



Taurasi Capital Management LLC

Part 2A of Form ADV

The Brochure

May 13, 2014

This brochure (the “Brochure”) provides information about the qualifications and business practices of Taurasi Capital Management LLC (the “Adviser”) and its affiliates (collectively, “Taurasi”). The Adviser is registered as an investment adviser with the United States Securities and Exchange Commission’s (“SEC”) under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). If you have any questions about the contents of this Brochure, please contact Taurasi’s Chief Compliance Officer at 212-292-0233.

The information in this Brochure has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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

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Item 4. Advisory Business

Taurasi Capital Management LLC (the “Adviser”) is a limited liability company organized under the laws of the State of Delaware. The Adviser was founded in 2012 and Mark Melchiorre is the founder and principal owner.

The Adviser currently provides investment advisory services to pooled investment vehicles intended for investment by sophisticated investors and institutional investors on a discretionary basis (the “Funds” and together with any pooled investment vehicles or accounts managed by the Adviser in the future, the “Clients”).

The Adviser provides advice to Client accounts based on specific investment objectives and strategies. Under certain circumstances, the Adviser may agree to tailor advisory services to the individual needs of Clients and Clients may impose restrictions on investing in certain securities or certain types of securities.

As of March 31, 2014, the Adviser had approximately \$121 million in net assets under management on a discretionary basis.

Item 5. Fees and Compensation

Asset-Based Compensation

The Funds pay to the Adviser a quarterly fee calculated at an annual rate of 1.5% of the net assets of the Funds (the “NAV Fee”). The NAV Fee is paid quarterly in advance based on the value of the net assets of the Funds as of the first business day of each calendar quarter. The NAV Fee is adjusted for subscriptions and redemptions occurring during the quarter. Additional information regarding the NAV Fee is provided below.

The NAV Fee may be, and has been, waived or modified for investors in the Funds that are members, employees or affiliates of Taurasi, relatives of such persons, and for certain other investors.

Performance-Based Compensation

The Adviser or its affiliate also receives an annual incentive allocation from the Funds, which is compensation that is based on a share of net profits (including net unrealized gains on investments) of the assets of a Fund, subject to a loss carryforward provision (the “Incentive Allocation”). . Such compensation is generally 20% of the net profits of the particular Fund.

The Incentive Allocation may be, and has been, waived or modified for investors in the Funds that are members, employees or affiliates of Taurasi, relatives of such persons, and for certain other investors.

The fees paid to Taurasi are negotiable. In this regard, Taurasi has entered into an arrangement with an investor whereby such investor is subject to a reduced NAV Fee and Incentive Allocation on its investment.

Other Fees and Expenses

In addition to being subject to an NAV Fee and an Incentive Allocation, the Funds also bear: Fund legal, compliance, administrator, audit and accounting expenses (including third party accounting services); shareholder proxy voting services; organizational expenses; investment expenses such as commissions, research fees and expenses (including research-related travel, third-party data and quote services and costs and expenses related to risk reporting (including the use of third-party risk reporting services)); interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; bank service fees; Fund-related order management system expenses; Fund-related insurance costs (including directors and officers and errors and omissions insurance for the Adviser and directorship liability); costs associated with any regulatory filings attributable to the assets of the applicable Fund; directors' fees and expenses; in the case of a Fund that is a feeder fund, the Fund's pro rata share of the expenses of the master fund; and any other expenses related to the purchase, sale, transmittal or preservation of Fund assets (whether or not a transaction is consummated).

Other Client accounts would incur similar fees and expenses in accordance with the terms of the applicable investment management agreement.

Client assets may be invested in money market mutual funds, ETFs or other registered investment companies. 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 NAV Fee and Incentive Allocation.

In addition, 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.

All current and potential investors/Clients should review the offering or governing documents for each Client in conjunction with this Brochure for more complete information on the fees and compensation payable with respect to a particular Client.

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

As noted in Item 5, the Adviser (or its affiliates) charges performance-based fees, which is compensation that is based on a share of net profits (including net unrealized gains on investments) of the assets of a Fund. Performance-based compensation may create an incentive for the Adviser to make investments on behalf of Clients that are riskier or more speculative than would be the case in the absence of a performance-based fee.

When the Adviser and its investment personnel manage more than one Client account a potential exists for one Client account to be favored over another Client account. The Adviser and its investment personnel have a greater incentive to favor Client accounts that pay the Adviser or its affiliates (and indirectly employees) performance-based compensation or higher fees.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. In accordance with its fiduciary duty, the Adviser must allocate all investment opportunities to its Clients on a fair and equitable

basis and in accordance with all relevant guidelines and restrictions as outlined in the governing documentation for each Client. If a particular investment opportunity falls within the investment objective of more than one Client, then the Adviser will allocate such opportunity among its Clients on a basis that the Adviser reasonably determines in good faith to be fair and reasonable taking into account a number of considerations, including: the nature of the investment focus of each Client, the relative amounts of capital available for investment, any diversification limitations and restrictions, portfolio diversification, and other considerations deemed relevant by the Adviser and its investment professionals in good faith.

Item 7. Types of Clients

The Adviser provides investment advisory services to the Funds, which are pooled investment vehicles.

The details concerning applicable investor suitability criteria and initial and additional subscription minimums are set forth in the respective Fund's offering memorandum and subscription materials.

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

The following is a summary of the methods of analysis and investment strategies employed by the Adviser as well as the material risks associated with investing in such strategies. Prospective and existing investors/Clients are advised to review the offering materials and other constituent documents for full details on each applicable Client's investment, operational and other actual and potential risks.

Method of Analysis and Investment Strategies

The Adviser's investment objective is to achieve capital appreciation by investing (both long and short) across the entire capital structure of high yield and investment grade corporate issuers using a research-oriented, fundamental value approach. The Adviser employs absolute return and relative value strategies focused on liquid long/short market directional/opportunistic and liquid long/short market neutral credit investment opportunities.

The Adviser actively trades Client portfolio(s) in an effort to take advantage of valuation inefficiencies across the capital structure. The Adviser attempts to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in other forms, and engages in short-term trading. The Adviser believes there are persistent inefficiencies across the capital markets. Credit, and more specifically the high yield credit markets, can often suffer from severe dislocation and inefficiencies, as most dramatically experienced during the credit crisis of 2008 and post the Lehman Brothers bankruptcy filing. Also, the recent departure of proprietary trading desks and reduced market making capabilities on the sell side, have caused an increase in market inefficiencies. The relative illiquidity of the high yield credit markets can present anomalies and dislocations among different issuers or securities that can present opportunities for the strategy. In addition, the Adviser focuses on opportunistically allocating

capital across the quality or credit spectrum to seek to exploit the desired dislocation across the different markets (i.e., investment grade, high yield, leveraged loans or distressed).

While there are no limitations on the assets in which the Adviser may invest in seeking to achieve a Client's objective, the Adviser primarily invests in corporate bonds and credit default swaps, and to a lesser extent, in corporate loans, convertibles, equities and other financial derivatives and instruments. The Adviser enters into short sales, both for hedging and opportunistic investment purposes. In particular, the short portfolio consists of hedging positions, short positions in credit default swaps and short positions in corporate bonds and equities. The Adviser primarily invests in U.S. securities but may invest in European or other non-U.S. securities if the Adviser believes that such securities present attractive investment opportunities. The Adviser's investment program utilizes a significant amount of leverage which involves the borrowing of funds (from brokerage firms, banks and other institutions) and the use of derivatives in order to be able to increase the amount of capital invested.

The Adviser examines the capital structure (e.g., loans, bonds, converts, equity) and the quality spectrum (e.g., high grade, high yield, distressed) for attractive risk adjusted total return opportunities. Moreover, the Adviser's strategy seeks to couple deep credit analysis with a dynamic trading approach and emphasizes maintaining liquidity across the portfolio.

In evaluating prospective investment opportunities, the Adviser defines the tradable universe with a "liquidity litmus test" and seeks to conduct rigorous financial and qualitative analyses on its universe of investable companies. As part of its research process, the Adviser may engage in frequent communication with company management teams, attend meetings with senior management and visit company headquarters or facilities and perform third-party channel checks (customers, suppliers, competitors, etc.) to collect information regarding the industry, the distribution channels, and the overall competitiveness of the subject company. The Adviser's research process attempts to identify trends that are still unobserved by the general market. Among other things, the Adviser utilizes detailed cash flow models, asset valuation analyses and covenant analysis to assess the credit worthiness of a given issuer. In addition, the Adviser analyzes trade frequency screens and trade volume/credit spread movements in an effort to detect relevant changes in the relative attractiveness of certain investment opportunities across the capital structure of a given company.

The Adviser also employs a technical market factor analysis to quantify key drivers contributing to security trading levels. This analysis can help screen for trade ideas and/or be paired with fundamental research to help identify the best perceived risk-adjusted trade opportunities. The Adviser complements its fundamental, bottom-up company research process with general industry and macroeconomic analyses to develop a top-down investment theme for each sector.

The sizing and timing of a given position are determined based on various factors, including overall portfolio exposure, sector exposure, relative attractiveness of the investment opportunity, anticipated timing of any catalysts, as well as a credit beta analysis used for portfolio optimization. In general, the Adviser seeks to identify and invest a portfolio's assets in companies involved in (or the target of) a merger/acquisition, or companies that are experiencing growth in revenue, asset coverage ratio and/or free cash flow. Likewise, potential short and/or hedging candidates are generally comprised of those companies that lack these general attributes.

The Adviser regularly monitors each position in a portfolio. For each position, the Adviser monitors market pricing levels and relative valuation statistics.

The Adviser intends to pursue the investment strategy described above as long as such strategy is in accordance with the applicable Client's investment objective. In addition, it may also formulate and implement new approaches to carry out the investment objective of a Client.

Further details relating to Clients' investments are set forth in each relevant Client's governing documents (e.g., offering documents and/or other agreements).

Risk of Loss

The Adviser's investment strategy involves a number of risks. Accordingly, an investment with the Adviser may be deemed to be a highly speculative investment and is not intended as a complete investment program. It is designed only for sophisticated persons who are able to bear the economic risk of the loss of their entire investment and who have a limited need for liquidity in their investment. No guarantee or representation is made that a Client will achieve its investment objective or that investors will receive a return of their capital. All investing involves a risk of loss and the investment strategy offered by the Adviser could lose money.

The Adviser's investment strategy carries with it the inherent risks associated with investments in securities, as well as additional risks including, but not limited to, the use of short sales, leverage and investing in high yield and distressed securities.

The descriptions contained below are a brief overview of different risks related to the Adviser's investment strategy; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of such strategy. Prospective and existing investors/Clients are advised to review the offering materials and other constituent documents for full details on each applicable Client's investment, operational and other actual and potential risks.

Nature of Investments - The Adviser has broad discretion in making investments for a Client. The Client's portfolio will generally consist of investments in securities and loans of high yield or distressed issuers and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the portfolio's activities and the value of its investments. In addition, the value of the portfolio may fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that the portfolio's investment objective will be achieved.

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.

Interest Rate Risk - Generally, the value of fixed income securities will change 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 will be greater for long-term securities than for short-term securities. The Adviser may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no guarantee that such hedges will be implemented and, if implemented, will be successful in mitigating the impact of interest rate changes on the portfolios.

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.

Lack of Diversification - Client accounts will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, client portfolios are 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.

Use of Leverage - The Adviser may utilize leverage, which may result in a portfolio controlling substantially more assets than the equity of the portfolio. Leverage may increase the portfolio's returns if the portfolio earns a greater return on investments purchased with borrowed funds than the portfolio's cost of borrowing such funds; however, the use of leverage exposes the portfolio to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the portfolio not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the portfolio's cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the portfolio's assets, the portfolio might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

Relative Value Risk - In the event that the perceived mispricings underlying the Adviser's relative value trading positions were to fail to converge toward, or were to diverge further from, relationships expected by the Adviser, client accounts may incur a loss.

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.

Credit Default Swaps - The buyer of a credit default contract is obligated to pay the seller a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation or entity. Generally, a credit event means bankruptcy, failure to pay, cross default/acceleration, obligation acceleration, repudiation/moratorium, restructuring, or rating decline. A portfolio may be either the buyer or seller in a transaction. If a portfolio is a buyer and no credit event occurs, the portfolio will have made fixed payments and received nothing. However, if a credit event occurs, the portfolio, as a buyer, typically will receive full notional value for a reference obligation that may have little or no value. As a seller, the portfolio receives a fixed rate of income throughout the term of the contract, which typically is between one month and five years, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligation which may have little or no value.

In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. The selling of credit default swaps involves greater risks than if a portfolio had invested in the reference obligation directly. If a credit event were to occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value. The buyer of credit default swaps will incur a loss if the seller fails to perform on its obligation should a credit event occur. In certain circumstances, the buyer can receive the notional value of a credit default swap only by delivering a physical security to the seller, and is at risk if the deliverable security is unavailable or illiquid.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) includes provisions that require increased regulation of derivatives markets. The Dodd-Frank Act has introduced mandatory execution and clearing of certain swaps, as well as new recordkeeping and reporting requirements. This increased regulation may increase the costs of entering into certain transactions. As key provisions of the Dodd-Frank Act require rulemaking by the SEC and the CFTC, not all of which has been finalized as of the date of this document, investors should expect future changes in the regulatory environment for derivatives.

High Yield Securities – A portfolio may invest 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 predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also 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 for 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.

Derivatives - To the extent a portfolio invests in swaps, derivative or synthetic instruments, repurchase agreements or other over-the-counter transactions or, in certain circumstances, non-U.S. securities, a portfolio may take a credit risk with regard to parties with whom it trades and

may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. Securities and other assets deposited with derivatives counterparties may not be segregated from the proprietary assets of such counterparties, and the portfolio may accordingly be taking the credit risk of such counterparties. Even if the assets are segregated, there may be practical or time problems associated with enforcing rights to its assets in the case of an insolvency of any such party.

Options - The purchase or sale of an option involves the payment or receipt of a premium by the portfolio and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the portfolio loses its premium. Selling options involves potentially greater risk because the portfolio is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

Non-U.S. Securities - While the Adviser generally invests in U.S. securities, the Adviser may invest in European and other non-U.S. securities if the Adviser determines that such investments present attractive opportunities for Clients. Investing in securities of non-U.S. governments and companies that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involve certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Arbitrage Transaction Risks - Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. Examples of arbitrage strategies include event-driven arbitrage, merger arbitrage, capital structure arbitrage, convertible arbitrage, fixed income or interest rate arbitrage, statistical arbitrage, debt spread arbitrage and index arbitrage. The Adviser may employ any one or more of these arbitrage strategies. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur. Moreover, arbitrage strategies often depend upon identifying favorable “spreads”, which can also be identified, reduced or eliminated by other market participants.

Portfolio Turnover - The Adviser actively trades each Client’s portfolio, and as a result, turnover and brokerage commission expenses of the portfolio may significantly exceed those of other investment entities of comparable size.

Lack of Liquidity of Portfolio Investments - Portfolio assets may, at any given time, include securities and other financial instruments or obligations that are thinly traded, for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to accurately value any such investments.

Reliance on Mark Melchiorre - The Adviser relies heavily on the services of the founding member of the Adviser, Mark Melchiorre. Mr. Melchiorre is responsible for all of the major decisions affecting the portfolio(s). In the event that Mr. Melchiorre discontinues managing the affairs of, or withdraws from, the Adviser or dies, becomes incapacitated or, for some other reason becomes unable to effectively manage the affairs of the Adviser, the business and results of the operations of a portfolio may be adversely affected.

Item 9. Disciplinary Information

This item is inapplicable.

Item 10. Other Financial Industry Activities and Affiliations

Commodities-Related Registration

The Adviser is registered as a commodity pool operator with the U.S. Commodity Futures Trading Commission under the U.S. Commodity Exchange Act, as amended.

Material Relationships or Arrangements with Industry Participants

Each of the Funds has and may in the future enter into agreements (“side letters”) with certain prospective or existing investors whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the applicable offering memorandum. For example, such terms and conditions may provide for special rights to make future investments in the Funds, other investment vehicles or managed accounts; special withdrawal or redemption rights, including, but not limited to, a reduction or rebate in fees or withdrawal or redemption charges to be paid by the investor; a reduction in the NAV Fee or Incentive Allocation applicable to the investor; rights to receive reports on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the applicable Fund and such investors. The modifications are solely at Taurasi’s discretion and may, among other things, be based on the size of the investor’s investment, an agreement by an investor to maintain its investment for a significant period of time, or other similar commitment by an investor.

The Adviser has entered into an arrangement with an investor whereby such investor receives a portion of the NAV Fee and Incentive Allocation for a certain period of time (except upon the occurrence of certain events) and is entitled to additional rights, including, without limitation: (i) consent rights over certain actions related to the Funds; (ii) advance notice with respect to certain

events or actions related to the Funds; (iii) certain information and transparency rights, including daily access to risk monitoring reports and delayed access to portfolio positions; (iv) certain withdrawal rights; and (v) certain other rights that are in addition to, and may be more favorable than, the rights of other investors.

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

The Adviser has developed and adopted a Code of Ethics that is predicated on the principle that the Adviser owes a fiduciary duty to its Clients. Among other things, the Code of Ethics requires all supervised persons to:

- Act as fiduciaries, putting the interests of clients ahead of the interests of the Adviser and its employees, and fully disclosing all material conflicts of interest;
- Comply with all applicable laws and regulations;
- Periodically report personal securities transactions, and obtain pre-clearance before personally trading certain types of securities; and
- Promptly report any suspected violations of the Code of Ethics to the Chief Compliance Officer.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of Clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a Client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to Clients and remains in compliance with applicable law. In such circumstances, the Adviser will have no responsibility or liability to the Client for not disclosing such information to the Client (or the fact that the Adviser possesses such information), or not using such information for the Client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

In addition, the Adviser or its supervised persons may invest in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or a supervised person recommends to Clients. Such practices may present a conflict where, because of the information the Adviser has, the Adviser or its supervised persons are in a position to trade in a manner that could adversely affect Clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting the Adviser's or its supervised person's objectivity, these practices by the Adviser or its supervised person may also harm clients by adversely affecting the price at which the Clients' trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts:

- Supervised persons are required to pre-clear all personal securities transactions (except for certain exemptions as provided for in the Code of Ethics). The Chief Compliance Officer or his designee is responsible for reviewing the personal securities transaction reports submitted by supervised persons and may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its Clients.
- The Adviser's supervised persons are required to disclose the holdings in their personal accounts upon commencement of employment with the Adviser and on an annual basis thereafter.
- The Adviser's supervised persons are required to provide monthly brokerage statements.
- Trading in the personal accounts of the Adviser's supervised persons is reviewed by the Chief Compliance Officer and compared with pre-cleared transaction approvals.

The Adviser's Code of Ethics is available for inspection to current and prospective Clients and Fund investors upon request.

Item 12. Brokerage Practices

Factors Considered in Selecting 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 price per unit of the security, the broker's execution capabilities, commission rates or transaction costs, the value of advice and research reports, the broker's ability to deliver prompt, accurate confirmations and on-time delivery of securities or cash, the broker's ability to maintain confidentiality of the Adviser's trading intentions, the broker's reputation, financial strength and stability, and any other relevant factors that impact the price or execution of a trade. 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 or transaction costs (including spreads). 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 Adviser's Brokerage Committee and traders meet periodically to evaluate the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

Research and Other Soft Dollar Benefits

Although the Adviser does not maintain any formal soft dollar or commission sharing arrangements, the Adviser does receive research or other products or services other than execution from a broker-dealer 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, as amended ("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;

consultants' advice on portfolio strategy; 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. Although 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), such arrangements may be outside Section 28(e).

The Adviser's Brokerage Committee meets periodically 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 (or markups or markdowns) 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.

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 data services (including services providing real time exchange data, market data, company financial data and economic data), software used to transmit orders, research reports (including market research), certain financial newsletters and trade journals, and services related to execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between the Adviser and a broker-dealer and other relevant parties such as custodians).

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). 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 by the Adviser of the appropriate allocation of "mixed use" products and services creates a potential conflict of interest between the Adviser and Clients.

From time to time the Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to the Funds or recommend the Funds as an investment to their clients. The Adviser may 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.

Trade Aggregation and Allocation

When placing trades for the same security on behalf of more than one Client, the Adviser will generally aggregate Client orders at or near the same time, subject to the aggregation being in the best interests of all participating Clients, taking into the criteria described below. 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 an aggregated order is completely filled, the Adviser would allocate the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker 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. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to all Clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating Clients.

The Adviser allocates investment opportunities based on a variety of factors and considerations at the time of the transaction, including, among other things: cash availability, industry sector exposure and the suitability of such investments for each Client.

Cross Transactions

The Adviser may effect cross transactions between discretionary Client accounts, except as otherwise noted below. Cross transactions enable the Adviser to effect a trade between two Clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. The Adviser would typically utilize "cross" trades at the beginning or end of a month in order to rebalance its Clients' portfolios as a consequence of capital activity. If the Adviser engages in such cross transactions, the Adviser must ensure that all relevant Clients are treated fairly and equitably and in accordance with applicable regulatory requirements. Among other things, cross transactions are generally executed by independent broker-dealers who establish the pricing mechanism for such transactions. In addition, the Adviser does not receive any commissions or other compensation in connection with such cross transactions. The Adviser has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between Client accounts are not permitted if they would constitute principal trades or trades for which the Adviser or its affiliates

are compensated as a broker unless Client consent has been obtained based upon written disclosure to the Client of the capacity in which the Adviser or its affiliates will act.

Trade and Clerical Errors

Trade and other clerical errors resulting in gains will be for the benefit of the Adviser's Clients and will not be retained by the Adviser. Likewise, the Adviser will not absorb the cost of any trade or other clerical error as such items are considered by the Adviser to be a cost of doing business; provided, however, that the Adviser will be responsible for losses due to trade and other clerical errors to the extent that such errors are a direct result of the Adviser's gross negligence, willful misconduct or violation of the standard of care that is applicable to the relevant Client account.

Item 13. Review of Accounts

All Client accounts are reviewed by the Adviser's portfolio managers and other investment, operations and accounting personnel on a regular basis. Such reviews are performed to assure conformity with the objectives and guidelines of each Client and include, among others, cash and position reconciliations, sector exposures and the performance of each Client.

Investors in the Funds receive reports from the Funds pursuant to the terms of the applicable Fund's offering memorandum.

Item 14. Client Referrals and Other Compensation

The Adviser has entered into agreements on behalf of its Clients with certain brokers-dealers that act as prime brokers for the Clients. The Adviser has also entered into agreements on behalf of its Clients with certain brokers-dealers that act as executing brokers for the Clients. From time to time, the Adviser's personnel may speak at conferences and programs for potential investors interested in investing in hedge funds which are sponsored by those prime brokers. These conferences and programs may be a means by which the Adviser can be introduced to potential investors in Funds. Please see Item 12 for further information on the aforementioned practices, including the Adviser's procedures for addressing conflicts of interest that arise from such practices.

Item 15. Custody

All Client assets are held in custody by unaffiliated broker-dealers, banks and depository organizations; however the Adviser has access to certain Client accounts since an affiliate serves as the general partner of a Fund. Limited partners and shareholders of the Funds will not receive statements from any custodians. Instead, (i) the accounts and activities of the Funds are monitored by the Funds' administrator, and (ii) the Funds are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements are prepared in

accordance with generally accepted accounting principles and distributed to each investor within 120 days of each Fund's fiscal year end.

Item 16. Investment Discretion

The Adviser has discretionary authority to determine, without obtaining specific consent from its Clients or its investors, the securities and amount to be bought or sold. Any limitations on authority would be included in each Client's relevant governing documents.

Because of the differences in Client investment objectives and strategies, risk tolerances, tax status, restrictions placed on a Client's portfolio by the Client or by applicable law, size of the Client account, account liquidity, account requirements for liquidity and timing of cash flows and other criteria, there may be differences among Clients in invested positions and securities held. Although it is the Adviser's policy to allocate investment opportunities to eligible Client accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser to allocate securities to Client accounts in varying amounts. Even Client accounts that are typically managed on a pari passu basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

Securities acquired by the Adviser for its Clients through initial public offerings ("IPOs") and secondary offerings will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that: (i) if the Adviser receives a full allocation of securities in an IPO, the securities will be allocated to participating Client accounts in accordance with the proposed allocations provided by the Adviser, or (ii) if the Adviser receives less than a full allocation of securities in an IPO, the securities will generally be allocated to participating Client accounts based upon the assets of each participating account. The Adviser will determine the proposed allocations of IPO securities after considering the factors described above with respect to general allocations of securities. Only those Client accounts that have established their eligibility to participate in IPOs with the Adviser can participate in IPO allocations.

Securities acquired by the Adviser for its Clients through a limited offering will be allocated pursuant to the procedures set forth above. Eligibility will be based on the legal status of the Clients and the Clients' investment objectives and strategies.

Item 17. Voting Client Securities

The Adviser has implemented written policies and procedures governing the voting of Client proxies. The policies and procedures were reasonably designed to ensure that the Adviser votes Client securities in the best interest of Clients, and sets forth how the Adviser addresses material conflicts of interest that may arise between the Adviser and its Clients.

In addition, the Adviser maintains a record of all proxy votes cast on behalf of Clients. If a material conflict of interest between the Adviser and a Client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and

procedures is in the best interests of the Client or take some other appropriate action. 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 Adviser's Chief Compliance Officer.

Item 18. Financial Information

This item is inapplicable.

Appendix: Material Changes

This item is inapplicable.

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