adviser and its affiliates do not have physical custody of any Client securities or cash, which are held by qualified custodians pursuant to the Custody Rule under the Investment Advisers Act, Rule 206(4)-2. However under the Custody Rule, the Adviser or its affiliates will generally be deemed to have custody of pooled investment vehicle client assets when the Adviser or an affiliate serves as general partner or managing member of such pooled investment vehicle. In order to comply with the Custody Rule, each such pooled investment vehicle undergoes an annual audit performed by an independent public accounting firm registered by the Public Company Accounting Oversight Board, and distributes its audited financial statements to investors annually as required under the rule.

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**Item 16. Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to Clients. Please see Item 4 for a description of any limitations Clients may place on the Adviser's discretionary authority.

Prior to assuming full discretion in managing a Client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

*For the Funds:* The Adviser has the authority to determine (i) the securities to be purchased and sold for the Fund's portfolio (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for the Fund.

The Fund's offering memorandum, subscription document, limited liability company or limited partnership agreement, investment management agreement and related agreements provide the general scope of the authority.

*For the Separately Managed Accounts:* The Adviser has discretionary authority from the outset of its advisory relationship to select the identity and amount of securities to be bought or sold for a Separately Managed Account. In all cases, however, such discretion is exercised by the Adviser in a manner consistent with the stated investment objectives and guidelines for the particular account, as these are set forth in the investment management agreement. Investors have no ability to request or direct a change in the stated investment objectives and guidelines for a Separately Managed Account without an amendment to the investment management agreement.



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**Item 17. Voting Client Securities*****A. Policies and Procedures Relating to Authority to Vote Client Securities.***

The Adviser has authority to vote proxies on behalf of its Clients, and complies with proxy voting policies and procedures that are designed to ensure that in such proxies are voted in the best interests of the Clients, as determined by the Adviser in its discretion. The Adviser will consider relevant factors with respect to a proposal, including: (i) the impact on the value of the securities; (ii) the anticipated costs and benefits associated with the proposal; (iii) the effect on liquidity and (iv) customary industry and business practices.

The Adviser uses an independent proxy research service provider, ISS. As a general matter, the Adviser will vote in accordance with ISS recommendations except where, in accordance with its policies, it is determined to vote otherwise.

The Adviser's Clients are not permitted to direct their votes in a particular solicitation.

If a material conflict of interest between the Adviser and a Client exists, the Adviser will determine whether voting in accordance with the proxy voting policies and procedures is in the best interests of Clients and may seek recommendations from an outside party in which the Adviser will generally vote in accordance with the recommendations.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies by contacting the Chief Compliance Officer by email at [kireland@lioneypcap.com](mailto:kireland@lioneypcap.com) or by telephone at 212-257-5695.

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**Item 18. Financial Information**

Registered investment advisers are required in this Item to provide Investors with certain financial information or disclosures about the Adviser's financial condition. The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.