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This brochure provides information about the qualifications and business practices of Arena Capital Advisors, LLC (“Arena”). If you have any questions about the content of this brochure, please contact us direct at (310) 806-6700. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

Arena is an investment advisor registered with the SEC. As a registered investment adviser, Arena is subject to the rules and regulations adopted by the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration as an investment adviser is not an indication that Arena or its directors, officers, employees or representatives have attained a particular level of skill or ability.

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

## Item 2: Material Changes

This Brochure is intended to provide potential and existing clients with an overview of Arena. It also contains important disclosures such as certain practices of Arena, potential material conflicts that may arise and key investment risk factors.

The following are the material changes to this brochure since its initial filing in January 2014:

- The Firm's assets under management increased to \$148,000,000.
- In March 2014, Jeremy Sagi joined Arena as a member and Chief Investment Officer. Lawrence A. Post joined Arena as a member. In May 2014, Daniel Elperin joined Arena as a member and Managing Director of Trading.
- The Firm is the investment advisor and General Partner to the Arena Short Duration High Yield Fund, L.P. expected to launch on or about May 1, 2014.

Consistent with regulatory rules, Arena will deliver a summary of material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. Upon written request, Arena will provide a full Part 2A. In addition, Arena will provide you with other interim disclosures about material changes as required.

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#### Item 4: Advisory Business

Arena is an independent investment management firm specializing in fixed income; focusing primarily on the high yield and leveraged loan markets. We specialize in short duration high yield – our investment team has been investing in this asset class for more than 20 years.

Arena is a Delaware limited liability company that commenced operations in December 2013 and is a registered investment adviser with the SEC under the Investment Advisers Act of 1940, as amended.

Arena provides investment management services with respect to short duration high yield securities, including bank and bridge loans and some non-US investments. Arena's services are offered to institutional clients, private investment funds, high net worth individuals, foundations, pension plans and registered investment companies. Arena seeks to act as general partner and investment manager to private investment funds, and investment manager (or sub-adviser) to separate accounts and registered investment companies.

Our leadership team has an average of 24 years of industry experience and has worked together for many years, navigating a variety of diverse market conditions.

The Firm is owned by four members, Jeremy Sagi, Daniel Elperin, Sanije Perrett and Lawrence A. Post.

##### Advisory Services

Arena provides (or may in the future provide) investment advisory services with respect to one or more private investment funds (each, a "Fund"), individually managed accounts for institutional investors and high net worth individuals (collectively, "Accounts") and one or more investment companies (each, an "Investment Company") registered with the U.S. Securities and Exchange Commission under the Investment Company Act of 1940, as amended.

Arena intends to manage its investments pursuant to the investment strategy as detailed in the offering documents of the Funds or the Investment Companies, as the case may be (the "Documents"). Prospective investors should carefully read a Fund's Documents and consult with their counsel and advisers as to all matters concerning an investment in the Fund.

In addition, the firm manages separate accounts for institutional and high net worth clients. Certain clients may impose restrictions on investing in certain types of securities or other constraints on how they desire Arena to invest their Account. Any restrictions or constraints are set forth in the investment guidelines for the Account. Arena will tailor its services to suit a client's needs and stated investment objectives.

As of April 15, 2014 Arena manages approximately \$148,000,000 on a discretionary basis.

## **Item 5: Fees and Compensation**

Arena offers its services for compensation primarily based on a percentage of assets under management or a set fee. Arena manages commingled investment funds and separately managed accounts. The Firm's fee schedules are set forth below.

### **Private Investment Funds.**

In consideration of the investment management services provided to a Fund, Arena will receive an annual management fee equal to a percentage of the account balance of each Fund investor. The management fees will be deducted from the capital account of each limited partner in the Fund. Management fees will generally be paid quarterly in advance on the first day of each calendar quarter. For periods of less than a quarter, the management fee is prorated for the days remaining in that calendar quarter. Such management fees currently range from 0.40% to 0.75% per annum.

Arena may also receive performance-based compensation in arrears equal to a percentage of the net capital appreciation (i.e., realized and unrealized capital appreciation less realized and unrealized capital depreciation) of each investor's account in the Fund. The performance-based compensation is payable only if, and to the extent that, the net capital appreciation of the investor's account exceeds any net capital depreciation accumulated in prior years (as adjusted for withdrawals of capital), and in some cases may be conditioned upon achievement of a threshold return. Arena, in its discretion, may waive or reduce the performance-based compensation as to all or any of the investors in the Fund or agree with an investor to waive or alter the performance-based compensation as to that investor. Such fees are currently 10% per annum. Further information regarding the fees and expenses charged to a Fund may be found in the Fund's Documents.

Arena may, in its discretion, offer different terms or fees that are not otherwise available to other Fund clients. These agreements may offer performance or incentive fees or allocations to Arena. Performance based compensation arrangements have been identified by regulators as having the potential to create an incentive to recommend investment which may be riskier or more speculative than those which would be recommended under a different compensation arrangement. Arena has controls in place that are designed to treat all clients fairly and equitably.

#### Separately Managed Accounts.

In consideration of the investment management services provided to an Account, Arena will receive an annual management fee based upon the strategy selected. Arena's standard fee schedule is as follows:

#### Arena Short Duration High Yield Strategy:

Management fees for this strategy may range from 0.40% to 0.75% per annum. Management fees and expenses are expressly set out in the Investment Management Agreement.

Any restrictions or constraints required by the client are set forth in the investment guidelines of the Investment Management Agreement. Arena will tailor its services to suit client's needs and stated investment objectives.

Management fees are typically paid quarterly in arrears by invoicing the client. If a client terminates its Investment Management Agreement on a date other than the end of a calendar quarter, any management fee will be prorated for assets held in the Account for less than a full quarter. In addition to the management fee, an Account client is responsible for other fees and expenses or charges incurred by or on behalf of the Account related to (i) custodial services provided for the Account, (ii) transactions effected for the Account, including brokerage and execution charges, markups and commissions, and (iii) any other service provided for the Account by any person other than Adviser. Fees and other reimbursable expenses are specifically set forth in the Investment Management Agreement.

Arena management fees may be negotiable based on several varying factors, including but not limited to, size of the account, servicing requirements and other factors. Therefore,

separately managed account fees paid by a particular client may vary from those set forth herein.

Arena may also receive incentive based compensation for managing Accounts on terms similar to those described above for the Funds.

Registered Investment Companies.

The fees and compensation paid to Arena by each Investment Company are described in the Investment Company's prospectus. A copy of each Investment Company's prospectus is available through the SEC's website at:

[www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html).

The fees and compensation paid to Arena will be paid in accordance with Arena's Investment Management Agreement with each Investment Company by deduction from each investor's account in the Investment Company on the day on which such fees and compensation accrue and become payable.

In addition to the fees and compensation described above, an Investment Company investor is responsible for the fees, expenses or charges described in the Investment Company's prospectus. Such fees, expenses and charges include, but are not limited to, fees incurred for legal, audit and custodial services provided to the Investment Company and transactions effected for the Investment Company such as brokerage and execution charges, markups and commissions. For additional information regarding brokerage and execution charges, see Item 12 below.

#### **Item 6: Side-by-side management and Performance Compensation**

Arena manages its Funds on a side-by-side basis with its Accounts utilizing the same investment strategy. Potential conflicts of interest may exist when Arena buys or sells securities for multiple client accounts. Arena has adopted policies and procedures with the aim to ensure the fair and equitable treatment of all client Accounts managed side-by-side by the Firm.

Arena's portfolio managers generally manage multiple portfolios for various clients. When a portfolio manager manages more than one client Account, a potential conflict exists for the portfolio manager to intentionally or unintentionally treat one Account more favorably than another. This potential conflict can be most apparent when one portfolio has a

higher fee or a different fee structure than another portfolio, including a performance-based fee. Another potential conflict may arise because Arena may manage the accounts of its principals and employees on a side-by-side basis with third-party client accounts. Arena has internal review policies and oversight designed to ensure that no one account (or group of accounts) client is favored at the expense of another.

Transactions for the Account generally will be effected independently from other accounts managed by Arena, unless Arena decides to purchase or sell the same securities for several of its clients or proprietary accounts.

Arena will generally (but is not obligated to) combine or “batch” trade orders for multiple clients and Arena’s own proprietary accounts in an effort to obtain best execution, to negotiate more favorable commission rates, mark-ups or other transactions costs, or to allocate equitably among Arena’s clients and Arena’s own proprietary accounts differences in prices and commissions or other transaction costs that might have occurred had such orders been placed independently.

Under this procedure, to the extent practical, transactions will be averaged as to price and transaction costs and typically will be allocated among participating Accounts in proportion to the purchase and sale orders placed for each participating Account (or group of participating Accounts) on any given day.

If Arena cannot obtain execution of all the combined orders at prices or for transaction costs that Arena believes are desirable, Arena will allocate the securities Adviser does buy or sell as part of the combined orders by following Arena’s order allocation procedures, provided that over time no Account (or group of Accounts) shall be treated less favorably than any other Account (or group of Accounts) managed by Arena (including its own proprietary accounts) with respect to any such allocations.

If Arena charges performance compensation, such arrangements will be structured to comply in all material respects with Rule 205-3 of the Investment Advisers Act of 1940, as amended.

## **Item 7: Types of Clients**

Arena provides investment advisory services to US and non-US institutional clients, such as public or private pension plans, Funds, high net worth individuals, foundations and pension plans, and Investment Companies.



#### Private Investment Funds:

Arena will serve as investment manager to the Funds. Arena generally requires investors in a Fund to make a minimum initial investment of at least \$100,000. The minimum contribution may be waived by Arena in its sole discretion.

#### Separately Managed Accounts:

Arena generally requires a minimum of \$50 million to open a Separately Managed Account. The Separate Managed Account minimum and other requirements may be waived by Arena in its sole discretion.

### **Item 8: Analysis, Investment Strategies and Risk of Loss**

#### **Analysis**

##### Investment Philosophy

Our investment philosophy includes intensive research, a thorough understanding of risk versus reward and the application of active management with what we believe to be superior trade execution.

##### Intensive Research

All bonds carry some element of risk; we believe that risk can be reduced through a variety of factors, including an intensive research process. This process includes attention to legal, environmental and other factors that may affect the securities in our portfolios. We strive to avoid investing in “black box” companies where profitability and assets are hard to understand and downside is difficult to ascertain. For short-duration bonds, credit risk can often be mitigated by potential sources of liquidity such as unused bank lines and unencumbered assets.

##### Understanding Risk vs. Reward

We emphasize downside protection, focus on fundamental and technical factors and lean towards companies with hard assets. We apply our own proprietary credit scoring system and years of experience to measure risk, rather than relying solely on credit ratings, which

often lag reality. We tend to invest in the middle part of the market because yields are usually too low in the higher quality end, and the risk is usually unacceptable in the lowest quality end.

In addition to credit risk, there is portfolio risk. We attempt to mitigate portfolio risk by generally investing no more than 5% in any one single issuer and no more than 20% in any one industry under normal market conditions. We concentrate mainly on the U.S., Canada and G7 countries and tend to have little or no investments in emerging markets. We may fully hedge our foreign currency investments.

### Active Management and Trade Execution

In flat markets we believe that the best way to generate returns in excess of the stated yield is to actively manage your investments and recognize price discrepancies. It is also important to develop a “wish list” of securities that don’t trade as often as other securities in case they become available at an appropriate price. Even strong markets have periodic bouts of weakness, which usually means mutual fund redemptions, especially in the Exchange Traded Funds (“ETFs”). It is important to know what securities the mutual funds and ETFs own because redemptions can create forced selling which can provide meaningful opportunities for our clients. We anticipate that our portfolio turnover will be up to approximately 200% a year; accordingly every 1/8 or 1/4 saved can have a meaningful impact on investment returns.

### **Investment Strategies**

#### Short Duration High Yield: A New Age in High Yield Investing

The short duration segment of the high yield market offers attractive risk-adjusted returns with lower volatility. Arena’s investment team has been investing in short duration securities for over 20 years. Our mission is to continue to understand the new complexities of the marketplace and we strive to invest in fundamentally sound companies while maintaining an active eye on risk management to extract superior risk-adjusted returns for our clients.

The 2008-2009 financial crisis and severe market reaction were a wakeup call that the world is interdependent and financial institutions are fragile. It was also a reminder that effective portfolios are those which are diversified in different asset classes which are not highly correlated and where risk can be as important as return.

While the markets have recovered since then, investors continue to search for market niches that offer the best risk-adjusted returns. Today, while a 2008-2009 occurrence is less likely, worldwide “quantitative easing” (i.e. large increases in the money supply) in order to revive economic growth has moved us into uncharted waters.

Given the large gains in world equity markets, and the extremely low interest rates and yield spreads in the developed world, many investors have turned cautious. They are looking for an alternative to near-zero money market fund yields that will help protect principal and provide an acceptable return. We believe that category is Short Duration High Yield, a sub-component of the \$1.5 trillion high yield market.

Short Duration High Yield was almost non-existent five years ago; we believe our investment team helped popularize this asset class after an extremely volatile 2008 and 2009. Because we believe that the overwhelming majority of high yield investors are competing against indices with a seven-year average life or are selecting long-term options such as mutual funds to maximize income, the short duration segment of the market was, in effect, “orphaned”. Statistically, short duration bonds have been “cheap” on a spread basis when compared to Treasuries and they have a lower likelihood of default (credit quality in the short-term is easier to predict than in the long-term). These securities are often used by mainstream high yield investors as a source of cash to buy high yielding, long-term new issues in good markets and as a source of cash to meet redemptions in bad markets. We believe that this has created good risk/reward opportunities.

#### Arena Short Duration High Yield Strategy

The Arena Capital Short Duration High Yield Strategy’s investment objective is to generate superior risk adjusted returns through a portfolio of short duration investments. The investments in our short duration high yield strategy consist primarily of short duration high yield securities and corporate loans.

Under normal market conditions, the portfolio is expected to have a duration of approximately one (1) to three (3) years and an average maturity of approximately three

(3) to five (5) years. The portfolio manager will shift towards those investment opportunities within the confines of the strategy that he believes represent the best risk/reward dynamics based on quantitative and qualitative research, market conditions and situation specific investment research. The strategy may be unleveraged or leveraged, depending on a client's requirements.

## Investment Strategy Risks

Opening an Account with Arena or investing in an Arena Fund is intended for sophisticated investors who can accept a high degree of risk in their portfolio, do not need regular current income from their investment and can accept a potential loss of their entire investment. Investment risks specific to any investment strategy employed in managing an Account or a Fund will be explained to the client prior to the opening of the Account and are described in the Fund's Documents. Such risks may include (but are not limited to):

- *Portfolio Management.* The performance of a client Account depends on the skill of the adviser and its portfolio manager(s) in making appropriate investment decisions. There can be no assurance that an Account or a Fund will achieve its investment objective.
- *Leverage.* The use of leverage by buying securities on margin or use of certain derivatives is a speculative technique that involves special risk considerations. Interest costs on borrowings may fluctuate with changing market rates of interest and may partially offset or exceed the return earned on borrowed funds. Interest on borrowings will be an expense of a client Account and will affect the investment performance of the Account. To the extent a client Account is leveraged, the value of its assets will tend to increase more when its portfolio securities increase in value, and to decrease more when its portfolio securities decrease in value, than if its assets were not leveraged.
- *Portfolio Turnover.* Buying and selling securities generally involves some expense to a client Account, such as commissions and other transaction costs. Generally, the higher an Account's portfolio turnover, the greater its brokerage costs and the greater the likelihood that it will realize taxable capital gains. Increased brokerage costs may adversely affect an Account's performance.

- *Highly Volatile Markets.* The prices of investments held by a client account can be highly volatile. Price movements of forward contracts, futures contracts and other derivative contracts in which Arena may invest client assets are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies.
- *Hedging Strategies.* Special risks are associated with the use of options, futures contracts and swaps as hedging techniques, including fluctuations in the volatility of the underlying security, fluctuations in prevailing interest rate and a lack of correlation between price movements in the hedging vehicle and in the portfolio securities being hedged which may result in a loss on both the hedged securities and the hedging vehicle. In addition, a decision as to whether, when and how to use a particular hedging strategy involves the exercise of skill and judgment which are different from those needed to select portfolio securities, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior, currency fluctuations or interest rate trends. If Arena is incorrect in its forecasts relating to a hedge, a client may be in a worse position than if Arena had not engaged in the hedging transaction. The potential loss incurred by a client in swaps, futures and writing options on futures is unlimited. There can be no assurance that a liquid market will exist at a time when Arena, on behalf of a client, seeks to close out an option position or futures or swap contract.

#### **Item 9: Disciplinary Information**

Arena does not have any legal, financial or other disciplinary items to report for this section.

#### **Item 10: Other Financial Industry Activities or Affiliations**

Arena acts as general partner for its Funds. There are times that Arena will offer clients the opportunity to invest in Funds that it manages.

Arena is not seeking registration as a broker-dealer and its employees are not registered representatives of any broker-dealer. Neither Arena, nor any of its employees, hold any registrations as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser or Associated Person.

Arena has no material relationships with any affiliates and does not recommend other investment advisors.

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

### Code of Ethics

Arena has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended. The Code sets forth standards of business conduct that all employees of Arena are required to adhere to. The Code is circulated at least annually to all employees, and each employee must certify in writing that they have received and followed the Code and any amendments thereto.

The Code also sets forth Arena's policies and procedures with respect to material, non-public information and other confidential information, personal security transactions and the fair and equitable allocation of trades among participating accounts.

You may request a complete copy of the Code by sending us a request in writing.

### Participation or Interest in Client Transactions

Arena may solicit qualified Account clients to invest in a Fund or other investment vehicle sponsored or managed by Arena (each, an "Adviser-related fund"). Because of the relationship between Arena and any Adviser-related fund, Adviser could be considered to have recommended the investment as suitable for an Account client if such person should invest in the Fund. Adviser will inform each Account client of its relationship with an Adviser-related fund prior to the client's investment, but does not intend to advise Account clients as to the appropriateness of the investment and will not receive any compensation for doing so or for selling interests in an Adviser-related fund (except to the extent that Adviser receives management fees and performance-based compensation from all Fund investors). Adviser may, from time to time at its discretion, suggest that investors in the Fund invest in a co-investment vehicle sponsored by Arena.

Periodically, Arena may seek to adjust or rebalance client Accounts (including accounts in which Arena or its principals or employees may in the aggregate hold a non-controlling interest) by effecting cross-trades between or among client Accounts (i.e., causing one or more client accounts to sell securities to one or more other client accounts). In effecting such cross-trades, Arena seeks to reduce the transaction costs to its clients of such

account adjustments. All such cross-trades will be consistent with the investment objectives and policies of each client Account involved in the trades, and will be effected at the current independent market price of the securities involved in the trades. Such cross-trades will generally be effected through a broker-dealer. The client accounts involved in such cross-trades will not pay any brokerage commissions or mark-ups in connection with the trades (to the broker-dealer or Arena), but shall reimburse the applicable broker-dealer for any customary transfer fees (i.e., aggregate ticket charges) that such broker-dealer incurs and that are assessed by any other broker-dealers through which such broker-dealer effects the trades.

### Personal Trading

Arena believes that if investment goals are similar for clients and for employees of Arena, it is logical and even desirable that there be common ownership of some securities. At the same time, the firm recognizes that there is a risk that employees will compete with client accounts or otherwise engage in personal securities transactions at the expense of a client's interest. In order to maintain a code of conduct, Arena's Code requires that all such transactions be carried out in a way that does not endanger the interest of any client. The Code establishes certain black-out periods, pre-trade clearance procedures and securities transaction reporting that are designed to permit the monitoring of transactions in employees' personal accounts and prevent any conflicts that may arise between employees' personal securities transactions and transactions for clients of Arena. For purposes of the policy, an employee's "personal account" generally includes any account (i) in the name of the employee, his/her spouse, his/her minor children or other dependents residing in the same household, (ii) for which the employee is a trustee or executor, or (iii) which the employee controls, including Arena's client accounts which the employee controls and in which the employee or a member of his/her household has a direct or indirect beneficial interest.

### Concurrent Trading Activity

Under Arena's Code, employees are generally subject to black-out periods surrounding securities transactions for client accounts, other than to unwind transactions effected prior to employment with Arena. Any unwinding transaction by an employee will be subject to the Code's pre-clearance procedures.

## Aggregation of orders

Arena will generally (but is not obligated to) combine or “batch” trade orders for multiple client and Arena’s own proprietary accounts in an effort to obtain best execution, to negotiate more favorable commission rates, mark-ups or other transactions costs, or to allocate equitably among Arena’s clients and Arena’s own proprietary accounts differences in prices and commissions or other transaction costs that might have occurred had such orders been placed independently.

If Arena cannot obtain execution of all the combined orders at prices or for transaction costs that Arena believes are desirable, Arena will allocate the securities Arena does buy or sell as part of the combined orders by following Arena’s order allocation procedures which are designed to ensure that over time no account (or group of accounts) shall be treated less favorably than any other account (or group of accounts) managed by Arena (including its own proprietary accounts) with respect to any such allocations.

## Item 12: Brokerage Practices

### Best Execution

In selecting broker-dealers, Arena has a duty to seek “best execution” for such transactions. In selecting a broker for any transactions, Arena may consider a number of factors, including, for example, net price, availability, reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security. Arena will not obligate itself to obtain the lowest commission or best net price for an Account on any particular transaction.

### Research and Other Soft Dollars

There may be circumstances in which Arena directs a portion of client commissions to particular brokerage firms in exchange for providing investment research services; this is commonly referred to as “Soft Dollars”. Soft Dollars are used to purchase proprietary investment research services generated by a broker-dealer who executes a transaction and are included in the cost of such transactions.

In the event that we were to engage in Soft Dollar arrangements, we will make a good faith determination that the products or services offered by the broker-dealer are eligible under Section 28(e) of the Securities and Exchange Act of 1934. Such considerations may



include, but are not limited to, determination of whether those services provide lawful and appropriate assistance in the performance of the investment decision-making responsibilities, the amount of commission paid is reasonable in light of the value of products and services that are being obtained and that such price is reasonable in relation to the value of the brokerage and research services received.

Arena will seek to follow guidance provided to investment managers pursuant to Section 28(e) of the Securities Exchange Act of 1934 (the "Act").

#### Directed Brokerage

There are instances where a client may make a specific request that Arena utilizes a particular broker-dealer for certain transactions executed by Arena. In these circumstances, the costs for the transaction on the client's behalf is borne by the client. The client is also advised that as it is instructing Arena to utilize a particular broker-dealer it may reduce on Arena's ability to obtain best price and execution. Any client providing instructions to Arena regarding direction of brokerage transactions must notify us in writing if the client desires Arena to cease executing transactions with or through any such broker or dealer.

#### Cross Trades

Arena's portfolio managers may determine that it is in the best interests of its clients to execute a cross trade. Arena will not receive any special compensation for effecting a cross trade. Commissions, if any, are generally shared between the Accounts involved in the transaction. Arena will seek to comply in all material respects with all applicable legal and regulatory requirements in effecting cross trades including, without limitation, the applicable requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

#### Aggregation of Orders

See Item 11 above.

### **Item 13: Review of Accounts**

Investment decisions and accounts are discussed and reviewed by portfolio managers. Account reviews focus on the review of all securities using fundamental and technical analysis. Particular attention is given to changes in company fundamentals, industry outlook, market situation, general economic trends, and relative/absolute valuation levels.

## Client Reports

Arena or the qualified custodian of each client account will transmit unaudited quarterly performance reports and account statements to Fund investors and Account clients. Each investor in a Fund will also receive annual audited financial statements and, if necessary, annual tax information for completion of its individual tax returns. Arena may make the reports available in hardcopy or solely via electronic transmission unless otherwise requested by a Fund investor or Account client.

### **Item 14: Client Referrals and Other Compensation**

Arena may enter into arrangements with broker-dealers or investment advisors that are referred to as Referral Agreements. Arena will generally pay a percentage of the management fee collected from the client to the referring broker-dealer or investment adviser. To the extent required, such agreements shall be entered to in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended.

### **Item 15: Custody**

#### Private Investment Funds

Custody of the assets of the Fund will be maintained with a qualified custodian selected by Arena in its exclusive discretion, which selection may change from time to time without the consent of investors in the Fund. While Arena will not maintain physical possession of the funds or securities of any Fund, Arena, as the general partner of the Funds, has authority to direct the qualified custodian to transfer funds and securities in a Fund's portfolio and pay out the management fees and performance-based compensation.

In accordance with the custody requirements contained in Rule 206(4)-2 under the Advisers Act, Arena has entered into an arrangement with an independent public accountant pursuant to which each Fund will be subject to an annual audit.

#### Individually Managed Accounts

Arena will not maintain possession or custody of the funds or securities placed in an Account. The assets transferred by an account client will typically be deposited with a qualified custodian selected in accordance with Arena's Investment Management Agreement. Under the Investment Management Agreement, Arena may cause management fees or performance compensation to be paid out of the Account by the

qualified custodian. When it does so, Arena will send the client an invoice, concurrently with billing the qualified custodian, showing the amount of the fees, the value of the assets on which they are based, and the computation.

#### **Item 16: Investment Discretion**

Arena has discretionary authority to make purchases and sales in the Account without obtaining the prior consent of the client. Such discretion is conducted in a manner that is consistent with the stated objectives and guidelines in the client's Investment Management Agreement. Arena's discretionary authority is derived from an express grant of authority under an Investment Management Agreement (or other similar agreement) that Arena enters into with each Fund and with each Account client.

#### **Item 17: Voting Client Securities**

Generally, and except to the extent that an Account client otherwise instructs Arena in writing, Arena shall vote (by proxy or otherwise) in all matters for which a shareholder vote is solicited by, or with respect to, issuers of securities beneficially held by a Fund or in an Account in such manner as Arena deems appropriate and in the best interests of such clients.

Where a proxy proposal raises a material conflict between Arena's interests and the interests of a client, Arena shall seek to resolve the conflict in accordance with its internal procedures.

#### **Item 18: Financial Information**

Arena has no financial conditions that are reasonably likely to impair its ability to meet contractual commitments to its clients and Arena has not been the subject of a bankruptcy petition in the last ten years.

ARENA CAPITAL ADVISORS, LLC

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