

Part 2A of Form ADV: Firm Brochure

Item 1 - Cover Page

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The date of this brochure is August 4, 2014.

This brochure provides information about the qualifications and business practices of Lorem Ipsum Management, LLC. If you have any questions about the contents of this brochure, please contact us at 212-893-1193 or email info@loremipsumpartners.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Lorem Ipsum Management, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Any reference to Lorem Ipsum Management, LLC as a “registered investment adviser” or as being “registered,” does not imply a certain level of skill or training.

Item 2 - Material Changes

Not applicable.

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Item 4 - Advisory Business

- A. **Lorem Ipsum Management, LLC** (“Advisor,” “we” or “us”) is a Delaware limited liability company that was formed in May 2013. We are indirectly principally owned by John Segrich, a trust for the benefit of his family members, and Michael Molnar.

Lorem Ipsum Partners, LLC (“Lorem Ipsum Partners”), a Delaware limited liability company and an affiliate of the Advisor, is a “Relying Adviser” as that term is described in the SEC Staff No-Action Letter dated January 18, 2012, to the American Bar Association, Business Law Section. Lorem Ipsum Partners is also principally owned and controlled by John Segrich, a trust for the benefit of his family members, and Michael Molnar. The description of the Advisor’s business and activities throughout this brochure includes the business and activities of Lorem Ipsum Partners.

- B. We currently provide discretionary investment advice to Lorem Ipsum Onshore Fund, LP, Lorem Ipsum Offshore Fund, Ltd. and Lorem Ipsum Master Fund, LP (each, a “Fund” and collectively, the “Funds”), and may in the future manage certain separately managed accounts or other pooled investment vehicles (together with the Funds, our “clients”). We expect that the vast majority of our investments on behalf of our clients will be in publicly listed equity securities, but we may invest and trade in any financial instruments (including cash and cash equivalents) at any time.
- C. We generally do not permit investors in the Funds to impose limitations on the investment activities described in the offering documents for the Funds. Under certain circumstances, we will contract with an investor in a Fund to adhere to limited risk and/or operating guidelines imposed by the Fund. We negotiate such arrangements on a case by case basis. (*See Item 16 “Investment Discretion.”*)
- D. We do not participate in wrap fee programs.
- E. As of June 30, 2014, we managed approximately \$122,962,604 on a discretionary basis. We do not manage any assets on a non-discretionary basis.

Item 5 - Fees and Compensation

- A. Our fees and compensation are described in the advisory contracts we enter into with our clients. Lorem Ipsum Onshore Fund, LP and Lorem Ipsum Offshore Fund, Ltd. currently offer the investment options as are summarized in the chart below.

	Class A		Class B	Class C	Class D
Management Fee	NAV of Master Fund (mm)	Fee (annually)	approximately 0.3125% per quarter (1.25% annually)	approximately 0.4375% per quarter (1.75% annually)	approximately 0.5% per quarter (2.0% annually)
	\$0 to \$150	1.75%			
	\$151 to \$250	1.50%			
	\$251 to \$350	1.00%			
	\$351 to \$450	0.50%			
	\$450+	0.00%			
Incentive Allocation	15% per annum		17.5% per annum	17.5% per annum	20% per annum

- B. We generally deduct our management fees from client accounts quarterly in advance. Generally, we or our affiliates receive performance-based fees or allocations from client accounts on an annual basis in arrears and upon redemptions by investors in a Fund.
- C. Each Fund generally bears its operating and other expenses, including, but not limited to, (i) fees to its administrator and any other expenses or fees related to third party providers of middle-office or back-office services; (ii) directors' fees (if any); (iii) investment expenses (e.g., expenses which the Advisor reasonably determines to be related to the investment of the Fund's assets, including, without limitation, brokerage commissions (*See Item 12 "Brokerage Practices" below*), expenses relating to short sales, clearing and settlement charges, custodial fees, bank service fees and interest expenses); (iv) the cost of: trade execution and management systems, compliance, risk and portfolio systems and reports, integration and data transfer connectivity costs to and from third party systems, and pricing and quotation services; (v) professional fees (including, without limitation, expenses of consultants and experts) relating to compliance by the Advisor and Lorem Ipsum Partners with securities and investment advisory laws and regulations; (vi) legal expenses, accounting expenses, auditing and tax preparation expenses and the expenses associated with regulatory and statutory filings, including but not limited to Form PF; (vii) directors' and officers' insurance for the Advisor and Lorem Ipsum Partners; (viii) organizational expenses and expenses relating to the offer and sale of the interests in the applicable Fund; (ix) other similar expenses related to the Fund; and (x) extraordinary expenses.

The Funds will also bear expenses related to research concerning their investments or potential investments including, but not limited to, (i) the cost of investigating actual or potential investments (including, without limitation, travel expenses arising from such investigations and third party investigative work), and (ii) the costs of obtaining third party research products and services (including, without limitation, the cost of research reports and subscriptions or subscriptions relating to securities, issuers, market segments or geographic regions, the costs of portfolio modeling and analyses and the costs of computerized financial databases, e.g., Bloomberg and Factset).

We may also allocate a portion of certain clients' capital to money market funds or exchange-traded funds. In addition to the fees and expenses discussed above, investors will indirectly incur similar fees and expenses if we invest client's capital in such money market funds or exchange traded funds, as these funds in turn pay similar fees to their investment managers and other service providers.

- D. Management fees are generally paid quarterly in advance, and are not refundable if the advisory contract is cancelled prior to the end of a payment period.
- E. *Not applicable.*

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

We or our affiliates receive annual performance-based fees or allocations from the Funds we manage, which are based on a percentage of the capital appreciation of client assets.

The terms of the performance-based fees and allocations may differ among the various Funds we manage. This may result in a conflict of interest when we allocate opportunities among these accounts because we will have an incentive to favor accounts that have higher performance-based

fees and allocations. To avoid such a conflict of interest we generally follow documented procedures in allocating opportunities among such accounts, which does not take into account the performance-based fees and allocations to which such accounts are subject.

We generally allocate investment opportunities so that each security held by the accounts we manage is held on a *pari passu* basis. In certain circumstances, we may allocate securities among client accounts on a different basis. In such cases, the factors that we may consider when determining which securities to allocate to each client account include, but are not limited to, the investment objectives and restrictions of each client account; the overall portfolio composition of the client accounts; relative capital available for investment in the applicable client account; liquidity of the security; market capitalization and/or enterprise value of the underlying credit; position size; industry exposure; market exposure; gross, net, long and short exposure; and applicable tax considerations. New issues (as defined by FINRA rule 5130) are allocated to client accounts in accordance with the criteria set forth above.

As the management fees and performance-based fees and allocations are based directly on the net asset value of the client accounts, we have a conflict of interest in valuing the assets held in the accounts. We will follow our documented valuation policies and consult with the third-party administrator to the accounts in order to mitigate this risk.

Item 7 - Types of Clients

We primarily provide investment advice to clients who are private investment funds. Investors in such private investment funds are generally high net worth individuals and institutional investors that qualify as “accredited investors” (as defined in Rule 501 under the Securities Act of 1933, as amended) and “qualified clients” (as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). The minimum investment in the private investment funds is generally \$1,000,000. If in the future we manage any separately managed accounts, we will determine the minimum investment for any such accounts on a case by case basis.

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

A. Methods of Analysis and Investment Strategies Generally

Our investment objective is to maximize return on capital while minimizing the risk of a loss of capital. Our approach is highly analytical, bottoms-up, and fundamentally driven while also maintaining a practical understanding of how the market values securities. We seek investments in which there is a meaningful dislocation between the intrinsic value of a company and its current market price, where it has analytical insights not fully appreciated by other market participants, and where it can see a path to close this valuation gap. We expect that the large majority of our investments will be in publicly listed equity securities, but it may invest any portion of its portfolio in any financial instruments (including cash and cash equivalents) at any time.

We employ a long/short investment strategy. We expect that our long investments will often, but not always, contain several of the following characteristics that are not being appropriately valued by the market: (1) positive sector tailwinds given macro-economic, technological or other factors, (2) companies with significant competitive advantages that will drive greater than expected growth, (3) less well-known companies that are on the cusp of a significant business ramp, (4) restructurings where value creation is not fully

recognized by the market, and (5) derivative beneficiaries of situations occurring in other sectors.

We expect that our short investments will often, but not always, contain several of the following characteristics that are that are not being appropriately valued by the market: (1) negative sector headwinds given secular or cyclical factors, (2) companies with a deteriorating competitive advantage or increasing disadvantage, (3) over-hyped stories nearing a transition to lackluster fundamentals, (4) fraudulent accounting masking material operational or strategic issues, and (5) business models undergoing a transition that is misperceived by the market.

Our investment process is characterized by the key steps as described below.

Identification of Opportunity: Identification has two aspects to it: First, one must have a reasonable flow of ideas and then an efficient process to vet the most promising opportunities. Our flow of ideas is being generated both externally and internally. Externally we have substantial relationships with many professionals as well as corporate managers, independent researchers, investment bankers, lawyers, and brokers. Internally, we have a proprietary database of companies with various analytical screens developed to help us identify possible opportunities.

We believe that we are effective at vetting these numerous opportunities into the most promising effectively for the following reasons. First, our knowledge of various sectors allows us to understand the macro-economic drivers impacting all companies in the space quickly. Second, our knowledge of specific companies allows us to quickly assess situations as they change. Third, we have several analytical tools developed that allow us to quickly assemble critical fundamental data on securities to assess their potential. Finally, our investment professionals have substantial experience in vetting investment opportunities across numerous sectors.

Analysis of Risk/Reward and Path to Value Recognition: Upon identification of the most promising opportunities, a deeper analysis of risk/reward and the path to value realization is performed. We gather information from a variety of sources such as public filings, conference presentations, trade journals, industry sources, meetings with management, meetings with competitors, as well as discussions with other industry participants and industry analysts. The result is a documented investment case detailing the risk/reward to the investment which is typically done by assessing the probabilities of various future scenarios – and the related trading value – occurring. Finally, the path to that target price being realized is evaluated in terms of the key catalysts that will move the security value as anticipated.

Execution: The execution of an idea will be based on an evaluation of the appropriate size, form, and path. We evaluate the size of the position by assessing probability-adjusted risk/reward with a practical trading assessment of each security in isolation and compared to other investments in the portfolio. Evaluating form involves determining the best way to express our idea and structure the investment. We expect that we will mainly invest in equity but also will look across the capital structure and use options to help manage dollars of risk or express a view in a more optimal way. Finally, the path to building a position is based on assessing the timing to build to the desired size given various macro and micro factors in the market.

Monitor and Exit: We monitor our investments by quantitatively analyzing risk/reward for each investment, in isolation and in comparison to one another, in real-time. The process of ensuring we express our research insights quantitatively helps force a discussion amongst the team as prices, and therefore risk/reward to investments, are constantly changing. This helps ensure that we both effectively monitor and exit positions.

Portfolio Construction: Our entire investment process – from identification through exit – is performed with the portfolio’s aggregate potential in mind. Investments are not analyzed in isolation, but also are selected and sized after assessing overall portfolio geographic exposure, intra-portfolio correlations, sector exposures, and possible stock impacts given commodity movements.

Investing in securities involves risk of loss that clients and investors should be prepared to bear.

B. Certain Risks Associated with Methods of Analysis and Investment Strategies

An investment in each Fund or any other account that we manage is speculative and involves a high degree of risk. There can be no assurance that the investment objectives of any of our clients will be achieved or that an investment with us will generate positive returns for any client. The Funds have substantial limitations on investors’ ability to redeem or transfer their interests in the Funds, and no secondary market for the Funds’ interests exists or is expected to develop. Each Fund’s investment techniques involve significant risks which are described in detail in its respective Confidential Private Offering Memorandum (each, a “PPM”). Prospective investors and other clients are strongly urged to review the applicable PPM or other governing documents carefully and consult with their own financial, legal and tax advisors before investing in a Fund or appointing us to manage a client account.

C. *Not applicable.*

Item 9 - Disciplinary Information

Not applicable.

Item 10 - Other Financial Industry Activities and Affiliations

A. *Not applicable.*

B. *Not applicable.*

C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related *person* listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.

1. **broker-dealer, municipal securities dealer, or government securities dealer or broker**

Not applicable.

2. **investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)**

The management of multiple pooled investment vehicles, including any separately managed accounts, may result in conflicts of interests when we and our related persons allocate their time and investment opportunities among the Funds and other clients. In addition, the compensation earned by us and our related persons from each of the Funds may differ from one another and other clients. We and our related persons will generally follow documented procedures in allocating trades among such Funds and other clients (*see Item 6, “Performance-Based Fees and Side-by-Side Management” above*).

Subject to applicable law, we may effect transactions (generally for rebalancing purposes and to correct misallocations of trades) among client accounts (including the Funds) in which one client account will purchase securities from or sell securities to another client account (including Funds in which we or our related persons may have a significant interest). This may result in a conflict of interest because a potential transaction may result in benefits to one transacting party that may be greater than the benefits to the other transacting party. In order to mitigate such conflicts, we effect such transactions only when we believe that such transactions are in the best interests of the applicable clients. Such transactions shall be effected for cash consideration, generally at the closing price of the particular security, and no brokerage commission or transfer fee shall be paid to us or our related persons in connection with any such transaction.

In addition, except for cross trades to correct misallocations of trades among client accounts and for cross trades that are exempt from the prohibited transaction rules under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Internal Revenue Code of 1986, as amended (the “Code”), as provided by the Pension Protection Act of 2006, we will not effect any cross trades on behalf of any client account that constitute “plan assets” under ERISA or the Code.

Our principals (and/or other related persons) may have a greater portion of their personal assets invested in certain of the Funds than in the others. As a result, we may have a conflict of interest in allocating investment opportunities among the Funds. We will generally follow documented procedures in allocating trades among Funds. (*See Item 6, “Performance-Based Fees and Side-by-Side Management” above.*)

3. **other investment adviser or financial planner**

Lorem Ipsum Partners serves as the general partner to Lorem Ipsum Onshore Fund, LP and Lorem Ipsum Master Fund, LP. There are no material conflicts of interest

resulting from the relationship between us and Lorem Ipsum Partners other than any conflicts described in Item 10, section C.2 above.

4. **futures commission merchant, commodity pool operator, or commodity trading advisor**

Not applicable.

5. **banking or thrift institution**

Not applicable.

6. **accountant or accounting firm**

Not applicable.

7. **lawyer or law firm**

Not applicable.

8. **insurance company or agency**

Not applicable.

9. **pension consultant**

Not applicable.

10. **real estate broker or dealer**

Not applicable.

11. **sponsor or syndicator of limited partnerships.**

Not applicable.

D. *Not applicable.*

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

- A. We have adopted a Code of Ethics (the “Code of Ethics”) which provides that we are committed to conducting our business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, we recognize that we have a fiduciary duty to the investors in the Funds and other accounts we manage, and that all of our employees must conduct their business on our behalf in a manner that enables us to fulfill this fiduciary duty. In this regard, we have developed policies and procedures in our Code of Ethics that are premised on fundamental principles of openness, integrity, honesty and trust. In addition, among other things, our Code of Ethics governs all personal investment transactions by our employees, our policies with respect to gifts and entertainment, compliance with applicable federal securities laws, the manner in which violations of our Code of Ethics are to be reported, and certain other

outside activities of our employees. We will provide a copy of our Code of Ethics to any client or prospective investor upon request.

- B. We recommend that prospective investors invest in the Funds. Our principals and other management persons have significant personal investments in these Funds. In addition, we and our affiliates receive performance-based fees and allocations from these Funds.

Subject to applicable law, we may effect transactions between client accounts (generally for rebalancing purposes and to correct misallocations of trades) whereby one client account will purchase securities from or sell securities to another client account (*see Item 10, Section C.2 above*).

In the event that we effect a cross trade between an account in which we or our controlling persons own more than twenty five percent (25%) and another client account, such transaction may be deemed to be a principal transaction under the Advisers Act. Such transactions may create a conflict of interest for us because we may put our or our control persons' interests in such accounts before the interests of our clients in the other account. In order to mitigate this conflict of interest, we monitor the interests of our principals, their immediate family members and their affiliates in our client accounts, and we will not effect any cross trades between accounts if we believe that such trade would result in a principal transaction unless:

- 1) We believe that such transaction is in the best interest of the clients participating in the transaction; and
 - 2) We obtain the consent of the applicable clients as required by the Advisers Act.
- C. Employees are generally prohibited from engaging in a personal securities transaction without the prior written consent of our Chief Compliance Officer (or in the case of the Chief Compliance Officer, the prior written consent of our other principal owner). Generally, in granting or denying such requests, the Chief Compliance Officer takes the following guidelines into account: (i) employees may not trade opposite of our recommendations (except in limited situations where the employee is suffering a financial hardship); (ii) employees may not engage in "front-running" of client accounts, which is a practice generally understood to be personally trading ahead of client accounts; (iii) employees may not trade in a security that is purchased or sold by a client account within five (5) days after the purchase or sale of such security by such client account; and (iv) as a general matter, employees should not be engaged in short-term (less than 30 days) trading of securities. Prohibitions relating to personal trading also generally apply to an employee's immediate family member (including any relative by blood or marriage either living in the employee's household or financially dependent on the employee).
- D. We may buy or sell securities for one client at the same time that we or our related persons buy or sell the same security for one or more other clients (including the Funds which are our related persons). This will typically happen when more than one client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. This may create a conflict of interest if one account may benefit from making the trade before or after the other account. We will generally aggregate trades, subject to best execution to avoid any such conflict of interest (*see Item 12, Section B "Aggregation of Orders"*).

Our principals and employees may also trade securities for their own accounts that are the same securities that we are trading on behalf of our clients (*see Item 11, Section C*).

Item 12 - Brokerage Practices

A. Selection of Brokers

In placing portfolio transactions for our clients, we seek to obtain the best execution for clients' accounts, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the firm's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying our selection criteria.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. We will not commit to provide any level of brokerage business to any broker, and actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above.

From time to time, we periodically evaluate the execution performance of the broker-dealers we use to execute client transactions. We also evaluate, and seek to resolve, any conflicts of interest that we may have in selecting brokers to execute client transactions.

1. Research and Other Soft Dollar Benefits

We enter into soft dollar arrangements with brokers. Soft dollar arrangements arise when an investment adviser obtains products and services, other than securities execution, from a broker in return for directing client securities transactions to the broker. Soft dollar arrangements pose a conflict of interest for us in that such arrangements allow us to pay with client commissions expenses that would otherwise be borne by us. When we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products or services. We believe that this conflict is mitigated because our clients will generally pay for research as a "hard dollar" expense pursuant to their respective investment management agreements. We may have an incentive to select a broker based on our interest in receiving the research or other products or services offered by such broker, rather than on our clients' interests in receiving most favorable execution.

When engaging in soft dollar transactions, we comply with the safe harbor requirements of Section 28(e) of the Securities Exchange Act of 1934, as amended. Under this provision, in exercising our discretionary authority to select or arrange for the selection of brokers for execution of transactions for our clients, and, subject to our duty to obtain best execution, we may consider the value of research and brokerage products and services (collectively, "Research") provided by such brokers. Research may include, among other things, proprietary research from brokers, which may be written or oral. Research

products may include, among other things, databases and quotation services. Research services may include, among other things, research concerning market, economic and financial data, a particular aspect of economics or on the economy in general, statistical information, pricing data and availability of securities, financial publications, electronic market quotations, performance measurement services, analyses concerning specific securities, companies, industries or sectors, market, economic and financial studies and forecasts, appraisal services, and invitations to attend conferences or meetings with management or industry consultants. Accordingly, if we determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, a client may pay commissions to such broker in an amount greater than the amount another broker might charge.

Research provided by such brokers may be used to service all client accounts and not exclusively in connection with the management of the client account that generated the particular soft dollar credits.

Where a product or service obtained with client commission dollars provides both research and non-research assistance to us, we will make a reasonable allocation of the cost which may be paid for with client commission dollars.

Our prime broker(s) provide us with front and back office services, including trading, securities lending, clearing, reporting, and settlement for equities, fixed income, foreign currency and options, among others. Subject to applicable law, our prime brokers may also provide us with capital introduction services.

We execute securities transactions on behalf of client accounts with broker-dealers that provide us with access to proprietary research reports (such as standard investment research and credit reports). To our knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. These bundled services are made available to us on an unsolicited basis and without regard to the rates of commissions charged or paid by client accounts or the volume of business that we direct to such broker-dealers.

During our last fiscal year, we may have acquired with client brokerage commissions (or markups or markdowns) (i) research, such as proprietary research from brokers, which may have been written and/or oral; (ii) research products, such as databases and quotation services; and (iii) research services, such as research concerning market, economic and financial data; a particular aspect of economics or on the economy in general; statistical information; pricing data and availability of securities; financial publications; electronic market quotations; performance measurement services; analyses concerning specific securities, companies, industries or sectors; market, economic and financial studies and forecasts; appraisal services; and invitations to attend conferences or meetings with management or industry consultants.

During our last fiscal year, we have taken into account the quality, comprehensiveness and frequency of available research services and products considered to be of value provided by brokers when directing client transactions

to a particular broker. We directed transactions to such brokers only consistent with best execution. Brokers sometimes suggest a level of business they would like to receive in return for the research services and products they provide, however we have not committed to provide any level of brokerage business to any broker. We also evaluated the execution performance of the broker-dealers we use to execute client transactions and resolved any conflicts of interest that we may have had in selecting brokers to execute client transactions.

2. Brokerage for Client Referrals

Subject to applicable law, we may direct some client brokerage business to brokers who refer prospective investors to the Funds, consistent with best execution. Because such referrals, if any, are likely to benefit us but will provide an insignificant (if any) benefit to our clients, we have a conflict of interest with our clients when allocating client brokerage business to a broker who has referred investors to us. To prevent client brokerage commissions from being used to pay investor referral fees, we will not allocate client brokerage business to a referring broker unless we determine in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to the client account. Prime brokers may provide capital introduction services to us. Such services may influence us in deciding whether to engage such prime brokers.

3. Directed Brokerage.

Not applicable.

4. Trade Error Policy

We will reimburse each client account for net losses resulting from trade errors to the extent that we are required to do so under the governing agreements for such client account. In general, we will not be liable to a client account for net losses resulting from a trade error unless such trade error results from our bad faith, gross negligence, fraud or willful misconduct.

We may correct misallocations of trades among client accounts by re-allocating the applicable trade using the intended allocation methodology prior to the trade's settlement date. If an erroneous allocation cannot be corrected prior to or after settlement, we may, if appropriate and subject to applicable law, correct such erroneous allocation by effecting a cross trade between client accounts at the price at which the initial trade was effected.

B. Aggregation of Orders

We will generally aggregate client trades, subject to best execution. Aggregation, or "bunching," describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for us generally arise when more than one client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. In such event, securities purchased or sold will generally be allocated among client accounts on an average price basis. When an

aggregated order is only partially filled, we will allocate the investment opportunity as described in Item 6 above.

We may also aggregate subsequent orders for the same security entered during the same day with any previously filled orders. This determination may take into consideration changes in the market price of the security and differences in allocations among accounts.

Item 13 - Review of Accounts

- A. Client portfolios are reviewed daily, and their performance analyzed, by our investment professionals, including, but not limited to, Mr. Segrich. Client portfolios are also reviewed by members of our operations team to monitor compliance with the applicable trading mandate and any applicable risk and/or operating guidelines. The Chief Compliance Officer is also involved in the review of trading activity and account allocations. Client investments are evaluated based on performance, company fundamentals, news and press releases, company filings, analyst reports, proprietary research, general market conditions and such other considerations as we deem appropriate.
- B. *Not applicable.*
- C. We may, in our discretion, furnish investors in the Funds with periodic written unaudited performance reports on a monthly basis. On an annual basis, investors receive a copy of the relevant Fund's annual audited financial statements and, where applicable, a statement of taxable income (form K-1).

We may provide certain investors with access to more frequent and/or more detailed information regarding the Funds' securities positions, performance, finances, and management and/or other information about the Funds or us (including, notification of the commencement of certain disciplinary actions, legal proceedings, investigations or similar matters against a Fund, us and/or our personnel, or of redemptions from a Fund by us and/or our personnel), possibly enabling such investors to better assess the prospects and performance of the Funds.

Item 14 - Client Referrals and Other Compensation

We have entered into arrangements with one or more third parties and compensate such third parties for referring investors to us. Typically, we pay these third parties a portion of the management fees and/or performance-based fees or allocations that we receive from the investors introduced to us by these third parties. Any such arrangements will be on a fully-disclosed basis and in accordance with all applicable laws.

We enter into soft dollar arrangements with brokers pursuant to which we obtain certain research and brokerage products and services in return for directing client securities transactions to the broker (*see Item 12, Section A "Selection of Brokers"*).

Item 15 - Custody

For purposes of Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), we are deemed to have custody over the Funds' assets. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to the Funds or their respective investors

because annual audited financial statements are delivered to investors within 120 days after the end of each Fund's fiscal year.

Item 16 - Investment Discretion

We have discretionary authority to manage securities accounts on behalf of our clients. The investors in the Funds generally may not place any limits on our authority beyond the limitations set forth in the offering and governing documents of such Funds. On a case by case basis, owners of any separately management accounts that we may manage in the future may negotiate certain risk and/or operating guidelines that we will adhere to when exercising our discretionary authority over such accounts.

Item 17 - Voting Client Securities

We generally have voting discretion over securities held in clients' accounts. Clients are generally not able to direct their votes in a particular situation. We have adopted a proxy voting policy which is summarized below.

Our "Proxy Coordinator" is responsible for determining how to vote all proxy statements received by us with respect to securities held in clients' accounts. The Proxy Coordinator may designate other appropriate employees to assist him in reviewing proxy statements and preparing necessary records. The Proxy Coordinator may also retain a third party to assist him in coordinating and delivering proxies.

In the absence of conflicts of interest, we will vote all proxies in the manner that the Proxy Coordinator determines is in the best interests of the client's account. In addition, the Proxy Coordinator may determine to abstain from voting a proxy if he believes that such action is in the best interests of the client. The Proxy Coordinator may take into account the following factors, among others, in determining if a specific proposal is in the best interests of the client:

- (a) management of the issuer's views and recommendations on such proposal;
- (b) whether the proposal may have the effect of entrenching existing management and/or making management less responsive to shareholders' concerns (e.g., instituting or removing a poison pill, classified board of directors and/or other anti-takeover measure); and
- (c) whether he believes that the proposal will fairly compensate management for its and/or the issuer's performance.

If the Proxy Coordinator deems that the issue being voted upon is not material for the client, we will not be obligated to vote on such matter.

We maintain a "Proxy Conflicts Watch List" containing the names of issuers with respect to which we have identified a conflict of interest. Such conflicts may arise, for example, from the following relationships: (i) the issuer is an investor in the client we manage; (ii) we have a material business relationship with the issuer; (iii) we have a business relationship with the proponent of a proxy proposal (e.g., the proponent is a pension plan for which we manage money); (iv) we have material business relationships with candidates for director in a proxy contest; or (v) one of our employees has a personal interest in the outcome of a particular matter. This list provides examples of possible conflicts of interest and is not meant to be comprehensive. Each employee must notify our Chief Compliance Officer of any potential conflicts of interest of

which he or she is aware, and the Chief Compliance Officer should make a determination as to whether an item should be added to the Proxy Conflicts Watch List.

If the Chief Compliance Officer believes that a material conflict exists between us and the client, we will rely exclusively in making its voting decision on the recommendation of an independent third party who is experienced in advising investment managers regarding proxy voting decisions.

Special considerations may apply in cases of conflicts of interest involving ERISA clients. The Proxy Coordinator will confer with appropriate ERISA counsel in such cases.

A client may obtain information about how we voted securities in the Fund or other account in which the client is invested by contacting us at the address set forth on the cover page of this brochure.

Item 18 - Financial Information

Not applicable.

Item 19 - Requirements for State-Registered Advisers

Not applicable.