

FIRM BROCHURE



STONE HOUSE

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This brochure provides information about the qualifications and business practices of Stone House Capital Management, LLC. If you have any questions about the information contained in this brochure, please contact us at (212) 543-1500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of delivery of offering and/or governing documents and other similar materials that contain a description of the material terms relating to such investment, products or services.

Additional information about Stone House Capital Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

February 28, 2014

Item 2: Material Changes

The date of our initial firm brochure was March 11, 2013. A summary of certain changes that have been made to our firm brochure since the date of our initial firm brochure is set forth below:

- As of June 2013, we currently offer a new class of interests to potential investors in each of SH Capital Partners, L.P. and SH Capital Offshore, LTD, the terms of which are substantially similar to the prior classes of interests offered, except with respect to management fees, performance allocations and withdrawal rights (including applicable lock-up periods). **See Item 5 below.**
- Effective September 18, 2013, we no longer provide investment advisory services to separately managed accounts.
- On December 20, 2013, we relocated our principal office to 950 Third Avenue, 17th Floor, New York, New York 10022.

The information set forth in this brochure is qualified in its entirety by the applicable offering materials and/or governing documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable governing and/or offering documents, such documents shall control.

We encourage all clients and investors to carefully review this brochure in its entirety.

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Item 4: Advisory Business

FIRM DESCRIPTION

Stone House Capital Management, LLC, a Delaware limited liability company and private investment advisory firm, was formed in January 2010. We provide investment advisory services to private pooled investment vehicles that are offered to investors on a confidential, private placement basis. In connection with providing these investment advisory services, we serve as investment adviser with discretionary trading authorization. Our investment advisory services are provided in accordance with the investment objectives and guidelines set forth in the applicable offering and/or governing documents, and the information set forth in this brochure is qualified in its entirety by such documents.

PRINCIPAL OWNERS

We are wholly owned and controlled by Mark A. Cohen and Richard M. Cohen, our sole members.

TYPES OF ADVISORY SERVICES

Our private investment fund clients include SH Capital Partners, L.P., a Delaware limited partnership (the “Onshore Fund”), and SH Capital Offshore, LTD, a Cayman Islands exempted company (the “Offshore Fund” and together with the Onshore Fund, the “Funds”). The Offshore Fund invests substantially all of its assets in, and conducts its investment activities indirectly through, the Onshore Fund, pursuant to a mini-master feeder structure.

We provide investment management services to the Funds primarily with respect to investments in publicly-traded equity securities. We generally are responsible for investing and re-investing the assets of the Funds in accordance with the investment objectives, policies and guidelines set forth in their offering and governing documents.

Information about each Fund is set forth in its confidential memorandum and applicable governing documents. Investment in a Fund does not, in and of itself, create an advisory relationship between an investor in such Fund and us. **See Item 8 below.**

INVESTMENT RESTRICTIONS

We provide investment advice to the Funds in accordance with the investment objectives, policies and guidelines set forth in the applicable offering and governing documents, and not in accordance with the individual needs or objectives of any particular investor in the Funds. Investors generally are not permitted to impose restrictions or limitations on the management of the Funds. Notwithstanding the foregoing, we may enter into side letter agreements with one or more investors in a Fund that alter, modify or change the terms of the interests held by those investors.

ASSETS UNDER MANAGEMENT

As of December 31, 2013, we had approximately \$59.42 million in regulatory assets under management. All of these assets were managed on a discretionary basis.

Item 5: Fees and Compensation

DESCRIPTION OF COMPENSATION AND FEE SCHEDULE

In consideration of our advisory services, we receive management fees and we or one of our affiliates may be entitled to receive performance-based allocations with respect to the Funds. While fees and allocations are described in detail in the applicable governing and/or offering documents, a brief summary of our advisory fees is set forth below.

Onshore Fund

With respect to the Onshore Fund, we generally are entitled to receive an asset-based management fee, payable at the beginning of each calendar quarter in advance, equal to (i) one-fourth (1/4) of two percent (2%) of the capital account balance of each Class A limited partner, (ii) one-fourth (1/4) of two percent (2%) of the capital account balance of each Class B limited partner, (iii) one-fourth (1/4) of one and one-half percent (1.5%) of the capital account balance of each Class C limited partner and (iv) one-fourth (1/4) of one and one-half percent (1.5%) of the capital account balance of each Class D limited partner.

Subject to certain limitations (including the high water mark described below), at the end of each fiscal year, one of our affiliates may be entitled to receive a performance allocation equal to (i) 20% of each Class A limited partner's allocable share of net profits for the applicable fiscal year, (ii) 20% of each Class B limited partner's allocable share of net profits for the applicable fiscal year, (iii) 15% of each Class C limited partner's allocable share of net profits for the applicable fiscal year and (iv) 20% of each Class D limited partner's allocable share of net profits for the applicable fiscal year.

The performance allocation is subject to a "high water mark" limitation. As a result, after the first fiscal period in which a performance allocation is earned, the performance allocation for subsequent periods applies only to the extent that a limited partner's *pro rata* share of net profits measured on a cumulative basis, net of any losses, for all periods since admission exceeds the highest level of such cumulative net profits achieved through the close of any prior year since admission.

Offshore Fund

The Offshore Fund invests substantially all of its assets in, and conducts its investment activities indirectly through, the Onshore Fund, pursuant to a mini-master feeder structure, and the management fee and performance allocation with respect to the Offshore Fund is calculated at the Onshore Fund level. In order to track the management fee and performance allocation attributable to each investor in the Offshore Fund, the Onshore Fund establishes a separate account within the capital accounts of the Onshore Fund which corresponds to each shareholder in the Offshore Fund.

With respect to the Offshore Fund, we generally are entitled to receive an asset-based management fee, payable at the beginning of each calendar quarter in advance, equal to (i) one-fourth (1/4) of two percent (2%) of the net asset value of the separate account attributable to each Class A shareholder, (ii) one-fourth (1/4) of one and one-half percent (1.5%) of the net asset value of the separate account attributable to each Class B shareholder and (iii) one-fourth (1/4) of one and one-half percent (1.5%) of the net asset value of the separate account attributable to each Class D shareholder.

Subject to certain limitations (including the high water mark described below), at the end of each fiscal year, one of our affiliates may be entitled to receive a performance allocation equal to (i) 20% of the net profits allocated to the separate account attributable to each Class A shareholder, (ii) 15% of the net profits allocated to the separate account attributable to each Class B shareholder and (iii) 20% of the net profits allocated to the separate account attributable to each Class D shareholder.

The performance allocation is subject to a "high water mark" limitation. As a result, after the first fiscal period in which a performance allocation is earned, the performance allocation for subsequent periods applies only to the extent that a shareholder's *pro rata* share of net profits measured on a cumulative basis, net of any losses, for all periods since admission exceeds the highest level of such cumulative net profits achieved through the close of any

prior year since it purchased shares.

Funds

Each investor in a Fund generally is required to represent that it is a “qualified client” as such term is defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”); *provided* that our affiliate may waive the performance allocation with respect to any investor that does not qualify as a “qualified client.”

Our advisory fees with respect to the Funds and each investor generally are not negotiable. However, we may enter into side letters or similar arrangements with certain investors that grant different terms (including the reduction or elimination of fees) to such investors than the terms generally applicable to other investors.

PAYMENT OF FEES

Onshore Fund

Management fees are payable by limited partners quarterly, in advance, as of the beginning of each calendar quarter. Management fees are deducted directly from the capital account(s) of each limited partner. In the event that the Onshore Fund is dissolved, a limited partner withdraws or our advisory services are terminated prior to the end of any calendar quarter, then an amount equal to a *pro rata* portion of the management fee, based on the actual number of days remaining in such quarter, will be refunded to the applicable limited partner(s). Management fees are also prorated with respect to capital contributions made by limited partners during a calendar quarter.

Performance allocations are calculated and re-allocated from each capital account of a limited partner to our affiliate as of the end of each fiscal year (and at such other times as set forth in the partnership agreement). Performance allocations are allocated directly from each capital account of a limited partner to one of our affiliates.

Offshore Fund

Management fees are payable by shareholders quarterly, in advance, as of the beginning of each calendar quarter. Management fees are deducted directly from the separate account(s) of each shareholder. In the event that the Offshore Fund is dissolved, a shareholder redeems its shares or our advisory services are terminated prior to the end of any calendar quarter, then an amount equal to a *pro rata* portion of the management fee, based on the actual number of days remaining in such quarter, will be refunded to the applicable shareholder(s). Management fees are also prorated with respect to capital contributions made by shareholders during a calendar quarter.

Performance allocations are calculated and re-allocated from each separate account of a shareholder to our affiliate as of the end of each fiscal year (and at such other times as set forth in the Offshore Fund’s offering documents). Performance allocations are allocated directly from each separate account of a limited partner to one of our affiliates.

OTHER FEES AND EXPENSES

In addition to management fees and performance allocations, each Fund generally bears all costs and expenses relating to its operations and/or activities, including but not limited to organizational expenses, legal, auditing and accounting expenses (including the maintenance of books and records), costs for the preparation of financial statements, tax returns and Schedule K-1, if applicable, expenses of the meetings of the investors, if any, and other expenses associated with the acquisition, holding and disposition of investments, as well as extraordinary expenses, such as litigation. Clients generally are responsible for and pay all brokerage and custodial fees. **See Item 12 below.**

COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS

Neither we nor any of our supervised persons accept compensation for the sale of securities or other investment products.

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

PERFORMANCE-BASED FEES

As noted under Item 5 above, we or our affiliate may receive performance-based allocations from our clients. Performance-based allocations could motivate us to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. In addition, because performance-based allocations with respect to the Funds may be calculated on a basis that includes both realized and unrealized appreciation in portfolios based upon values assigned by us or administrators under our control, we face a conflict of interest in valuing those portfolios. Certain of our individual employees and affiliates who are compensated to some extent based upon investment profits for which they are responsible face the same potential conflicts. **For more information regarding our investment allocation policy, please see Item 12 below.**

Item 7: Types of Clients

TYPES OF CLIENTS AND INVESTORS

As described above, we currently provide investment advisory services to our affiliated private investment funds. Investors in the Funds may include high net worth individuals, banks and thrift institutions, investment companies, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

ACCOUNT REQUIREMENTS

The minimum initial capital contribution generally required for an investor in the Funds is \$1,000,000, although capital contributions of lesser amounts may be accepted in our discretion (subject to applicable legal requirements).

Each investor in the Funds generally is required to represent that it is, among other things, an “accredited investor,” as such term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”), and a “qualified client,” as such term is defined in Rule 205-3 under the Advisers Act.

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

METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

The descriptions set forth in this brochure of specific advisory services we offer to clients, investment strategies and investments we make on behalf of clients should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure, that we consider appropriate, subject to each client's investment objectives and guidelines.

We are a concentrated, research-intensive, fundamental value investor in the public markets. On behalf of our clients, we seek to achieve capital appreciation commensurate with reasonable risk. We define risk as the probability of permanent loss of capital rather than price volatility. We generally invest client assets and trade through long positions in an extremely broad range of securities, but may also engage in short selling to the extent opportunities arise. In addition, we have the ability to invest client assets in other financial instruments, including, without limitation, common stocks, preferred stocks, limited partnership interests, warrants, equity derivatives, convertible securities, listed and unlisted options, shares of beneficial interest, convertible preferred obligations, and rights, options, puts and calls with respect to any of the foregoing.

In our value approach to investing, we seek to identify and invest in opportunities where we believe there is a disconnect between current trading prices and the intrinsic business or asset value. We then concentrate our assets in a relatively limited number of investments.

The investment strategies summarized above are not intended to be comprehensive. For more information regarding the investment strategies of each Fund, please see the applicable governing and/or offering documents of each Fund.

CERTAIN RISK FACTORS

There can be no assurance that clients or investors will achieve their investment objectives or that investments will be successful. Our investment strategies involve a substantial degree of risk, including risk of complete loss. Nothing in this brochure is intended to imply, and no one is or will be authorized to represent, that our investment strategies are low risk or risk free. Our investment strategies are appropriate only for sophisticated persons who fully understand and are capable of bearing the risks of investment. The various risks outlined below are not the only risks associated with our investment strategies and processes and may not necessarily apply to each client or investor. With respect to the Funds, the following risks are qualified in their entirety by the risks set forth in the applicable offering documents.

Economic and Market Conditions. The success of our activities will be affected by general economic and market conditions, such as changes in interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of client investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts, natural disasters or security operations). These factors may affect the level and volatility of securities prices and the liquidity of client investments. Volatility and/or illiquidity could impair our clients' profitability or result in losses. Clients could incur material losses even if we react quickly to difficult market conditions, and there can be no assurance that clients will not suffer material losses and other adverse effects from broad and rapid changes in economic and market conditions in the future. Clients and investor should realize that markets for the investments in which we seek to invest client assets can correlate strongly with each other at times or in ways that are difficult us to predict. Even a well-analyzed approach may not protect our clients from significant losses under certain market conditions.

Potential for Fraud. Recent discoveries of fraud in the banking and financial services industry highlight the seriousness of the issue. The scope and long-term nature of such frauds is a testament to how difficult fraud is to detect and prevent. While we attempt to avoid falling victim to fraud, there can be no assurance that we will be able to prevent all types of fraud by parties with whom we and our clients transact business.

Terrorist Attacks and War. Terrorist activities, anti-terrorist efforts and other armed conflicts involving the

United States or its interests abroad may adversely affect the United States, its financial markets and global economies and could prevent clients from meeting their investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, and other acts of war or hostility have created many economic and political uncertainties, which may adversely affect the United States and world financial markets and our clients for the short or long-term in ways that cannot presently be predicted.

Investment Risks in General. All investments risk the loss of capital. No guarantee or representation is made that client investment programs will be successful. Certain investment techniques utilized by us will, in certain circumstances, maximize the impact of adverse market moves to which our clients are or will be subject. The performance of any particular investment is subject to numerous factors that are neither within our control nor predictable by us. Such factors include a wide range of economic, political, competitive and other conditions that may affect investments in general or specific industries or companies. As a result of the nature of investment activities, it is possible that our clients' financial performances may fluctuate substantially from period to period. Clients and investors could lose a substantial portion or all of their investment.

Investment Selection and Market Risk. "Investment selection risk" is defined herein as the risk that we may not select and size positions appropriately within the portfolio. An associated "market risk" arises from the influence of the movements of the overall market or the value of the individual investments in the portfolio. The profitability of a significant portion of client investment programs depends to a great extent upon correctly predicting the future price movements and/or general value of securities and other investments. There can be no assurance that we will be able to accurately predict these price movements or future valuation, nor can assurance be given that a client's investment portfolio will generate any returns or otherwise appreciate in value. With respect to our investment strategy, there is also market risk. For these reasons, the portfolio may also incur losses.

Short Selling. Our clients may use of short sales. In a short sale, securities are sold that have been borrowed from a third party lender, typically a brokerage firm or other institution. When borrowing securities for short sales, clients are required to pledge deposits of cash, or a combination of cash and securities, equal to or exceeding the market price of the securities borrowed. The amount of such deposits may increase or decrease to reflect the changes in the market value of the borrowed securities. The securities lender generally has the right to demand the return of the borrowed securities at any time. Selling securities short without first determining that securities are available to borrow is generally a violation of applicable securities laws. A short-seller profits only if it can "repay" the lender of the securities with securities it purchases at a lower price than it received in its short sale. Although short selling permits our clients to profit from declines in the price of securities, clients could experience losses if they are required to replace borrowed securities by purchasing them in the market at a time when the market price has increased over the price received at the time of the short sale. Purchasing securities in the market to close out a short position can itself cause market prices to increase further. As a result, there will be potential for unlimited loss, unless clients are adequately hedged against increases in market price (of which there can be no assurance).

Equity Risks. We invest client assets in equity and equity derivative securities. The value of these securities generally varies with the performance of the issuer and movements in the equity markets generally and for specific sectors. As a result, clients may suffer losses if we invest client assets in equity securities of issuers whose performance falls below market or our expectations or if the equity markets generally or specific sectors decline and we have not adequately hedged against such a decline. Clients are exposed to risks that issuers will not be able to fulfill their contractual obligations, such as delivering marketable common stock upon conversions of convertible securities, registering restricted securities for public resale and maintaining listings on exchanges.

Discretion and Changes in Investment Strategy. We have discretion in choosing client investments and generally have the right to modify the selection criteria or hedging techniques (if any) used without the consent of clients or investors. Any of the investment strategies, analytical models, or trading techniques may have operational or theoretical shortcomings, which could result in unsuccessful trades and, ultimately, losses to our clients. In addition, any new investment strategy or hedging technique developed may be more speculative than earlier techniques and may increase the risk to clients and investors.

Concentration. Client investments are not required to be diversified to any material extent. At any given time, it is possible that client investments or portfolio risks could be concentrated in only a few industries, companies,

geographic regions, asset types, strategies or other areas of risk. This limited diversity could expose our clients to losses disproportionate to market movements in general. Even when we attempt to control risks and diversify the portfolio, risks associated with different assets may be correlated in unexpected ways, with the result being that our clients face concentrated exposure to certain risks. In addition, many investment funds pursue similar strategies, which creates the risk that many funds would be forced to liquidate positions at the same time, reducing liquidity, increasing volatility and exacerbating losses.

Competition. The markets in which we participate, as well as other markets and strategies, in which we may participate, are extremely competitive. There can be no assurance that we will be able to identify or successfully pursue attractive investment opportunities in this environment. Clients and investors should expect that client investments will involve substantially more company-specific and market risk and associated volatility in the future than in the past, as arbitrage and similar opportunities are further reduced or eliminated. We compete with many firms that have substantially greater financial resources, more favorable financing arrangements, larger research staffs and more securities traders than are available to us.

Risks of Realization on Investments. Given the nature of the investments made by us on behalf of our clients, there is a risk that we may be unable to realize client investment objectives by sale or other disposition of client investments at attractive prices or will otherwise be unable to complete a suitable exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic conditions and changes in laws, regulations, fiscal policies or political conditions.

In addition, we generally are not able to sell investments in privately held companies unless their sale is registered under applicable securities laws or unless an exemption from such registration requirements is available. In some cases clients and investors may also be prohibited by contract from selling such securities for a period of time or otherwise be restricted from disposing of such securities. Furthermore, the types of investments made may require a substantial length of time to liquidate.

Off-Balance Sheet Risk. In the normal course of business, we may invest client assets in financial instruments with off-balance sheet risk. These instruments include forward contracts, swaps and securities and options contracts sold short. An off-balance sheet risk is associated with a financial instrument if such instrument exposes the investor to an accounting and economic loss in excess of the investor's recognized asset carrying value in such financial instrument, if any; or if the ultimate liability associated with the financial instrument has the potential to exceed the amount that the investor recognizes as a liability in the investor's statement of assets and liabilities. Additionally, in the normal course of business, we, on behalf of our clients, may purchase long positions in option contracts that do not have off-balance sheet-risk.

Hedging Transactions. We may utilize financial instruments on behalf of our clients, both for investment purposes and for risk management purposes, in order to: (a) protect against possible changes in the market value of a client's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (b) protect a client's unrealized gains in the value of the client's investment portfolio; (c) facilitate the sale of any such investments; (d) enhance or preserve returns, spreads or gains on any investment in a client's portfolio; (e) hedge against a directional trade; (f) hedge the interest rate or currency exchange rate on any of a client's liabilities or assets; (g) protect against any increase in the price of any securities we anticipate purchasing on behalf of a client at a later date; or (h) for any reason that we deem appropriate.

The success of hedging strategies depend, in part, upon our ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of our hedging strategy is subject to our ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While we may enter into hedging transactions on behalf of our clients to seek to reduce risk, such transactions may result in a poorer overall performance for the client than if we had not engaged in such hedging transactions. For a variety of reasons, we may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent clients from achieving the intended hedge or expose clients to risk of loss. We will not be required to hedge any particular risk in connection with a particular transaction or client portfolios generally. Moreover, it

should be noted that the portfolio will always be exposed to certain risks that may not be hedged. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of client portfolio holdings.

Risks of Derivatives. Clients may use derivative instruments. In many cases, derivatives provide the economic equivalent of leverage by magnifying the potential gain or loss from an investment in much the same way that incurring indebtedness would. Many derivatives provide exposure to potential gain or loss from a change in the market price of an investment (or a basket or index) or other event or circumstance in a notional amount that greatly exceeds the amount of cash or assets required to establish or maintain the derivative contract. Accordingly, relatively small price movements in the underlying investment or other events or circumstances may result in immediate and substantial losses to clients. In some cases, a client's exposure under a derivative contract will be limited to the amount invested (for example, when a client buys a call option). In other cases, the derivative contract will create an open-ended obligation (for example, when a client writes a call option). Many derivatives, particularly those negotiated over-the-counter, are substantially illiquid or could become illiquid under certain market conditions. As a result, it may be difficult or impossible to determine the fair value of the client's interest in such contracts. Many derivative contracts involve exposure to the credit risk of the counterparty, because the client acquires no direct interest in the underlying investment, but instead depends on the counterparty's ability to perform under the contract. Further, if and when the client takes economic exposure through a derivative, it generally does not have any voting rights and may not be able to pursue legal remedies that would be available if it invested directly in the underlying investment.

Many derivatives also involve substantial legal risk and uncertainty, because the terms of the contract may be difficult to draft, apply, interpret and enforce, particularly in the context of unforeseen market conditions or events. In many cases, the counterparty has discretion (either pursuant to the express terms of the contract or in practice) to interpret the contract, make required calculations and demand or withhold payments in the manner most favorable to the counterparty and most unfavorable to clients. An adverse interpretation or calculation under one derivative contract could trigger cross-defaults with other contracts and could have a materially adverse effect on client liquidity and performance. Any dispute concerning a derivative contract could be expensive and time consuming to resolve, particularly given the potential for complex and novel legal issues and the involvement of multiple legal jurisdictions. Even a favorable resolution could come too late to prevent cross-defaults, trading losses and material liquidity problems.

Volatility Risk. Client investment programs may involve the purchase and sale of equity derivatives and other financial instruments that are valued to some extent based on expected, implied or realized volatilities of various securities. Fluctuations or prolonged changes in the volatility of securities, therefore, can materially and adversely affect the value of securities held by client portfolios.

Relative Value and Directional Movements. The success of our clients' investment strategies depends upon our ability to accurately predict future price movements or the convergence of market prices toward the theoretical values expected by us. Any such attempt to predict future price movements is inherently risky and inaccurate. Often, price movements are determined by factors that were not anticipated by us and over which we have no control, and our analysis of known factors may prove to be incorrect, in each case potentially resulting in substantial losses for our clients.

Risks of Foreign Investments. We may invest client assets in financial instruments of foreign corporations, including those in developing nations and emerging markets. Investing in the financial instruments of companies outside of the United States involves certain considerations not usually associated with investing in financial instruments of U.S. companies, including political and economic considerations, such as greater risks of expropriation, nationalization and general social, political and economic instability; imposition of withholding and other taxes on dividends, interest, capital gains and other income; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict client investment opportunities or their ability to repatriate funds. Such considerations also apply to, and could increase the risks associated with, holding positions in custodian accounts located in or governed by the laws of other countries. In addition, accounting and financial reporting standards that prevail

outside of the United States generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the United States than for those located in the United States. Financial instruments traded on foreign exchanges and the foreign nationals or entities that trade these instruments are generally not subject to the jurisdiction of the SEC or the U.S. Commodity Futures Trading Commission or other securities laws and regulations of the United States. Accordingly, the protections accorded to clients under such laws and regulations may be unavailable for transactions on foreign exchanges and with foreign counterparties.

Portfolio Turnover. We generally are not restricted in effecting client transactions by any specific limitations with regard to their portfolio turnover rate. Although not anticipated, client investment policies might result in substantial portfolio turnover. Investments may be sold for a variety of reasons, such as a more favorable investment opportunity or other circumstances bearing on the desirability of a continued position in such investments.

Leverage and Liquidity Risks. Clients may borrow funds to utilize leverage when we deem appropriate, including to enhance client returns and for cash management purposes (e.g., short-term borrowings to make investments in anticipation of additional subscriptions and to fund withdrawals). Clients may borrow funds from brokers, banks and other lenders to finance its investing and trading operations, which borrowings may be secured by client assets. The use of such leverage can, in certain circumstances, maximize the losses to which a client's investment portfolio may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that a particular asset or a client as a whole is leveraged. The cumulative effect of the use of leverage by a client in a market that moves adversely to the client's investments could result in a substantial loss to the client, which would be greater than if the client was not leveraged. Leverage may be achieved through, among other methods, direct borrowing and purchases of securities on margin and the use of options and other derivatives.

The use of margin and short-term borrowings creates several risks for clients. If the value of a client's securities falls below the margin level required by a prime broker, additional margin deposits would be required. If a client is unable to satisfy any margin call by a prime broker, then the prime broker could liquidate the client's position in some or all of the financial instruments that are in the client's accounts at the prime broker and cause the client to incur significant losses. Furthermore, secured counterparties and lenders may have the right to sell, pledge, rehypothecate, assign, use or otherwise dispose of collateral posted by a client. This could increase exposure to the risk of a counterparty default since, under such circumstances, the client may be unable to recover the posted collateral promptly or may be unable to recover all of the posted collateral. The occurrence of defaults may trigger cross-defaults under the client's agreements with other brokers, lenders, clearing firms or other counterparties, creating or increasing a material adverse effect on the performance of the client.

The purchase of options and other derivative instruments generally involves little or no margin deposit and, therefore, will provide substantial leverage. Accordingly, relatively small price movements in these financial instruments may result in immediate and substantial losses to clients.

In addition, certain of the companies in which we may invest client assets may have significant leverage. The leveraged capital structures of our clients and companies in which we make client investments also increase exposure to adverse economic factors such as rising interest rates, downturns in the economy and/or deterioration in the condition of the company or its industry. Such increased exposure to adverse economic factors may decrease the overall return on investment realized by our clients from the overall return on investment that may have been realized if leveraged capital structures had not been used by our clients or the companies in which we make client investments.

Counterparty Risks. We have established and may in the future attempt to establish relationships to obtain financing, engage in derivative transactions and obtain prime brokerage services, all of which permit clients to trade in any variety of markets or asset classes over time; however, there can be no assurance that we will be able to maintain such relationships or establish additional relationships in the future. An inability to establish or maintain such relationships would limit client trading activities and could create losses, preclude clients from engaging in certain transactions, financing, derivative intermediation and prime brokerage services and prevent clients from trading at optimal rates and terms. Moreover, a disruption in the financing and, derivative and prime brokerage services provided by any such relationships before we establish additional relationships could have a

significant impact on a client's business due to the client's reliance on such counterparties.

Some of the markets in which we may effect client transactions are "over-the-counter" or "inter-dealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes clients to the risk that a counterparty will not settle a transaction due to a credit or liquidity problem, thus causing clients to suffer a loss. In addition, in the case of a default, a client could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement or where a client has concentrated its transactions with a single counterparty or small group of counterparties. See "Brokerage and Custody."

Furthermore, there is a risk that any of a client's counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of a client's counterparties were to become insolvent or the subject of insolvency proceedings, there exists the risk that the recovery of the client's securities and other assets from the client's prime brokers or broker-dealers will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

We may use counterparties located in jurisdictions outside the United States. Such counterparties are subject to the laws and regulations in non-U.S. jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to client assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on clients and their assets.

Clients are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, our internal process for evaluating the creditworthiness of its counterparties may prove insufficient. The ability of a client to transact business with any one or more counterparties, the lack of complete and "foolproof" evaluation of the financial capabilities of the client's counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by our clients.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH OUR INVESTMENT STRATEGIES. PROSPECTIVE CLIENTS AND INVESTORS SHOULD READ THIS BROCHURE AND ALL OTHER APPLICABLE DISCLOSURE MATERIALS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.

Item 9: Disciplinary Information

Neither we nor any of our employees have been involved in any legal or disciplinary events related to past or present investment clients or investors.

Item 10: Other Financial Industry Activities and Affiliations

We currently share office space with Buckingham Management, a privately held real estate investment company. We intend to keep our business activities and operations separate and independent from the business activities and operations of Buckingham Management and have established procedures and guidelines in an attempt to segregate our activities from the activities of Buckingham Management.

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

CODE OF ETHICS

We have adopted and implemented a code of ethics, which sets forth standards of business conduct for our employees. Our code of ethics is primarily designed to educate employees about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to clients, encourage employees to comply with applicable laws, prevent the misuse of material non-public information, the circulation of rumors and other forms of market abuse and address conflicts of interest that arise from personal trading by employees. Among other things, we impose restrictions on access persons relating to the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons. We also maintain certain policies and procedures designed to prevent employees and principals from misusing material non-public information. We will furnish a copy of our code of ethics to clients and investors upon request.

PERSONAL TRADING

Access persons generally are prohibited from purchasing or selling individual securities in their personal trading accounts (without the prior written consent or approval of the Chief Compliance Officer or Mark Cohen). Notwithstanding the foregoing, access persons generally are permitted to purchase or sell index securities and mutual funds for their own personal accounts. Our Code of Ethics sets forth our practice of monitoring and supervising the personal securities transactions of access persons. Pursuant to our policies, none of our supervised persons should prefer his or her own interest to that of an advisory client (or place his/her own interests above the interests of our advisory clients) or make personal investment decisions based on the investment decisions of advisory clients. To supervise compliance with our Code of Ethics, we require all of our access persons to provide annual securities holdings reports and at least quarterly transaction reports to the Chief Compliance Officer. The Chief Compliance Officer reviews such reports on a periodic basis to ensure compliance with our policies and procedures and in an attempt to identify any red flags. Our Code of Ethics also requires that all access persons obtain pre-approval before directly or indirectly acquiring a beneficial ownership interest in any initial public offering or private placement. We have also established a restricted list that contains securities in which access persons may not trade. Securities on the restricted list generally include issuers about which the firm has inside information or has entered into a relationship likely to lead to inside information (as well as any additional securities that may be restricted for other reasons). We also strictly prohibit “front-running” client accounts (which is the practice of executing orders for an employee’s personal account while taking advantage of advance knowledge of pending orders from its clients).

OTHER ACTIVITIES

We and/or one or more of our affiliates may, directly or indirectly, organize, sponsor and/or manage other limited partnerships or other pooled investment vehicles (each, a “Related Fund”) in the future. No such Related Fund shall be precluded from co-investing with the Funds.

We devote such time to each client’s affairs as we deem consistent with the client’s goal of achieving its investment objectives. Notwithstanding the foregoing, neither we nor any of our affiliates are prohibited from engaging in any activity whatsoever permitted by applicable law. We and our affiliates may engage and hold interests in other business ventures of every kind and description for our own accounts including, without limitation, other investment entities similar to our clients, whether or not such business ventures are in direct or indirect competition with our clients, and whether or not any client or investor also has an interest therein, without having to account to us or any client for any profits or other benefits derived therefrom and without incurring any obligation to offer any interest in any such activity to clients or investors.

Item 12: Brokerage Practices

SELECTING BROKERAGE FIRMS

In general, we have authority to select the brokers and other counterparties to be used for client transactions and negotiate commission rates and other monies paid by clients. We generally select broker-dealers on the basis of obtaining the best overall terms available, which we evaluate based on a variety of factors, including, among other things: the broker's ability to effect the transactions; its facilities, reliability and financial responsibility; and the provision or payment by the broker of the costs of research and research-related services which are of benefit to us and our clients. Because commission rates in the United States as well as other jurisdictions are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

BEST EXECUTION

In placing orders for the purchase and sale of securities, we generally seek best net execution, which includes both commissions and execution prices. Orders are placed with brokers or dealers which we believe to be responsible and provide effective execution of client orders under conditions most favorable to client accounts.

SOFT DOLLAR PRACTICES

We may use soft dollars generated by client accounts to pay for certain research and/or related services provided by brokers described above. The term "soft dollars" refers to the receipt by an investment manager of products and services (including research) provided by brokers without any cash payment by the investment manager, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment manager. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment).

Using soft dollars to obtain investment research and/or related services creates a conflict of interest between us and our clients. Soft dollars may be used to acquire products and services that are not exclusively for the benefit of clients which paid the commissions and that may primarily or exclusively benefit us. If we are able to acquire these products and services without expending our own resources (including management fees paid by clients), our use of soft dollars would tend to increase our profitability. Furthermore, we may have an incentive to select or recommend brokers based on our interest in receiving research or other products or services, rather than on our clients' interest in receiving most favorable execution. We may cause clients to pay commissions (or markups or markdowns) higher than those charged by other brokers in return for soft dollar benefits.

Soft dollar benefits generally are used to service all of our clients. We seek to allocate soft dollar benefits among client accounts in a fair and equitable manner under the circumstances, but there can be no assurance that we will be successful in this regard.

At this time, we have no existing formal soft dollar arrangements in place and have no present intention to enter into soft dollar arrangements in the future, other than with respect to research and other similar items provided by brokers.

During the last fiscal year, we did not acquire any soft dollar items.

Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a safe harbor to advisers who use soft dollars generated by client accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to us in the performance of investment decision-making responsibilities. We intend that any soft dollars that we receive in connection with client-related matters would be within the limitations set forth in Section 28(e) of the Exchange Act.

BROKERAGE FOR CLIENT REFERRALS

In selecting or recommending brokers, we generally do not consider whether we or our related persons receive

client or investor referrals from such brokers.

DIRECTED BROKERAGE

We do not recommend, request or require clients to direct us to execute transactions through a specified broker-dealer. We also do not permit a client to direct brokerage for order execution purposes.

Item 13: Review of Accounts

REVIEWS OF ACCOUNTS

Our Chief Compliance Officer reviews all client securities transactions, and Mark A. Cohen, our Managing Member, generally conducts reviews of the Funds, on a daily basis. With respect to accounting matters, we have engaged a nationally-recognized, independent public accounting firm to conduct annual audits of the Funds.

Each Fund is reviewed to assess performance to date in light of the Fund's investment objective, investment activity to date and an evaluation of any appropriate changes in the Fund's portfolio.

REPORTS TO INVESTORS

We provide annual audited financial statements and annual U.S. income tax information to investors in the Funds. We also provide clients and investors with periodic performance reports. All such statements and reports are written. In addition, we may provide additional information to certain clients and/or investors that is not distributed to other clients and/or investors.

Item 14: Client Referrals and Other Compensation

THIRD PARTY COMPENSATION

Except as described in Item 12 above, we currently do not receive any economic benefit from any person who is not a client for providing investment advice or other advisory services to our clients.

REFERRALS

We currently do not compensate any third party for client or investor referrals.

Item 15: Custody

We may be deemed to have custody of the Funds' cash and securities for purposes of Rule 206(4)-2 under the Advisers Act. In accordance with Rule 206(4)-2, the Funds' cash and securities (except for privately placed securities) generally are held with one or more qualified custodians. We may change the custodians at any time and from time to time without the consent of, or notice to, investors. We have engaged an independent public accounting firm to conduct an annual audit of each Fund, and audited financial statements (prepared in accordance with generally accepted accounting principles) are provided to investors on an annual basis. We attempt to provide such statements to investors within 120 days after the end of each fiscal year, but there can be no assurance that we will be successful in this regard. Qualified custodians do not provide statements directly to investors in the Funds.

Item 16: Investment Discretion

DISCRETIONARY AUTHORITY

We have discretionary power and authority over the types of financial instruments to be bought or sold, as well as the amount to be bought or sold on behalf of the Funds. We have authority to determine the broker-dealer or other counterparty to be used for transactions and the negotiation of commission rates and other consideration to be paid by the Funds.

LIMITED POWER OF ATTORNEY

Each investor in the Funds generally grants us a limited power of attorney to enable us to take certain actions with respect to the Funds. Each Fund also grants us a power of attorney to engage in authorized trading on its behalf.

Item 17: Voting Client Securities

We have the authority to vote proxies with respect to securities owned by the Funds and have adopted proxy voting policies and procedures in our compliance manual. In general, our policy is to vote proxy proposals, amendments, consents or resolutions in a manner that serves the best interests of the Funds, as determined in our discretion, and our proxy voting policy. We may determine not to vote proxies in respect of securities of any issuer if we determine it would be in the Funds' overall best interests not to vote. Investors generally may not direct or otherwise influence our vote with respect to any particular proxy solicitation.

Investors may obtain copies of our proxy voting policy, together with information regarding how we have voted past proxies, by contacting us.

Item 18: Financial Information

Not applicable.