



Firm Brochure
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This brochure provides information about the qualifications and business practices of Federal Street Partners, LLC. If you have any questions about the contents of this brochure, please contact us at 203-961-0408 or www.federal-street.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Federal Street also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

The only material change to this brochure since the last update (filed August 1, 2014) is that the total assets under management at Federal Street Partners, LLC has decreased from \$288 million as of July 1, 2014 to \$242 million as of January 1, 2015, one liquidating trust was added, and the offshore funds are no longer being marketed.

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Advisory Business

Description of Firm

Federal Street Partners, LLC (“Federal Street” or the “firm”) was originally set up as a family office for the founding partners with Ed Barksdale serving as the general partner. Prior to establishing Federal Street, the principals served in senior capacities at Northern Trust Global Advisors, Inc. and prior to that at RCB International, which was acquired by Northern Trust Corporation in 1995. Federal Street was organized as a Connecticut limited liability company on October 20, 2000 and is currently owned by its members: Ed Barksdale owns 35%, Will Green and Gene Markowski own 19% each, Theresa Miller and Heather James own 10% each, Ted Barksdale owns 5% and Brian Lasher owns 2% (collectively, the “Principals”).

On January 1, 2001, the firm opened to external clients. The firm’s clients as of the date hereof consist of five funds of hedge funds (each, a “FOHF”), two liquidating trusts, and a non-affiliated advisory client (the “Separate Account” and, together with the FOHFs, the “clients”). The firm remains independent, owned by the Principals, with the sole purpose being to provide investment advisory services through research and evaluation of hedge funds for investment by its clients.

The FOHFs to which Federal Street currently provides investment advisory services are as follows:

- Federal Street Associates I, LLC, the firm’s flagship global equity fund, was launched in 2000;
- Federal Street Associates Offshore Fund, Ltd. (together with Federal Street Associates I, LLC, the “Associates Funds”) was organized in the Cayman Islands on May 1, 2002 to provide a tax efficient investment vehicle for foreign (*i.e.* non-U.S.) investors as well as US. tax-exempt entities to invest in the firm’s flagship fund. (This fund is currently closed to new investors.)
- Federal Street Multi-Strategy Offshore Fund, Ltd. (the “Multi-Strategy Fund”) was organized in the Cayman Islands on April 1, 2004 to provide a tax efficient investment vehicle for foreign (*i.e.* non-U.S.) investors as well as US. tax-exempt entities to invest in the firm’s multi-strategy vehicle. (This fund is currently closed to new investors.)
- Federal Street Asia/Emerging Markets Fund, LLC and Federal Street Asia/Emerging Markets Offshore Fund, Ltd. (collectively, the “Emerging Markets Funds”), dedicated emerging markets funds of hedge funds, were both initially funded on January 1, 2005. (The offshore fund is currently closed to new investors.)
- Federal Street Multi-Strategy Fund Liquidating Trust was organized to manage the remaining illiquid investments of the Federal Street Multi-Strategy Fund, LLC. Interests in the Federal Street Multi-Strategy Fund, LLC were transferred to the Liquidating Trust in July of 2011.
- Federal Street Abax Upland Fund Liquidating Trust was organized to manage the illiquid investment of the Abax Upland Fund, LLC from the Federal Street Asia/Emerging Markets Fund, LLC. Interests in the Federal Street Asia/Emerging Markets Fund, LLC were transferred to the Liquidating Trust on December 31, 2014.

The firm is located in Stamford, Connecticut. All the resources of the firm are at this location. Members of the staff of the firm travel frequently to Boston, New York, London, Singapore, Hong Kong and other major cities across the globe searching for and evaluating new hedge funds, monitoring existing managers and visiting with existing and potential investors in the FOHFs and with advisory clients.

Description of Advisory Services

Federal Street serves as an advisor to the five FOHFs as described above plus two liquidating trusts. In addition it also provides advisory services regarding investments in hedge funds to the Separate Account. The FOHFs are managed on a discretionary basis while the advisory services provided to the Separate Account is managed on a non-discretionary basis. As of January 1, 2015, Federal Street managed \$143 million on a discretionary basis and \$99 million on a non-discretionary basis.

Federal Street's investment philosophy is that a broadly diversified hedge fund investment program should include all four broad categories of hedge fund strategies (*i.e.*, Relative Value, Event Driven, Multi-Strategy, and Directional). Depending on the desired result in terms of risk and return, any one of the strategies may be emphasized or eliminated. Federal Street focuses on those strategies that have produced the highest returns with the greatest consistency over long periods, and diversifies within those strategies to lower risk. This requires making qualitative judgments with respect to the attraction of specific sub-strategies and the hedge fund managers that have the expertise to operate in and around those strategies. Therefore, the Federal Street process is heavily focused on finding quality managers and evaluating their appropriateness for specific strategies. Federal Street believes that this requires senior expertise from top to bottom of the process using a combination of quantitative and qualitative tools. Although the advisory process is the same for all strategies and all clients, if a new client requires a different investment approach, the mix of strategies will be altered to meet the needs of the new client.

Fees and Compensation

Each of the FOHFs pays Federal Street an investment management fee (the "Management Fee") to compensate Federal Street for its services in overseeing the investments and supervising all administrative aspects of the FOHF's business. Federal Street pays all costs of providing its services to the FOHFs from the Management Fees, including general overhead, salaries and all normal office expenses.

Each of the onshore FOHF pays Federal Street the Management Fee monthly in arrears out of its own assets based on the net asset value of the respective FOHF on the last day of the previous month. Each of the onshore FOHF pays Federal Street a Management Fee equal, on an annualized basis, to 1% of the net asset value of such FOHF. Federal Street does not receive performance fees from any of the FOHFs. Effective July 1, 2012 Federal Street has reduced its fee structure through the use of a rebate for investors that have invested more than \$5 million which effectively reduces the fee to 1% for the first \$5 million and 0.50% thereafter.

The offshore FOHF pays Federal Street the Management Fee quarterly in arrears out of its own assets based on the net asset value of the respective FOHF on the last day of the previous quarter. Each of the offshore FOHF pays Federal Street a Management Fee equal, on an annualized basis, to 1% of the net asset value of such FOHF. Federal Street does not receive performance fees from any of the FOHFs.

Each FOHF has paid and fully amortized all of the expenses incurred in its initial offering (including organizational costs), and will bear all of the expenses of subsequent offerings. In addition to the organizational and offering expenses, each FOHF will pay all ongoing expenses associated with its operation, including ongoing administration, legal, audit and accounting fees, any registration or reporting expenses, brokerage commissions and all other expenses incurred in connection with its investment activities. Each FOHF pays its administrator quarterly fees in respect of the administration services rendered in accordance with the administrator's standard fees as set forth in the administration agreements with each FOHF. In addition, the administrator is entitled to reimbursement by each FOHF of all out-of-pocket expenses properly incurred by the administrator in the performance of its services under the

administration agreement. The administrator's fees may be amended from time to time by agreement by both the applicable FOHF and the administrator.

Each FOHF, as an investor in underlying hedge funds (the "sub-funds"), bears a share of each sub-fund's expenses, which includes its administrative and advisory fees. As a result, investors in a FOHF can expect to directly or indirectly experience higher fees and expenses than they would by investing in funds which do not invest in sub-funds.

One of the liquidating trusts pays Federal Street the Management Fee Quarterly in arrears out of its own assets based on the net asset value of the liquidating trust as of the end of the previous quarter less any distributions paid within the quarter. The liquidating trust pays Federal Street a Management Fee equal, on an annualized basis, to 1% of the net asset value of such liquidating trust.

The other liquidating trusts pays Federal Street the Management Fee Quarterly in arrears out of its own assets based on the net asset value of the liquidating trust as of the end of the previous quarter less any distributions paid within the quarter. The liquidating trust pays Federal Street a Management Fee equal, on an annualized basis, to the lesser of (a) \$15,000 or (b) 1.0% of the net asset value of the Liquidating Trust as of the beginning of the quarter. Federal Street does not receive performance fees from either of the liquidating trusts.

The fees for advisory services rendered to the Separate Account is negotiated and is generally in line with the FOHF fee structure except that they are subject to volume discounts and may include a performance fee component. These fees are based on the level of non-discretionary services provided.

Performance-Based Fees and Side-By-Side Management

While the FOHFs and the liquidating trusts do not pay performance-based fees, Separate Accounts each negotiate the fees they pay to Federal Street, which fees may, but do not necessarily, include performance-based fees. As a result Federal Street has a conflict of interest, because the firm can potentially receive greater fees from Separate Accounts having a performance fee structure than from like-sized FOHFs that pay Federal Street asset-based fees only. In particular, Federal Street may have an incentive to give favorable allocations of investment in sub-funds or of withdrawals therefrom (in the event that such investments and withdrawals are limited) to the Separate Accounts that pay performance-based fees.

We owe a fiduciary duty to our clients not to favor the account of one client over that of another, without regard to the types and amounts of fees paid by those accounts. In light of the conflict of interest described above, we have allocation policies and procedures in place to ensure that accounts are treated fairly. Generally allocations are made among accounts with a similar strategy on a *pro rata* basis based on the size of the account and cash available for investment.

Types of Clients

As of January 1, 2015, Federal Street's clients consist of the five FOHFs, as described above, plus two liquidating trusts and a Separate Account which is a non-affiliated FOHF for which non-discretionary advisory services are provided. Each FOHF has a minimum investment amount set forth in its offering documents. There are no minimum account sizes for Separate Accounts.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

When selecting the sub-funds in which the firm will direct the FOHFs and Separate Accounts it manages to invest, the firm begins by selecting the general investment strategy needed by its clients' portfolios. These strategies are described in "Investment Strategies," below. Once the firm has identified the appropriate strategy, it then selects a sub-fund implementing that strategy that meets its criteria.

Strategy Selection

The firm's strategy selection process for each of the FOHFs and Separate Accounts consists of three steps:

- 1) First, Federal Street studies the macroeconomic environment by:
 - a) seeking advice of experts on key economic trends;
 - b) determining the current phase of the business cycle;
 - c) assessing key trends in earnings, interest rates, merger and acquisition activity; and
 - d) reviewing market forecasts
- 2) Next, Federal Street determines the cycle of a specific strategy by:
 - a) considering recent performance of an index which represents each strategy;
 - b) evaluating cyclical phase of key drivers for each strategy;
 - c) looking for changes in the behavior of alternative strategies; and
 - d) looking for out-of-favor strategies.
- 3) Finally, Federal Street evaluates the fundamentals of the strategy in terms of:
 - a) the strategy's viability in the current macroeconomic environment;
 - b) transparency of the strategy to oversight by Federal Street;
 - c) diversification from other strategies in which the firm's clients are invested; and
 - d) the level of risk inherent in the implementation of the strategy.

This process has been in place since the inception of the firm. The process has led us to believe that to achieve our objective of outperforming the global equity markets at reduced levels of volatility, our clients need to have a significant hedged equity bias with selective exposure to other market neutral and event driven strategies.

Our methodology, formed over more than two decades of manager selection and portfolio construction, is based initially on knowing what doesn't work: choosing by historical returns, justifying volatility by potential return and following whatever is currently popular or recently successful. We simply look for good investment people via our network of senior contacts in investment firms that we have developed over our years in the business. We restrict our search to those managers having flexible styles that deal in liquid securities and use acceptable degrees of leverage. We also believe that a small, experienced team of senior professionals, researching and implementing the investment program, has a competitive advantage over larger committees with sizeable analyst teams.

Sub-Fund Selection

Our research process begins with the identification of a potential manager. Research partners conduct on-site visits, generally independently, focusing on manager style, strategy, personnel and all areas of business risk. We spend a great deal of time identifying investment people within and outside of our

network that have worked with, for and under the potential manager. Attractive managers are evaluated based on their potential contribution to risk and returns using computer-based pro-forma analysis with a focus on both stressful periods, periods of abnormally high returns and inflection points where negative performance becomes positive performance and *vice versa*.

Our decision to direct or advise our clients to sell a sub-fund investment can be based on either qualitative or quantitative criteria. Quantitative factors leading to a sale include changes in the sub-fund manager's performance results or the amount of risk the manager is taking in implementing its investment strategy. Federal Street watches for changes in the manager's strategy (so-called "strategy drift") and growth in the assets the manager has under management as indications that these quantitative concerns may be present. Other qualitative factors that can lead us to direct or advise our clients to sell an investment with a manager include personnel turnover, concerns regarding the continuing operational capabilities of the manager and the manager's fiduciary problems that come to Federal Street's attention. In addition, if we identify a new manager that has a similar strategy and other characteristics to an existing manager, we will generally direct our clients to shift their investments to the new manager if we determine that the new manager could be a better fit with our clients' investment goals.

Investment Strategies

The strategies applied by the hedge fund managers managing the funds in which our clients invest fall into four broad categories, as follows: Relative Value, Event Driven, Multi-Strategy and Directional.

Relative Value Strategy Category

Relative Value strategies use "arbitrage" techniques including, among others, dividend arbitrage, pairs trading, options arbitrage and yield curve trading, to take advantage of perceived relative pricing discrepancies between instruments such as equities, debt, options and futures. Generally speaking, "arbitrage" is the practice of taking advantage of a price difference between two or more markets or assets and striking a combination of matching deals that capitalize upon the imbalance, the profit being the difference between the prices. Managers employing Relative Value strategies may use mathematical, fundamental, or technical analyses to determine the existence of such discrepancies. In the case of derivatives, securities may be mispriced relative to the underlying security, related securities, groups of securities or the overall market. In general, Relative Value strategies result in relatively lower volatility and lower expected returns.

Strategies in the Relative Value category include:

- ***Equity Market Neutral*** – Managers employing this strategy seek to profit by exploiting pricing inefficiencies between related equity securities and to neutralize exposure to market risk by combining long positions in undervalued securities and short positions in overvalued securities.
- ***Convertible Arbitrage*** - Convertible Arbitrage involves the purchase of a convertible security (*i.e.*, a security that is convertible into an equity security) and a simultaneous short sale of the underlying equity security with the goal of capturing the price difference between the convertible security and the underlying equity. By selling the underlying equity security short and hedging all or a portion of the credit component and interest rate risk associated with the convertible security, the arbitrageur attempts to reduce the market risk associated with the convertible security and capture the value of the option embedded in the convertible bond.
- ***Fixed Income Arbitrage*** – Fixed Income Arbitrage seeks to profit from pricing inefficiencies in fixed income markets by applying quantitative analytical techniques to price inter-relationships

across markets and asset classes in an attempt to capitalize on pricing anomalies. Instruments utilized include derivatives and other securities combined in such a way as to hedge out undesirable (market related) risks and to leverage risks associated with specific securities, all in an effort to achieve the desired return.

- ***Statistical Arbitrage/Index Arbitrage*** - In statistical arbitrage strategies, proprietary computer models generate buy and sell decisions. The most typical examples of this class are trend following or counter trend models. The index arbitrage strategy uses many of the same techniques, but attempts to take advantage of relative pricing discrepancies between options and futures on indices and the underlying stocks that compose these indices.
- ***Other Relative Value Strategies*** – Some managers employ strategies based upon other unique situations where an inefficiency develops in the marketplace as a result of a specific market, economic or corporate event.

Event Driven Strategy Category

Event Driven strategies focus on investing in different points in the “corporate life cycle.” This includes strategies that involve investment in opportunities created by significant transactional events, such as spin-offs, mergers and acquisitions, bankruptcy reorganizations, recapitalizations and share buybacks. Event Driven strategies generally result in medium volatility and medium expected returns.

The portfolios of some managers that employ Event Driven strategies may be relatively limited in scope, focusing on only one or a few types of Event Driven strategies while others may take a broader scope, combining a number of such strategies in one portfolio. Instruments may include, among others, common and preferred stocks, debt securities and put and call options. Leverage may be used by some managers that invest based on Event Driven strategies.

Strategies in the Event Driven category include:

- ***Distressed Securities/High Yield*** – Managers that use these strategies invest in, and may sell short, securities of companies where the price of the securities has been, or is expected to be affected by a distressed situation.
- ***Merger Arbitrage/Risk Arbitrage*** - Merger arbitrage, sometimes called risk arbitrage, involves investment in event driven situations such as leveraged buy-outs, mergers and hostile takeovers. These strategies generate returns by purchasing stock of the company being acquired, and, in some instances, selling short the stocks of the acquiring company.
- ***Other Event Driven*** – This includes strategies that focus on unique or one-time events such as, for example, the opportunities that arise when a country encounters a political or economic crisis and remedial measures are taken, such as currency devaluation, reclassification of government debt or privatization of industry.

Multi-Strategy Category

The Multi-Strategy category involves a blended approach pursuant to which managers allocate investments among the full range of strategies based on an assessment of where the best opportunities are to be found. In general, Multi-Strategy funds may experience lower volatility and expected returns relative to Directional strategy-based funds.

Directional Strategies

Directional strategies use a discipline involving buying and/or selling a security or financial instrument believed to be significantly under-priced or over-priced by the market. This discipline may concentrate on a specific company, industry or country. In general, Directional strategies result in higher volatility and higher expected returns.

Strategies in the Directional category include:

- ***Hedged Equity*** – This strategy typically consists of a core holding of long equities hedged at all times with short sales of stocks and/or stock index options.
- ***Equity Non-Hedged*** – This strategy consists of buying stocks or stock index options in anticipation of market appreciation.
- ***Emerging Markets*** – An Emerging Markets strategy consists of investing in the equity or debt of companies in emerging markets.
- ***Market Timers*** – Managers that employ a Market Timing strategy allocate assets among investments that appear to be beginning an uptrend and switch out of investments that appear to be starting a downtrend.
- ***Global Macro*** – A Global Macro strategy is based on making leveraged bets on anticipated price movements of stock markets, interest rates, foreign exchange rates and commodity prices.

Risk of Loss

Risks Associated with Securities Investments Generally

Investing in securities involves a variety of risks, including the loss of capital. The securities markets generally are affected by, among other things, the state of the economy, inflation rates and unemployment, trade, fiscal and monetary policies and national and international political and economic events. In particular, during the so-called credit crisis which began in the Summer of 2007 hedge funds had been forced to de-lever their portfolios, by reason of the unavailability of credit at a reasonable price, by selling their long positions and repurchasing their short positions. This had the effect, in many instances, of creating widespread anomalies of valuation that temporarily nullified the protective benefits of hedging while creating a greater than normal positive correlation between asset classes and strategies, thereby also negating the benefits related to diversification.

Risks Associated with Particular Investment Strategies

Each sub-fund will utilize its own investment strategies in connection with the investment of its assets. The investment strategy and trading techniques used by a particular sub-fund may not be successful, and there can be no assurance that any sub-fund will generate profits for, or avoid losses to, a client. For instance, investment markets or the value of specific securities may not be as expected, thereby affecting the success of particular investment or trading strategies.

Risks Associated with Deviations from Articulated Strategies by a Sub-Fund

Federal Street may direct or advise a client to invest assets in a particular sub-fund based on descriptions by the manager of such sub-fund of its investment strategies and geographic allocations. Since the

latitude that is afforded by the governing legal documents of each sub-fund is quite broad, the activities of a sub-fund may vary materially from the strategies and allocations articulated by the manager of such sub-fund, and Federal Street has no authority or control over the actual activities conducted by any sub-fund.

Risks Associated with Investing in a Sub-Fund

Investing in a sub-fund, as opposed to investing directly, increases the difficulties of monitoring investments, precludes controlling a client's indirect investments in particular securities and reduces exit opportunities. In addition, as an investor in a sub-fund, each client will bear a share of that sub-fund's expenses which will include its administrative and advisory fees; as a result of this, it is likely that investors may directly or indirectly experience higher fees and expenses than they would in funds which do not invest in sub-funds. Further, certain sub-funds may contain redemption limitations which could limit liquidity. It is also the intention of Federal Street to allocate a significant portion of each client's assets to sub-funds that have been recently established and do not have a long-term operating history. Although efforts will be made to assure that each client's assets are broadly diversified, Federal Street has no direct control over the underlying investments of the sub-funds, and often very limited information on the holdings of the sub-funds is available on a timely basis. The sub-funds may at times hold offsetting positions in individual securities or may be engaged in offsetting investment strategies. Investments in the sub-funds potentially include the full range of equity, fixed income and derivative instruments. Some of the sub-funds may engage in active trading strategies that may result in short-term capital gain tax treatment of a substantial portion of a client's expected future return. The sub-funds may include both long and short positions, may employ leverage and may invest in derivative instruments, such as futures contracts.

Risks Associated with Unregulated Entities

None of the FOHFs or any of the sub-funds will be subject to regulation under the Investment Company Act of 1940, as amended. Moreover, each FOHF will be an "exempt pool" within the meaning of Rule 4.7 of the rules promulgated under the Commodity Exchange Act. Therefore, investors in the FOHFs will not be afforded the protective measures afforded by such acts and the rules promulgated thereunder.

Risks Associated with International Investment (including Emerging Markets)

Risk of International Investing Generally The sub-funds will invest in securities issued by companies in foreign countries, which involves certain unique risks. These risks include political or economic instability in the country of the issuer, the difficulty of predicting international trade patterns, the possibility of imposition of exchange controls and the risk of currency fluctuations. Such securities may be subject to greater fluctuations in price than securities issued by U.S. corporations. Generally, outside the United States there is less government regulation of securities exchanges, brokers and listed companies and, with respect to certain foreign countries, there is a possibility of expropriation, confiscatory taxation or diplomatic developments which could affect investments within such countries.

Foreign Exchange Risk The assets of certain of the sub-funds will be invested in non-dollar denominated securities, and the value of the assets of such sub-funds as measured in U.S. dollars will, therefore, be affected by changes in foreign currency exchange rates. A change in the value of any such currency against the U.S. dollar will result in a corresponding change in the U.S. dollar value of the Fund's securities denominated in that currency. Thus, a decline in the value of such currency, as compared to U.S. dollars, would reduce the value of certain portfolio securities and the value of a client's investment. Currency exchange rates generally are determined by the forces of supply and demand in the foreign exchange markets and the relative merits of investments in different countries, actual or anticipated changes in interest rates and other complex factors. Currency exchange rates also can be affected

unpredictably by intervention or failure to intervene by U.S. or foreign governments or central banks or by currency controls or political developments in the U.S. or abroad. Many of the currencies of emerging countries have experienced significant and sometimes precipitous devaluations relative to the U.S. dollar, and major adjustments have been made in certain of them at times.

A sub-fund investing in emerging countries or other foreign countries may employ certain investment practices to hedge its foreign currencies exposure; however, the instruments necessary to engage in such practices may not generally be available or may not provide a perfect hedge and such practices also entail certain risks. To the extent that a substantial portion of a sub-fund's total assets, adjusted to reflect the sub-fund's net position after giving effect to currency transactions, is denominated in currencies of foreign countries, a client's investment will be more susceptible to the risk of adverse economic and political developments within those countries.

International Securities Markets Securities markets in foreign countries, especially in emerging countries, may have substantially less volume and may be subject to less government supervision than U.S. securities markets. In addition, securities of many issuers in foreign countries, especially in emerging countries, may be less liquid and more volatile than securities of comparable U.S. issuers. In addition, there is generally less government regulation of securities exchanges, securities dealers and listed and unlisted companies in emerging countries than in the United States. An investment in securities trading in these markets should be considered riskier than investments in more developed markets. In cases of extreme volatility, obtaining accurate quotes on securities may be difficult or impossible.

International markets also have different clearance and settlement procedures, and in certain markets there have been times when settlements have been unable to keep pace with the volume of securities transactions or the settlement process itself is subject to instability, making it difficult to conduct such transactions. Delays in settlement could result in temporary periods when a portion of a sub-fund's assets are un-invested and no return is earned thereon. The inability of a sub-fund to make intended security purchases due to settlement problems could cause a sub-fund to miss attractive investment opportunities. Inability to dispose of securities due to settlement problems could result either in losses to a sub-fund due to subsequent declines in value of the security or, if a sub-fund has entered into a contract to sell the security, could result in possible liability to the purchaser. Costs associated with transactions in foreign securities are generally higher than costs associated with transactions in U.S. securities. Such transactions also involve additional costs for the purchase or sale of foreign currency. In addition, in some emerging markets, stock registrars and ownership records can be unreliable.

Foreign investment in certain securities of foreign country issuers may be restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment in certain securities of such foreign country issuers and increase the costs and expenses borne by a sub-fund. Certain countries require prior governmental approval of investments by foreign persons, limit the amount of investment by foreign persons in a particular company, limit the investment by foreign persons only to a specific class of securities of a company that may have less advantageous rights than the classes available for purchase by domiciliaries of the countries and/or impose additional taxes on foreign investors. Certain countries may also restrict investment opportunities in issuers in industries deemed important to national interests.

Certain countries may require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if deterioration occurs in a country's balance of payments or for other reasons, a country could impose temporary restrictions on foreign capital remittances. A sub-fund could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital, as well as by the application to the sub-fund of any restrictions on investments.

Risks Associated with Derivative Instruments

The sub-funds may invest in derivatives for speculative as well as hedging purposes. Derivatives may be defined as financial instruments (such as call options, put options, futures contracts and options on futures contracts) whose performance is derived, at least in part, from the performance of another asset (such as a security, currency or an index of securities). Investments in such instruments involve risks that are different from the investment risks associated with long investments by a sub-fund, including a potentially unlimited loss associated with futures transactions, which, in the case of futures contracts, involve agreements to take or make delivery of an amount of cash equal to a specified dollar amount multiplied by the difference between the value of the underlying asset (such as a stock index) at the close of trading of the contract and the price at which the futures contract was originally struck. Derivatives may be exchange traded or traded in over-the-counter (“OTC”) transactions between private parties. OTC transactions are subject to additional risks, such as the credit risk of the counterparty to the instrument, and are less liquid than exchange-traded derivatives since they can only be closed out with the other party to the transaction. Derivative instruments may include elements of leverage and, accordingly, the fluctuation of the value of the derivative instrument in relation to the underlying asset may be magnified. The successful use of derivatives by a sub-fund is dependent upon a variety of factors, including, in particular, the sub-fund manager’s ability to correctly anticipate trends in the underlying asset. In addition, there may be an imperfect correlation between a sub-fund’s derivative transactions and the objective sought to be achieved by the sub-manager in entering into such transactions. Moreover, in unusual market conditions, the derivative may perform in a manner that was not, and could not have been, anticipated by the sub-fund manager.

Risks Associated with Potential Conflicts of Interest

Federal Street or its affiliates, as well as the managers of the sub-funds or their affiliates, may trade securities for their own account and may also manage accounts for or advise other investors with respect to investment in securities. If any such person makes trading decisions for itself, such accounts or such other investors, a client may be competing with such persons, accounts or other investors for the same or similar positions. In addition, the operating agreement of each FOHF contains broad exculpation and indemnification provisions which may limit the right of an investor in a FOHF to maintain an action against Federal Street to recover losses or costs incurred by the investor as a result of any action or failure to act by Federal Street.

Risks Associated with Investing in Funds of Hedge Funds Generally

No Market for Interests. There is no market for the interests issued by each FOHF (each, an “Interest”), and none is expected to develop. Moreover, Interests generally may not be assigned, transferred, pledged or encumbered without the consent of the FOHF that issued them and, even with such consent, may only be transferred to persons that meet certain statutory and regulatory qualifications.

Potential Restrictions on Redemptions While Interests will normally be redeemable on a quarterly basis, Federal Street may, in its sole discretion, suspend or limit redemptions of Interests in certain situations including, without limitation, in the event that any sub-fund limits or suspends the ability of the applicable FOHF to redeem its investment in such sub-fund or in the event that Federal Street determines that such suspension or limitation is reasonably necessary or appropriate to ensure that the applicable FOHF will not be deemed to be a “publicly traded partnership” within the meaning of the Internal Revenue Code of 1986, as amended. Redemptions will not be made at the request of the investor for investments in the Designated Investment Share Class. Distributions will be made as cash becomes available.

Substantial Expenses Pursuant to the operating agreement of each FOHF, each FOHF is obligated to pay various expenses and fees regardless of whether the FOHF achieves any profits. These expenses are inherent to the FOHF's investment activities and must be borne by the FOHF before there are any profits.

Valuation Issues The value of the assets of each FOHF will be based on valuations supplied by the managers or administrators of the sub-funds in accordance with the practices and policies of each such sub-fund. The net asset value of any FOHF may be finalized using estimated values provided by the managers or administrators of the underlying sub-funds. New issue income will be allocated as of year-end since such information is not reported during the year. Typically no adjustments will be made for differences between the estimated and final values. Each FOHF shall have no liability in the event that any price or valuation, used in good faith in connection with the above procedures, proves to be an incorrect or an inaccurate estimate or determination of the price or value of any part of the property of such FOHF.

Investors' Tax Liability May Exceed Cash Distributions If a FOHF has realized taxable profits for a taxable year, such profits will be taxable to the holders of Interests even though cash may not be distributed to such holders. Also, a FOHF may sustain losses offsetting such profits in later fiscal years, so that an investor may never receive cash distributions in respect of the profit on which it was taxed. However, an investor can request a partial redemption of its Interest to obtain cash to pay taxes attributable to such Interest.

Operational Due Diligence Process

Operational due diligence is the process by which Federal Street determines the viability of the business model of the sub-funds in which an investment may be made by a client. Operational Due Diligence at Federal Street is a three step process:

- 1) The first step consists of a desk review of all the legal and disclosure documents that are available on the sub-fund being evaluated. Such documents consist of the relevant sub-fund's:
 - a) offering documents;
 - b) financial statements;
 - c) due diligence questionnaires and
 - d) marketing brochures.
- 2) While these documents usually cover all the relevant facts concerning the structure, staffing, and service providers used by the sub-fund, they also generate questions regarding clarification of issues and gaps in procedures. In order to answer these questions, Federal Street conducts an on-site visit with the staff of the sub-fund manager. The purpose of this meeting is to resolve the issues that may have resulted from the desk review and to review operational procedures and processes. The focus of these meetings are:
 - a) to confirm the responsibilities of key individuals and determine segregation of duties;
 - b) to assess the viability of risk systems, portfolio management systems and accounting systems; and
 - c) to determine that adequate staffing levels and controls are in place.
- 3) The last step consists of documentation and evaluation of all the data gathered in the previous steps. All areas that were reviewed are given a qualitative as well as a quantitative ranking and all is listed in a formal, written operational assessment that is reviewed with the firm's committees. The Firm's Principals: Ed Barksdale, Will Green, Heather James, Brian Lasher, and Ted Barksdale comprise the Investment Research Committee (the "IRC"). The IRC is responsible for portfolio construction recommendations for all of the firm's products. If all of the members of the IRC agree upon the appointment and allocation to a specific sub-fund, the firm's Chief Investment Officer, Will Green,

makes a recommendation to a committee comprising Ed Barksdale (chair), Will Green and Caryn Silverman (the “Investment Committee”). Separately, a committee composed of Caryn Silverman (Chair and CFO), Gene Markowski and Joshua Rosen (the “Risk Oversight and Operational Due Diligence Committee”) make their recommendations to the Investment Committee. If all members of the Investment Committee and the firm’s Board of Managers agree, the recommendation for investment is made. There is no individual latitude or discretion at the individual level to make an investment on behalf of a client without submitting the potential investment to the foregoing process.

Disciplinary Information

The Principals of Federal Street have served as fiduciaries for most of their careers. None of the Principals has been sanctioned or reprimanded in any way by regulators nor sued (or threatened with litigation) by any clients. Over the years, firms operated by the Principals have been subject to regulation by the Securities and Exchange Commission, the Federal Reserve, the Connecticut Banking Commissioner, the National Futures Association, the Commodities Futures Trading Association, as well as authorities in Canada, the United Kingdom and other offshore locations.

Other Financial Industry Activities and Affiliations

Federal Street is registered with the National Futures Association (“NFA”) and the Commodity Futures Trading Commission (“CFTC”) as a Commodity Pool Operator. Some or all of the sub-funds in the client funds are either registered with the NFA/CFTC or are exempt from registration.

While Federal Street recommends or selects other investment advisers for its clients, Federal Street does not receive any compensation directly or indirectly from those advisers.

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

Code of Ethics

Federal Street has established a Code of Ethics and Professional Conduct to protect the reputation and integrity of the firm and that of its directors, officers, Principals and employees (collectively, “Supervised Persons”), to assist its Supervised Persons in following uniform standards of ethical conduct and to ensure that the firm will act in a manner that is consistent with the applicable requirements of the Investment Advisers Act of 1940, as amended (the “Advisers Act”) and the rules and regulations that have been promulgated thereunder (the “Rules”). The Chief Compliance Officer of the firm is responsible for monitoring the strict compliance of the firm’s processes and procedures with applicable laws.

The Code of Ethics and Professional Conduct is intended to govern the actions and working relationships of the firm’s Supervised Persons with current and potential clients, fellow Supervised Persons, competitors, suppliers, government representatives, the media and anyone else with whom the firm has contact. In these relationships, the firm’s Supervised Persons must observe the highest standards of ethical conduct. The success of the firm as a provider of investment advisory services is built upon the trust and confidential relationships maintained between the firm and its clients; therefore, each of the firm’s Supervised Persons is expected in all business matters to place the firm’s interest above his or her own self-interest.

The Code of Ethics and Professional Conduct describes the Federal Street's duties to its clients as well as additional obligations under the Advisers Act and the Rules, and sets forth certain rules that have been adopted by the firm with a view toward ensuring that the firm and its Supervised Persons will fulfill such duties and obligations. A copy of the firm's code of ethics is available to any client or prospective client upon request.

Participation or Interest in Client Transactions and Personal Trading

Neither Federal Street nor its Supervised Persons recommend to clients, or buy or sell for client accounts, securities in which either Federal Street or any Supervised Person has a material financial interest. Similarly, neither Federal Street nor its Supervised Persons recommend to clients, or buy or sell for client accounts, securities at or about the time that Federal Street or any Supervised Person buys or sells the same securities for their own account.

Brokerage Practices

Federal Street does not use broker-dealers in the implementation of its investment strategies on behalf of its clients. As such, Federal Street does not select or recommend broker-dealers for any client transactions and is not responsible for determining the reasonableness of compensation for broker-dealers.

Review of Accounts

Federal Street compiles raw statistics on client accounts with respect to return, geographical, industry, and exposure statistics on a monthly and quarterly basis. That data is used to create historical data that form the basis for analysis and questioning of current and potential managers. While Federal Street does calculate some statistics as of a single point in time such as correlation of sub-funds and sub-fund investments, the firm finds it more useful to understand how these statistics change over time. This gives a picture of how a sub-fund manager has reacted over time. It also provides a framework for understanding strategy-specific risks. Particular emphasis is placed on volatility management, which is key to understanding performance during stressed periods.

Federal Street expects all the sub-fund managers to provide it with monthly reports that include returns, quarterly reporting of long/short percentages, major holdings, sector/geographical exposure, and annual audits and tax reporting. All of this information is shared with our clients and investors in the FOHFs on a regular basis as the information becomes available. Sub-fund managers as well as their portfolios are reviewed monthly for anomalies. Hedge fund style indices are available for return comparisons with our sub-fund managers. Federal Street does not expect to receive position level reporting, but positions are routinely discussed with the hedge fund managers on a face-to-face basis.

Client Referrals and Other Compensation

In the past, Federal Street has had arrangements with various broker-dealers to provide client referrals. The broker-dealers received a portion of the referred investor's annual management fees if the referred investor eventually invests in client funds. There are 2 remaining agreements with broker dealers as of January 1, 2015.

Custody

UBS Fund Services (Cayman) Ltd ("UBS") serves as the custodian of the FOHFs and one of the liquidating trusts. UBS sends account statements directly to the investors in the FOHFs and the liquidating trust. All investors are urged to review the account statements they receive from the custodian.

Investment Discretion

The operating agreement of each FOHF, the liquidating trusts and/or the investment management agreements between each FOHF and Federal Street grant the firm discretion to buy and sell sub-fund positions on behalf of the FOHFs. Federal Street does not have investment discretion with respect to the Separate Accounts.

Voting Client Securities

Federal Street advises its clients regarding investments in hedge funds, which generally limit the ability their equity owners to have control over their operation. As such, Federal Street does not advise its clients regarding, and does not have discretionary voting authority over, securities that generally provide their owners opportunities to vote. Notwithstanding the foregoing, the hedge funds in which the firm's clients invest may from time to time engage in corporate actions or otherwise require the consent or approval of their equity owners. In such situations Federal Street votes in the manner that it believes are in each client's best interests in that specific situation. Unless otherwise instructed by a client, the firm believes that the maximization of the value of a client's investments constitutes the client's best interests.

Although Federal Street does not generally inform its clients when it votes on their behalf or request input regarding such votes, Federal Street does maintain a log of its votes, which log is available to its clients upon request.

Financial Information

The balance sheet is not required to be provided because Federal Street does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Requirements for State-Registered Advisers

Federal Street is not required to register with any state securities authorities.