

FORM ADV PART 2A: FIRM BROCHURE

FORTY4 ASSET MANAGEMENT LLC

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March 11, 2014

THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF FORTY4 ASSET MANAGEMENT LLC. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT 312-462-9990. THE INFORMATION IN THIS BROCHURE HAS NOT BEEN APPROVED OR VERIFIED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE SECURITIES AUTHORITY.

ADDITIONAL INFORMATION ABOUT FORTY4 ASSET MANAGEMENT LLC ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT WWW.ADVISERINFO.SEC.GOV.

REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.

MATERIAL CHANGES

Forty4 Asset Management LLC (“Forty4”) previously filed a firm brochure with the U.S. Securities and Exchange Commission (“SEC”) dated May 13, 2013. Subsequently, Forty4 filed an amended firm brochure on August 28, 2013, in which the following material information was added:

- Forty4 updated the description of its financial industry affiliations to include two additional affiliates: Blue Marlin Arbitrage, LLC and BigTick, LLC. *See “Other Financial Industry Activities and Affiliations.”*

With the exception of these changes, there have been no other material changes to Forty4’s firm brochure since its initial filing.

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ADVISORY BUSINESS

Forty4 Asset Management LLC (“Forty4”) is a Delaware limited liability company and was formed on November 3, 2009. Forty4 is registered as a commodity pool operator with the Commodity Futures Trading Commission (“CFTC”) under the Commodity Exchange Act and is a member of the National Futures Association in such capacity. Forty4 was formed to provide asset management services to investors and clients around the world. Forty4 is managed by Francis Wisniewski and Stephen Lee and is principally owned by Caleb Fishkin and Capitalism and Freedom, LLC.

Forty4 acts as a discretionary investment adviser to several private investment funds. As of the date hereof, Forty4 advises four private investment funds grouped into a “master-feeder” structure (collectively, the “Forty4 Funds”). The various Forty4 Funds are structured to meet the needs of various groups of investors, including institutional investors, non-U.S. investors and U.S. tax-exempt investors. Forty4 has the flexibility to employ a broad array of investment strategies on behalf of the Forty4 Funds that Forty4 determines are consistent with the Forty4 Funds’ investment objectives. The specific investment objectives and strategies utilized by the Forty4 Funds are described below. See “*Methods of Analysis, Investment Strategies and Risk of Loss.*”

In addition to advising the Forty4 Funds, Forty4 may also offer discretionary advisory services to certain clients through separately managed accounts (the “Client Accounts”). The terms, nature and scope of such advisory services may be negotiated by Forty4 and the applicable client, based on the client’s specific financial and investment objectives, risks and goals.

As of December 31, 2013, Forty4 managed approximately \$391,420,621 in regulatory assets under management on a discretionary basis.

FEES AND COMPENSATION

Forty4 charges both asset-based “management fees” and performance-based “performance allocations” to the Forty4 Funds, as further described in their respective offering documents. The amount of such fees and allocations charged to a particular investor varies depending upon whether such investor holds Class A or Class B equity interests in the applicable Forty4 Fund.

In respect of the holders of the Class A equity interests, Forty4 generally receives a monthly asset-based management fee equal to approximately 0.167% (approximately 2.0% per annum) of the net asset value of such class of equity interests, payable in advance, generally within five (5) business days after the beginning of such month. No management fee is charged or payable in respect of the Class B equity interests.

Forty4 may, in its sole discretion, waive or reduce the management fee with respect to any investor in the Forty4 Funds, including its affiliates or employees. Management fees are paid by the Forty4 Funds by the deduction of such fees from the funds’ assets. The performance fees paid by the Forty4 Funds are described below in “*Performance Based Fees.*”

With respect to its management of a Client Account, Forty4 may charge either or both an asset-based “management fee” and/or a performance-based “performance fee.” The types and amounts of fees payable in respect of a Client Account will be set forth in an investment advisory agreement between Forty4 and the applicable client and may be negotiated based on a variety of factors, including, but not limited to, the size, composition and complexity of the Client Account, length and nature of Forty4’s relationship with the client, special services agreed upon with the client or other factors deemed relevant by Forty4.

Other Fees and Expenses. Forty4’s clients will incur other expenses in connection with Forty4’s advisory services. Forty4’s fees do not include transaction fees, brokerage commissions, custody fees and other related costs and expenses that will be incurred by clients with respect to the transactions for their account. Clients will also bear the investment management or other fees charged by any mutual funds, ETFs or collective investment vehicles in which they may invest (including other Forty4 Funds, as applicable), as disclosed in the prospectus for the applicable fund.

Each Forty4 Fund has incurred legal and organizational expenses in connection with its formation and offering, which will be borne by the applicable Forty4 Fund (and, therefore, indirectly by its investors). In addition, the Forty4 Funds will also bear ongoing expenses, which may include, without limitation, legal, bookkeeping, accounting, auditing, recordkeeping, administration, computer and clerical expenses (including expenses incurred in preparing reports and tax information and regulatory authorities and expenses for specialized administrative services); filing fees; printing and duplication expenses; investment related travel expenses; investment research expenses, market data, newswire and data processing expenses; software and connectivity charges; brokerage commissions, bank charges, custody fees and borrowing costs; exchange, board of trade or other trading or execution facility membership or participation expenses reasonable costs of attending directors’ meetings; Cayman Islands annual registration fees; directors’ fees; directors’ and officers’ liability insurance; investment and operating expenses; and such other expenses necessary to perform the operation of such fund. The Forty4 Funds will also be responsible for any applicable extraordinary expenses of such fund (including taxes, indemnification costs, litigation costs, trade errors or damages).

PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As compensation for its management of the Forty4 Funds, Forty4 also will be entitled to receive a performance-based fee or allocation. This performance-based compensation generally is equal to 20% (for Class A equity interests) or 35% (for Class B equity interests) of the net increase in value (if any) of an investor’s investment in the Forty4 Funds (including both realized and unrealized gains and losses) over the applicable measurement period, after payment of the management fees described above and recovery of losses experienced by such investment in prior measurement periods.

This performance-based compensation is calculated and payable annually as of the end of each year or upon withdrawal by an investor of all or part of its investment in a Forty4 Fund. Forty4 may waive, reduce or otherwise vary this compensation with respect to any investor in the Forty4 Funds, including affiliates of Forty4 and/or employees of Forty4 or its affiliates.

With respect to its management of a Client Account, Forty4 may charge a performance-based fee in addition to, or in lieu of, an asset-based management fee. The amount and payment terms associated with any such fee may be subject to negotiation between Forty4 and the client, as described above. See “*Fees and Compensation.*”

Conflicts of Interest Related to Performance-Based Compensation. A significant percentage of the appreciation (if any) that would otherwise be allocated to the investors in the Forty4 Funds and clients in the Client Accounts (to the extent such Client Accounts are subject to a performance-based fee) is paid to Forty4. This performance-based compensation is based upon unrealized, as well as realized, gains, and such unrealized gains may never be recognized by the investor or client. This gives rise to a potential conflict of interest, as Forty4 may have an incentive to favor the accounts of clients for which it or its affiliates receive performance-based compensation (or receive larger amounts of performance-based compensation) over accounts for which they receive only an asset-based fee (or receive lower amounts of performance-based compensation) by, for example, seeking to allocate more profitable investment opportunities to the accounts for which Forty4 receives greater performance-based compensation. Currently, Forty4 solely advises the Forty4 Funds, which are subject to both asset-based and performance-based fees. However, Forty4 has implemented aggregation and allocation procedures to allocate the securities bought or sold between the applicable Forty4 Funds and Client Accounts on a fair and equitable basis over time. See “*Brokerage Practices*” below.

TYPES OF CLIENTS

Currently, Forty4 provides investment advice exclusively to private investment funds operated by Forty4 or its affiliates. Forty4 operates certain of the Forty4 Funds in reliance upon the exclusion from the definition of an “investment company” described in Section 3(c)(1) of the Investment Company Act of 1940, as amended (the “1940 Act”). In order to qualify for this exclusion, investment in such Forty4 Funds is generally limited to no more than 100 U.S. persons who are “accredited investors,” as defined in Rule 501 of Regulation D under the Securities Act of 1933, as well as non-U.S. investors. In general, the definition of “accredited investor” includes (a) individuals with either (i) \$200,000 in annual income, (ii) \$300,000 in joint annual income with his/her spouse, or (iii) \$1 million in net worth, excluding his/her primary residence and certain related indebtedness; and (b) entities (i) with \$5 million in assets, or (ii) which are wholly-owned by other accredited investors.

Forty4 also operates certain of the Forty4 Funds in reliance upon the exclusion from the definition of an “investment company” described in Section 3(c)(7) of the 1940 Act. In order to qualify for this exclusion, investment in such Forty4 Funds is generally limited to U.S. persons who are “qualified purchasers,” as defined in Section 2(a)(51) of the 1940 Act, as well as non-U.S. persons. In general, the definition of “qualified purchaser” includes individuals with \$5,000,000 or more in “investments” (as defined by the SEC) and entities with \$25,000,000 or more in “investments,” as well as certain other specified categories of entities.

In the future, Forty4 may determine to offer investment advisory services to Client Accounts for various types of clients, including, but not limited to, high-net worth individuals, trusts and estates, institutional investors, corporations, private funds operated by third parties and other business entities. Client Accounts are generally subject to a minimum initial investment of \$50,000,000, unless such minimum is waived by Forty4 in its sole discretion.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Forty4 seeks to take advantage of short-term and mid-term opportunities in the securities and futures markets using its proprietary quantitative models. Forty4's investment process seeks to: identify apparent mispricings based on proprietary analysis of price movement of related securities; analyze calculations of the expectancy, variance and tail risk of financial instrument positions utilizing statistical measurements and proprietary normalization processes; determine the appropriate hedge (often utilizing multiple hedges); execute trades (and associated hedges) seeking to leverage Forty4's floor trading experience, liquidity sourcing and order flow and trade anticipation techniques; and manage risk by aggregating all risk data across the portfolio and continually hedging risk at the single asset level and portfolio level throughout the day. Forty4 may employ a broad array of investment strategies and trade a variety of financial instruments on behalf of its clients in an effort to achieve attractive risk-adjusted returns. Generally, Forty4 intends to dynamically allocate client assets among three core strategies—Volatility Relative Value, Macro Volatility, and Cross Asset Class Statistical Arbitrage and Special Situations—as well as other ancillary or newly developed strategies from time to time, based upon the Forty4's assessment of available investment opportunities.

Volatility Relative Value Strategy

Forty4's Volatility Relative Value strategy seeks to capitalize on the relative mispricings in the implied volatility markets across an array of financial instruments, including, but not limited to, equity options, index options and exchange-traded fund (“ETF”) options. In implementing this strategy, Forty4 intends to perform price-based analysis across a universe of approximately 3,000 such financial instruments.

Macro Volatility Strategy

Forty4's Macro Volatility strategy seeks to identify market mispricings of instrument fair values due to supply and demand while using proprietary hedging strategies that primarily use futures and options to profit from ETF rebalancings.

Cross Asset Class Statistical Arbitrage and Special Situations Strategy

Forty4's Cross Asset Class Statistical Arbitrage strategy invests primarily in futures and ETFs and other financial instruments based on Forty4's analysis of perceived statistical deviations from historical price relationships across multiple asset classes.

The Special Situations strategy focuses primarily on investment in financial instruments related to mispricing due to special situations, including, but not limited to, volatility arbitrage, mergers and acquisitions, short squeezes, systematic liquidity issues and capital structure arbitrage.

Certain Risk Factors.

The identification of attractive investment opportunities is difficult and involves a significant degree of uncertainty. Potential clients should consider the following risks before engaging Forty4 to manage their assets.

Market Neutral Strategies. The use of “market neutral” or “relative value” hedging or arbitrage strategies should in no respect be taken to imply that Forty4's strategy is without risk. Substantial losses

may be recognized on “hedge” or “arbitrage” positions, and illiquidity and default on one side of a position can effectively result in the position being transformed into an outright speculation. Every market neutral or relative value strategy involves exposure to some second order risk of the market, such as the implied volatility in convertible bonds or warrants, the yield spread between similar term government bonds or the price spread between different classes of stock for the same underlying issuer.

General Risks of Arbitrage Transactions. A portion of Forty4’s investments for its clients may be based on arbitrage strategies. The success of arbitrage strategies (whether capital structure arbitrage or otherwise) depends often on the ability to execute two or more simultaneous transactions at desired prices. Should such transactions not be executed simultaneously at the desired prices, losses may be incurred on both sides of the transaction. Additionally, separate costs are incurred on both sides of an arbitrage transaction, and substantial favorable price moves may be required before a profit can be realized. There can be no assurances that the hedging and arbitrage strategies used by Forty4 will be successful. The market values of related financial instruments may not move in correlation with each other or in ways anticipated by Forty4, and intervening events may cause hedged positions not to perform as anticipated. A hedged position may perform less favorably in generally rising markets than an unhedged position.

Capital Structure Arbitrage. Forty4’s strategy may involve trading the spreads in the debt of companies with multiple classes of debt, trading the spreads in the equity of companies with multiple classes of equity and/or trading combinations of a company’s debt and equity, in each case to take advantage of relative mispricings. Forty4 may be incorrect in its assumption and its clients may not realize profits from such investments. Moreover, Forty4 may be correct in its assumption but may not be able to maintain such investments long enough for them to be profitable.

Special Situation Investments/Distressed Companies. Certain of Forty4’s investments on behalf of its clients may involve start-up companies, companies developing new products or companies seeking to raise additional capital for expansion. In addition, Forty4 may invest in companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns, they involve a substantial degree of risk. Any one or all of the issuers of the financial instruments in which Forty4 may invest, directly or indirectly, may be unsuccessful or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that Forty4 will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which Forty4 invests, clients may lose their entire investment or may be required to accept cash or financial instruments with a value less than their original investment.

Trading in Options. Among the instruments that Forty4 may trade are options. An option is a right, purchased for a certain price, to buy or sell an underlying instrument or product during or at the end of a certain period of time (the “expiration”) for a fixed price (the “strike price”). The risks in trading options are different from the risks in trading the underlying instruments or products, and trading in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. For example, if Forty4 buys an option on behalf of a client, such client will be required to pay a “premium” representing the market value of the option. The value of an option may decline because of a decline in the value of the underlying asset relative to the strike price, the passage of time, changes in the market’s perception as to the future price behavior of the underlying asset or any combination thereof. Unless the price of the underlying instrument or product changes and it becomes profitable to exercise or offset the option before it expires, the client may lose the entire amount of the premium. Conversely, if Forty4 sells an option on behalf of a client, such client will be credited with the premium, but will have to deposit

margin due to its contingent liability to deliver or accept the underlying instrument or product in the event that the option is exercised. Sellers of certain options are subject to unlimited risk of loss, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the then-market value. The ability to trade in or exercise options may be restricted in the event that trading in the underlying instrument or product becomes restricted.

Equity Securities. Forty4 may trade in equity securities on behalf of its clients. Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments. Forty4 may acquire long and short positions in listed and unlisted common equities, preferred equities and convertible securities of issuers domiciled in developed or in emerging market countries. Forty4 may invest in equity securities regardless of market capitalization, including micro- and small-cap companies. The securities of smaller companies may involve more risk and their prices may be subject to more volatility. Forty4 may also invest in distressed equity securities, which are generally considered to be riskier, speculative and relatively illiquid.

Trading in ETFs. Forty4 may invest in ETFs, both long and short, on behalf of its clients. ETFs are funds that track a particular basket or index of securities traded on a public exchange, such as the American Stock Exchange. ETF investments are subject to the risks arising from the portfolio of underlying stocks, including market and issuer risks, but may also present certain unique risks. It is possible for the value of ETFs to fall or to rise more slowly than the stock market as a whole even when stock prices in general are rising. In addition, the fees and expenses charged by such ETFs result in an additional level of fees and greater expense to clients than would be associated with direct investment.

Commodities and Futures Trading. Forty4 may invest in certain futures products on behalf of its clients. Substantially all trading in futures has as its basis a contract to purchase or sell a specified quantity of a particular asset for delivery at a specified time, although certain futures contracts, such as market index futures contracts, may be settled only in cash based on the value of the underlying composite index. Futures prices may be highly volatile, and can be influenced by a wide range of macro- and micro-economic variables. Futures trading also is subject to various regulatory limitations, including limitations on the maximum net long or net short positions that any trader (such as Forty4) may hold or control in particular futures contracts and limitations on daily price movements, which could limit Forty4's ability to trade futures on behalf of its clients under certain circumstances. Because futures contracts are typically traded on "margin"—meaning that only a small portion of the total value of the futures contract must be posted with a broker to establish a futures position—a comparatively small commitment of cash or its equivalent may permit trading in futures contracts of substantially great value. As a result, price fluctuations may result in a contract profit or loss that is disproportionate to the amount of funds deposited as margin.

Fixed-Income Investments. Forty4 may invest in fixed-income instruments on behalf of its clients. The value of fixed-income instruments will change as the general levels of volatility and interest rates fluctuate. When interest rates decline, the value of fixed-income instruments can be expected to rise. Conversely, when interest rates rise, the value of such instruments can be expected to decline. Investments in lower rated or unrated fixed-income instruments, while generally providing greater

opportunity for gain and income than investments in higher rated instruments, usually entail greater risk (including the possibility of default or bankruptcy of the issuers of such instruments).

High Yield Securities. Forty4 may invest on behalf of its clients in “high yield” bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominately speculative with respect to the issuer’s capacity to pay interest and repay principal. They also are generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those of higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Trading in Currencies. Forty4 may trade currencies on behalf of its clients in interbank and forward contract markets that Forty4 believes to be well-established and of recognized standing. Nonetheless, clients may be exposed in the interbank market to risks associated with any government or market action that might suspend or restrict trading or otherwise render illiquid, in whole or in part, the client’s position, with little or no prior notice. Among other things, price movements of foreign currencies are influenced by interest rates, changes in balance of payments and trade, domestic and international rates of inflation, international trade restrictions and currency devaluations and revaluations and various other unpredictable factors. Although certain currency trades may be effected through exchange-traded instruments, the foreign currency market remains predominantly an over-the-counter market, and is therefore subject to the risks typical to over-the-counter trading. Forty4 may effect such trades with brokers, banks and other market participants that it believes to be creditworthy.

Over-the-Counter and Other Derivative Instruments in General. Forty4 may use various derivative instruments, including futures, options, forward contracts, swaps and other derivatives which may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Derivative instruments may not be liquid in all circumstances, so that in volatile markets Forty4 may not be able to close out a position without incurring a loss. Trading in derivative instruments also may result in large amounts of leverage, which may magnify the gains and losses experienced by Forty4’s clients, as well as the volatility in their investment portfolios. Forty4 may trade over-the-counter derivative instruments including swap transactions, forward foreign currency transactions and derivatives on bonds and other fixed income securities. Over-the-counter instruments, unlike exchange traded financial instruments, are negotiated, two-party contracts. Because performance of over-the-counter instruments is not guaranteed by any exchange or clearinghouse, clients will be subject to the risk of the inability or refusal to perform with respect to such instruments on the part of the counterparties with which they trade.

Credit Default Swaps. Forty4 may enter into credit default swaps on behalf of its clients. In general, a credit default swap is a type of over-the-counter credit derivative between two counterparties whereby one counterparty (the “purchaser”) is obligated to pay the other counterparty (the “seller”) a periodic stream of payments (“premiums”) over the term of the contract, in return for the seller’s obligation to pay the purchaser upon the occurrence of a credit event (e.g., bankruptcy, failure to pay, obligation acceleration or restructuring) with respect to an underlying reference obligation or reference obligor. Forty4’s clients may stand on either side of a credit default swap (i.e., either as the purchaser or the seller). Credit default swaps are non-standardized, privately negotiated transactions and the payment by

the seller to the purchaser is contingent upon the occurrence of a credit event as defined in the swap transaction documents, which definition may be more expansive or narrow than what would normally be viewed as a default by the reference obligor, whether under the reference obligation or otherwise. In addition to the risk of non-performance of the counterparty, there is an inherent risk in being able to predict the likelihood of a credit event under a credit default swap. Also, credit default swaps generally are traded over-the-counter and not on an organized market, which may make them illiquid and difficult to value. If a client is the purchaser under the swap agreement and no credit event occurs, the client will not recoup the premiums it paid to the seller. Likewise, if a client is the seller under the swap agreement, it may be required to pay an amount upon the occurrence of a credit event that far exceeds the periodic premium payments received by the client under the swap agreement. Forty4 may rely on the use of credit default swap transactions to hedge a client's exposure to the debt of underlying issuers. The recent dislocation in the financial markets may make it more difficult for Forty4 to enter into these transactions and, therefore, may increase the costs to Forty4's clients of entering into credit default swaps (or prevent them from doing so entirely).

Convertible Securities. Forty4 may invest on behalf of its clients in instruments that have built-in convertibility (from debt to equity) features. The risks associated with such instruments include credit risk. Credit risk is the possibility that an issuer will be unable to make interest payments and repay principal when due. Changes in an issuer's financial strength or in a convertible instrument's credit rating may affect the instrument's value. Instruments rated below investment grade, sometimes called "junk bonds," generally have more credit risk than higher rated financial instruments.

Illiquid Investments. At various times, the markets for financial instruments purchased or sold by Forty4 on behalf of its clients may be "thin" or illiquid, making purchases or sales at desired prices or in desired quantities difficult or impossible. As part of its emergency powers, an exchange or regulatory authority can suspend or limit trading in a particular instrument, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. The possibility also exists that governments may intervene to stabilize or fix exchange rates, restricting or substantially eliminating trading in the affected currencies.

Leverage. The low margin and collateral deposits required to trade many exchange-traded derivatives may permit an extremely high degree of leverage. In addition, Forty4 may utilize broker-provided financing in its trading on behalf of clients and may utilize borrowings for purposes of covering margin requirements applicable to clients' futures and related positions. The degree of leverage that Forty4 may utilize may not be limited to any predetermined level, but will be subject to applicable legal, regulatory or broker imposed leverage limitations, to the extent applicable. As a result of trading with a high degree of leverage, a relatively small price movement in a financial instrument's price may result in immediate and substantial losses to clients, and could result in the mandatory liquidation of certain positions if margin requirements are not satisfied. If a client is in a leveraged position, any losses would be more pronounced than if leverage were not used and, under particularly adverse circumstances, could exceed the client's capital under Forty4's management.

Turnover. Capital of Forty4's clients may be invested on the basis of short-term market considerations. The portfolio turnover rate of those investments may be significant, potentially involving substantial brokerage commissions, mark-ups and fees. These commissions and fees will reduce the applicable client's profits.

Concentration of Investments. There is no limit on the amount of assets that Forty4 can invest in any particular position or strategy on behalf of its clients. Accordingly, a loss in any single position or strategy could have a material adverse impact on a client's capital.

* * *

Investment in securities and other financial instruments involves certain significant investment risks, including loss of an investor's entire investment. The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with Forty4's investment programs or an investment in any fund or account advised by Forty4. Prospective clients and investors must consult their own advisers before deciding whether to make such an investment. Investors and prospective investors in the Forty4 Funds should carefully review the sections on Risk Factors of the offering documents of the applicable Forty4 Fund(s). Such documents are available only to current investors or prospective investors who are eligible to invest in such entities, as determined in the sole discretion of Forty4.

DISCIPLINARY INFORMATION

Forty4 is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of Forty4 or the integrity of Forty4's management. Forty4 has no such information to report regarding Forty4. However, the following matter relates to a management person of Forty4 in connection with the operations of an affiliate of Forty4, Hard Eight Trading, LLC ("Hard Eight Trading").

On May 31, 2012, Francis Wisniewski and Hard Eight Trading consented to the entry of a decision and offer of settlement in an action initiated by the Chicago Board Options Exchange finding Hard Eight Trading to have violated the net capital requirements of the Securities Exchange Act of 1934, as amended ("Exchange Act"), by operating with net capital below the minimum requirement of \$100,000 on April 12, 2011, and further finding Francis Wisniewski to have failed to adequately monitor Hard Eight Trading's intraday net capital on such date. Francis Wisniewski and Hard Eight Trading were censured and jointly fined \$30,000 in connection with this matter. Hard Eight Trading was also ordered to implement written procedures to ensure compliance with Section 15c3-1 of the Exchange Act.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Forty4 is an affiliate of Hard Eight Holdings, L.L.C., a Delaware limited liability company, which, through its various subsidiaries and affiliates, including Hard Eight Trading, LLC, a Delaware limited liability company, Hard Eight Futures L.L.C., an Illinois limited liability company, and Silver Thursday Limited, a private limited company organized under the laws of England and Wales (collectively, "Hard Eight"), is a proprietary trading firm that implements statistical arbitrage and relative value trading strategies in various financial instruments. Forty4 and Hard Eight are owned (directly or indirectly) by various principals of Hard Eight Holdings, L.L.C. and certain other individuals.

Forty4 operates independently from Hard Eight, and Hard Eight and its trading personnel generally are not involved in Forty4's day-to-day trading operations. However, personnel of Hard Eight provide administrative and back-office services (such as operational, information technology and accounting services) to both firms. In addition, Francis Wisniewski, a management person of Forty4, is expected to consult upon decisions relating to Hard Eight's overall business operations and corporate direction at an executive level, but will not be involved in its trading or other day-to-day operational matters. Forty4 at

all times retains independent investment discretion over its clients' assets, including determination of the investments to be made on behalf of its clients and the timing and price of transactions in their respective portfolios.

Forty4 is also an affiliate of three other proprietary trading firms: Nolita Capital, LLC, an Illinois limited liability company ("Nolita"), Zoo Trading LLC, a Delaware limited liability company ("Zoo") and Blue Marlin Arbitrage, LLC, a Delaware limited liability company ("Blue Marlin"). Nolita and Zoo are registered broker-dealers. Certain principals of Forty4, together with other third-party investors, directly or indirectly own interests in Nolita, Zoo and Blue Marlin. Forty4's principals do not engage in any trading on behalf of Nolita, Zoo or Blue Marlin, nor does Forty4 share trading personnel with Nolita, Zoo or Blue Marlin. However, Zoo shares certain administrative and back office personnel with Forty4. Nolita and Blue Marlin do not share any employees with Forty4.

Additionally, Forty4 is affiliated with BigTick, LLC, the parent company of a retail futures introducing broker, as certain principals of Forty4 directly or indirectly own interests in BigTick. Two of Forty4's management persons, Francis Wisniewski and Stephen Lee, serve on BigTick's Board of Directors, but receive no compensation for such service. Mr. Wisniewski's and Mr. Lee's service to BigTick does not involve Forty4 in any way, and Forty4's principals have no involvement in BigTick's day-to-day operations, nor do Forty4 and BigTick share any employees. Forty4 therefore believes that this relationship does not create a material conflict with the interests of Forty4's clients.

The sharing of personnel and resources between Forty4 and Hard Eight and Zoo creates certain potential conflicts of interest, as it could enable each firm to use investment information generated by personnel of the other firm to the disadvantage of the other firm or, if applicable, its clients (for example, by acting on an investment opportunity identified by the other firm, and thereby adversely impacting the price or availability of the opportunity for the other firm). Further, because of the overlap in beneficial ownership between Forty4 and Hard Eight, Nolita, Zoo and Blue Marlin, principals of the firms could have an incentive to direct investment opportunities to Hard Eight, Nolita, Zoo or Blue Marlin (rather than Forty4) based upon the relative income generated by the opportunity (and, indirectly, received by such principals), rather than considering the appropriateness of the opportunities for the firms (or, in the case of Forty4, its clients). To address this potential conflict of interest, the trading operations of Forty4 are separated and operate independently from those of Hard Eight, Nolita, Zoo and Blue Marlin, using different personnel, seeking to avoid any overlap in the trading groups for the firms, and it is not anticipated that the firms will knowingly compete with one another for limited investment opportunities.

Other Clients. As described above, affiliates of Forty4 act as investment adviser to private investment funds, and may also act as investment adviser to other clients. Although Forty4 and its affiliates may manage investments on behalf of a number of Client Accounts and the Forty4 Funds, investment decisions and allocations will not necessarily be made in parallel among all such accounts or funds. Other accounts managed by Forty4, Hard Eight or their respective principals or affiliates may make investments and utilize investment strategies that may not be made or utilized by Forty4 on behalf of all (or any) of its clients, and may take positions that are opposite those of all or some clients. Accordingly, the various accounts managed by Forty4, Hard Eight and their respective principals and affiliates may produce results that are materially different from those experienced by a particular client, and the records of any investment management activities that Forty4, Hard Eight and their respective principals and affiliates may engage in on behalf of other clients will not be available to any such client.

Other Activities of Forty4 and Related Persons. As described above, certain key personnel of Hard Eight are also members of and/or involved in the operations of Forty4. Although these individuals are expected to commit an appropriate amount of their business efforts to Forty4, they are not required to devote all of their time to the affairs of Forty4 or of a particular client.

Forty4, Hard Eight, and the principals and affiliates of Forty4 and Hard Eight, may engage in, invest in, participate in or otherwise enter into other business ventures of any kind, nature or description, alone or with others, including, without limitation, the management of or investment in other investment or trading accounts, entities or vehicles, and clients shall have no right in or to any such activities or the income or profits derived therefrom.

Hard Eight, and the principals and affiliates of Forty4 and Hard Eight, may invest and trade for their own accounts, including in securities which are the same as or different or opposite from those traded or held by clients. As a result, Hard Eight, and the principals and affiliates of Forty4 and Hard Eight, may from time to time have proprietary investments in securities in which a client may take a position, may trade and invest simultaneously with clients and may take investment positions that are different or opposite from the positions taken by clients. As a result, conflicts of interest may arise between clients and Hard Eight or the principals or affiliates of Forty4 or Hard Eight with respect to matters such as the allocation of investment opportunities, purchases and sales of securities in connection with particular trading situations and allocation of personnel, resources and expenses. The records of trading by Hard Eight and the principals and affiliates of Hard Eight and Forty4 generally will not be made available to clients, except to the extent required by law. However, trading by principals and personnel of Forty4 will be subject to Forty4's Code of Ethics and personal trading policy, as described below in "*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*," which seeks to mitigate the conflicts described above. Among other things, Forty4's Code of Ethics requires employees to pre-clear all securities transactions for their personal accounts with appropriate personnel of Forty4.

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

Forty4 has adopted a code of ethics ("Code of Ethics") for all supervised persons of Forty4 describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, and personal securities trading procedures, among other things. All supervised persons at Forty4 must acknowledge the terms of the Code of Ethics annually, or as amended. Clients or prospective clients may request a copy of Forty4's Code of Ethics by contacting Stephen Lee at (312) 462-9990.

As a matter of policy, Forty4 does not knowingly cause clients to effect transactions in which such client purchases securities or other instruments from, or sells securities or other instruments to, Forty4 or its principals or affiliates (i.e., principal trades) or another client (i.e., cross trades), or in which one of Forty4's affiliates acts as broker for both Forty4's client and the other party to the transaction (i.e., agency cross transactions).

Forty4 may, in appropriate circumstances when deemed consistent with a client's investment objectives, cause such client to purchase or sell securities in which Hard Eight, Forty4 and/or their principals or affiliates, directly or indirectly, have a position or interest. See "*Other Financial Industry Activities and Affiliations – Other Activities of Forty4 and Related Persons*."

Forty4's employees and persons associated with Forty4 are required to follow Forty4's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Forty4 and its affiliates may be permitted to trade for their own accounts in securities which are recommended to and/or purchased for clients, as described above in "*Other Financial Industry Activities and Affiliations*." The Code of Ethics is designed to assure that the personal transactions, activities and interests of the

employees of Forty4 will not interfere with (i) making decisions in the best interest of clients and (ii) implementing such decisions while at the same time allowing employees to invest for their own accounts. The Code of Ethics requires pre-clearance of all transactions for the personal securities accounts of Forty4's "access persons" by appropriate personnel of Forty4, and requires that the interests of clients be placed ahead of those of Forty4 employees in their personal trading. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is regularly monitored under the Code of Ethics, in an effort to prevent conflicts of interest between Forty4 and its clients.

BROKERAGE PRACTICES

Forty4 will select the brokers to be utilized by the Forty4 Funds, and will have discretion to select different brokers to be used for each transaction and to negotiate the rates and commissions its clients will pay. Brokerage arrangements for Client Accounts and responsibility for the selection of brokers (as between Forty4 and the client) will be determined pursuant to the investment advisory agreement for such Client Account. Forty4 may not adhere to any rigid formulae in making the selection of brokers, but will weigh a combination of criteria consistent with its obligation to seek "best execution" for its clients. In selecting brokers to execute transactions, Forty4 need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Brokers will be selected generally on the basis of best execution, which may be determined by considering, in addition to price and commission rates, other factors including special execution capabilities, clearance, settlement, other transaction charges, block trading and block positioning capabilities, financial strength and stability, efficiency of execution and error resolution, the availability of stock to borrow for short trades, custody, recordkeeping and similar services ("Products and Services").

Research and Other Soft Dollar Benefits. Unless otherwise agreed with a particular client, in exchange for the direction of commission dollars to certain brokers, credits (or soft dollars) may be generated which may be used by Forty4 to pay for the Products and Services provided by, or paid by, such brokers ("Credits"). Although the commission rates charged by such brokers may not be represented as reflecting such additional Products and Services, the commission rates charged by such brokers may be higher or lower than the commission rates charged by other brokers, and clients may be deemed to be paying for such other Products and Services provided by the Broker which are included in the commission rate (i.e., "paying up"). Products or Services may be in any form (e.g., written, oral or on-line). Forty4 does not intend to enter into soft dollar arrangements that would fall outside of the "safe harbor" rules set forth in Section 28(e) under the Securities Exchange Act of 1934.

Forty4 may derive substantial direct or indirect benefit from these Products and Services, particularly to the extent it uses Credits to pay for research or other expenses which it would otherwise be required to pay. To the extent that Forty4 receives the benefits of Products and Services, a potential conflict of interest exists between Forty4's duty to manage or trade in the best interests of its clients and in an effort to obtain best execution, and Forty4's desire to receive the potential benefits of these Products and Services. In addition, Forty4 may use Products and Services in servicing some or all of its clients and the clients of its affiliates, and some Products and Services may not necessarily be used by a particular client even though its commission dollars may have provided for the Products and Services. A client, therefore, may not, in a particular instance, be the direct or indirect beneficiary of the Products or Services provided.

In the last fiscal year, Forty4 and its affiliates have not utilized brokerage commissions generated by clients to acquire Products and Services as described herein, but may do so in the future.

Aggregation and Allocation of Client Orders/Investments. In some cases, Forty4 may seek to buy or sell the same security or other investment on behalf of multiple clients. In those cases, Forty4 intends to combine purchase and sale orders on behalf of such clients and other accounts, and all such participants in the transaction will receive the average price (net of transaction costs) in the transactions. Although aggregation may operate to the disadvantage of particular clients in a given transaction, such aggregation is intended to promote fairness over the longer term among all accounts or entities involved in the transaction, including client and proprietary accounts.

REVIEW OF ACCOUNTS

Account Reviews. The Forty4 Funds have engaged a third-party fund administrator to provide day-to-day administrative and bookkeeping services to the funds. Forty4 conducts daily trade reconciliations and reviews of the positions held by the Forty4 Funds. These reviews are conducted by Forty4's operations staff, under the general supervision of Forty4's Manager. Procedures for the review of Client Account positions will be determined at the time of engagement.

Client Reporting. Forty4 furnishes audited financial statements annually to all investors in the Forty4 Funds. Such investors are also provided with periodic (no less frequently than quarterly, in accordance with CFTC regulations) unaudited reports including information regarding such fund's net asset value and performance. Forty4 reserves the right to make such periodic and annual statements available to investors solely in electronic form. Reporting obligations with respect to Client Accounts will be determined at the time of engagement.

CLIENT REFERRALS AND OTHER COMPENSATION

Forty4 currently has no arrangements whereby it receives an economic benefit from any person who is not a client for providing investment advice or other advisory services to clients, and does not directly or indirectly compensate any third-parties for client referrals.

CUSTODY

Forty4 has custody of the funds and securities of the Forty4 Funds, which are maintained at one or more "qualified custodians" as defined under Rule 206(4)-2 of the Advisers Act. A "qualified custodian" generally is a bank or savings association that has deposits insured by the U.S. Federal Deposit Insurance Corporation, an SEC registered broker-dealer, a futures commission merchant or a foreign financial institution that holds segregated customer assets. An independent public accountant will audit each of the Forty4 Funds on an annual basis, and copies of the audited financial statements will be sent to the investors in the Forty4 Funds, as described above in "*Review of Accounts.*"

Forty4 does not currently manage any Client Accounts, and therefore has no assets under custody that are attributable to Client Accounts. Depending on the terms of the investment advisory agreement in respect

of a particular Client Account, Forty4 may be deemed to have custody of such client's assets. In such a case, the assets will be maintained with a "qualified custodian." Clients whose assets are under Forty4's custody should receive at least quarterly statements from the qualified custodian that holds and maintains the client's investment assets. Forty4 urges each client to carefully review such statements and compare such official custodial records to any account statements that Forty4 may provide such client. Forty4's statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities or other instruments.

INVESTMENT DISCRETION

Unless otherwise agreed with a particular client, Forty4 exercises discretionary authority over the accounts of its clients. Forty4 receives discretionary authority from the client at the outset of an advisory relationship, by means of investment advisory or similar agreements, or, in the case of the Forty4 Funds, through the constituent documents of the funds themselves, which grant a power of attorney in favor of Forty4 to select the identity and amount of any investments to be bought or sold for the client's account. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the applicable client.

VOTING CLIENT SECURITIES

Forty4 holds the authority to vote proxies on behalf of the Forty4 Funds; however, it is generally not Forty4's practice to vote such proxies, as it is Forty4's view that the outcome of such corporate decisions related to the financial instruments in which the Forty4 Funds invest typically does not materially impact the implementation of Forty4's investment strategies. Forty4 will periodically analyze the estimated costs associated with casting such proxies on behalf of the Forty4 Funds against any estimated potential benefits of doing so, and reserves the right to vary this practice where it determines that doing so is in the best interests of the Forty4 Funds, although it is not anticipated that Forty4 will do so. Clients generally may not direct Forty4's vote in a particular solicitation. The Forty4 Funds may request a copy of Forty4's proxy voting policies and procedures relating to the Forty4 Funds and information about how Forty4 voted any proxies on behalf of the Forty4 Funds by contacting Stephen Lee at (312) 462-9990.

Unless otherwise agreed with a particular client, as a matter of firm policy and practice, Forty4 does not, and does not have any authority to, vote proxies on behalf of Client Accounts, nor does Forty4 intend to advise clients in any manner regarding such votes. Clients will receive proxies and other solicitations directly from their custodian or transfer agents and retain the responsibility for voting proxies for any and all financial instruments maintained in Client Accounts.

FINANCIAL INFORMATION

Forty4 is required to provide certain financial information or disclosures about its financial condition. Forty4 has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its clients, and has not been the subject of a bankruptcy proceeding.

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