



Attalus Capital, L.P.

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of Attalus Capital, L.P. (“Attalus” or “the Company”). If you have any questions about the contents of this brochure, please contact us at 215-495-0800, or by email at attaluscapital@attaluscapital.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 Attalus is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Material Changes

The following is a summary of material changes that have been made to this ADV Part 2A (“Brochure”) since it was previously updated in March 2014.

- In September 2014, Patrick Egan and Michelle Egan resigned their positions as President and Vice President of the Company, respectively, and no longer take an active role in its management.
- John Shook joined the firm in January 2014 as Managing Director to manage its day-to-day affairs and direct the investment research process.
- Further to the cessation of trading for the following companies in September 2013, as at October 9, 2014 the directors unanimously resolved to place them into voluntary liquidation and appoint Michael Saville and Hugh Dickson of Grant Thornton Specialist Services (Cayman) Limited as Joint Voluntary Liquidators:
 - Attalus Multi-Strategy Fund (ERISA) Ltd.
 - Attalus Active Benchmark Opportunities
 - Attalus Long-Short Equity Fund Ltd
 - Attalus Multi-Strategy SPV (ERISA) Ltd

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Advisory Business

Attalus Capital LP, a Delaware limited partnership, (hereafter, “Attalus” or the “Company”) is an investment management firm providing bespoke investment portfolios typically through a fund of fund structure, principally including a variety of long only and hedged equity strategies of publicly traded securities as well as private equity. Since inception, the goal of Attalus has been to deliver attractive risk-adjusted returns to its investors with limited exposure to common factors. Attalus is the investment manager or general partner that provides discretionary investment advisory services to Attalus Multi-Strategy Fund Ltd. (Non-ERISA) Ltd., and Attalus Explorer Fund, LP (each a “Fund” and collectively, the “Clients” or “Funds”).

The Company has full discretionary authority with respect to investment decisions, and its advice with respect to the Funds is tailored according to the investment objectives, guidelines, and requirements as set forth in each Fund’s respective offering memoranda and advisory agreement.

Attalus is an independent, investment advisor founded in 1998 by Patrick Egan as the principal owner. As of December 31, 2014, Attalus managed \$105,465,000 in regulatory assets under management on a discretionary basis on behalf of approximately 2 clients.

Fees and Compensation

All investors and potential investors should review the Governing Documents of the Attalus Fund in which they invest or are considering investing in conjunction with this Brochure for complete information on the fees and compensation payable with respect to the applicable Attalus Fund.

In general, Attalus may charge a management fee up to a 1.1% per annum based on the net asset value of each Fund’s share class. Management fees will be deducted monthly, in arrears. Management fees will be prorated for any period that is less than a full month. In certain circumstances, Attalus may permit a reduction in fees for certain investors.

Fees on separate account vehicles will be determined on a case-by-case basis but it is anticipated that the fees would be approximately the same as the fees charged to the respective funds.

In addition to management fees, investors may bear other costs that are charged to the Funds, as disclosed in each Fund’s offering documents. A Fund will bear external expenses related to a Fund's operations, including, without limitation, investment-related expenses (*e.g.*, fees and expenses charged by the Sub-Advisers and Portfolio Funds, fees and interest on indebtedness, custodial fees, bank service fees, other expenses related to the purchase, sale or transmittal of Fund investments, fees for data and software providers, research expenses, professional fees (including, without limitation, expenses of consultants and experts) relating to investments, and travel expenses related to investments); legal, accounting, audit and tax preparation expenses; corporate licensing fees; and the Management Fee, as well as a Performance Fee for certain share classes; Board of Director liability insurance premiums; Board of Directors' fees and expenses, including travel; organizational expenses; expenses incurred in connection with the offer and sale of Shares; administration fees; and other similar expenses related to the Fund. Extraordinary expenses (such as the cost of litigation or indemnification payments, if any) will be paid by the Fund. The Board of Directors will have

exclusive discretion to determine which expenses are to be borne by a Fund.

Performance-Based Fees and Side-by-Side Management

For a selected share classes, Attalus may charge a 10% quarterly performance fee of any net profit attributable to an investor's account or series of shares over an investor's "high-water mark." The incentive allocation will be paid quarterly, in arrears. In certain circumstances, Attalus may permit a reduction in fees for certain investors. The fact that Attalus may be compensated with performance fees may create an incentive for the Company to make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of such compensation. In addition, performance compensation received by Attalus from certain clients is based on both realized and unrealized gains and losses. Further, investment advisers have an inherent conflict of interest to favor clients or accounts that pay more in fees, such as performance fees. The Company has adopted and implemented written compliance policies and procedures that are designed to address the above conflicts of interest.

Types of Clients

The investment advice provided by Attalus is exclusively to the Attalus Funds and not individually to the investors in the Attalus Funds. Attalus does not currently provide investment advice to other clients but may do so in the future.

The client base of Attalus is primarily comprised of family offices and ultra-high net worth investors. Attalus requires that each U.S. investor be an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), and a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended, and that each non-U.S. investor be a "non-U.S. person" as defined in Regulation S under the Securities Act. The Governing Documents of the Funds describe in detail the applicable suitability criteria for investment in the Attalus Funds.

The Company will manage portfolios of alternative investments with a minimum account size of either \$1 million or \$2 million. Attalus, at its sole discretion, may accept minimum account size of less than \$1MM.

Methods of Analysis, Investment Strategies, and Risk of Loss

Methods of Analysis

Attalus devotes significant time and resources to cast the widest possible net to identify the total "investable" universe of high quality funds which are suitable for investment, In order to do so it utilizes a variety of information sources to identify prospective investments including, but not limited to, prime brokers, industry contacts and databases. The Attalus team then performs extensive, due diligence by conducting on-site reviews, conference calls and meetings as well as a quantitative and qualitative review and reference and background checks of the Portfolio Manager and its investment professionals. This filtering leads to a final group of funds or strategies that are a

potential fit within an Attalus Portfolio. These are the funds that will enhance the portfolio based on their potential for alpha generation, risk mitigation and qualitative correlation.

If the sourcing process and initial research uncovers a promising fund manager, Attalus implements a thorough process to compile a comprehensive understanding of the manager. Attalus professionals compile and evaluate, among other things, (i) the background of the Manager and its investment professionals; (ii) the Manager's infrastructure (including research, trading, technology and operations); (iii) the risk controls and portfolio management processes employed by the Manager; (iv) the core competency and viability of the Manager's strategy and method of trade execution; and (v) try to identify a manager's specific skill(s) and the sustainability of that investment edge.

The Attalus team also investigates periods of out/under performance to understand the manager's weaknesses and strengths by evaluating the correlations of performance among funds and attempts to assess how these correlations may change in various market scenarios paying close attention to performance explanations in times of past market stress. Performance attribution is also examined to learn whether a manager can make money both long and short the market.

This evaluation process typically entails ongoing discussions over an extended period of time, and continues after investment. Minimally, for each investment, Attalus endeavors to conduct a complete annual review including study of audited financial statements, one in-person meetings annually, quarterly conference calls, and monthly holdings/portfolio report reviews.

Investment Strategies

Attalus specializes in, but is not limited to, investing in long-only and long-short equity strategies, event driven strategies, relative value strategies, tactical trading strategies, and emerging markets strategies including private equity. These strategies involve a high degree of risk, including the risk that the entire amount invested may be lost and cannot be fully described in this Brochure. Such risks include the possibility that Attalus or the Managers may fail to estimate the correct value of financial instruments, the timing for correction of any such mistaken valuation, the volatility and pricing path of such instruments over time, and the risk that subsequent events may alter the value of such instruments. Owing to the possibility of a failure to estimate correctly the prospective relationship among elements of the respective portfolios, no guarantee or representation is made that the investment strategy will exhibit its desired effect. Strategies that work at one time may cease to work at another time or forever.

Risk of Loss

All investing involves a risk of loss that Clients should be prepared to bear. The identification of securities and other assets believed to be misvalued is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired by third-party managers or funds. Attalus cannot give any guarantee that it will achieve a Client's investment objectives or that Clients will receive a return on its investment. Below is a summary of potentially material risks for each significant Attalus investment strategy used, the methods of analysis used, and/or the particular type of security recommended.

Dependence on Attalus and Third-Party Managers – Investors in an Attalus Fund have no authority to make decisions or to exercise business discretion on behalf of any Attalus Fund. The investment decision-making process includes certain senior members of the Investment Committee. Business authority is delegated to the Management Committee of Attalus. Attalus invests assets of the Attalus Funds with third-party Managers. The success of the Attalus Funds depends upon the ability of Attalus and those Managers to develop and implement investment strategies that achieve the Attalus Funds’ investment objectives. Investments in the underlying funds carry additional risks including, but not limited to, lack of diversification, lack of transparency, reliance on Managers for performance information, mistakes arising from lack of operational control, investment “style drift,” and dependence on key personnel of the Managers.

- *Managed Account Allocations* - Attalus may place assets with a number of Sub-Advisers through opening discretionary managed accounts rather than investing in Portfolio Funds. Managed accounts expose a Fund to theoretically unlimited liability, and it is possible, given the leverage that may be employed by the Sub-Advisers, that a Fund could lose more in a managed account directed by a particular Sub-Adviser than a Fund had allocated to such Sub-Adviser to invest.
- *Limited Liquidity* – Investors in Attalus Funds should consider the investment as speculative involving substantial risk due to, among other things, the relatively illiquid nature of the Portfolio Funds’ investments, and the illiquidity of interests in the Attalus Funds. An investment in a Fund provides limited liquidity since the Shares are not freely transferable and generally a shareholder has limited redemption rights. A Fund may also suspend the redemption rights of the shareholders. An investment in an Attalus Fund is suitable only for sophisticated investors who are able to bear the financial risk of an illiquid investment for an indefinite period of time, and should be able to sustain the possible loss of the entire amount invested.
- *NAV Estimates* - In most cases, the Administrator, the Board of Directors and/or Attalus will have no ability to assess the accuracy of the valuations received from a Sub-Adviser or the administrator of a Portfolio Fund. Furthermore, the NAVs received by a Fund from such Sub-Advisers will typically be estimates only, subject to revision through the end of each Portfolio Fund's annual audit. Revisions to a Fund's gain and loss calculations will be an ongoing process, and no appreciation or depreciation figure can be considered final until a Fund's annual audit is completed.
- *Valuations* - Certain securities in which Portfolio Funds invest may not have a readily ascertainable market price. Such securities will nevertheless generally be valued by its Portfolio Manager based on unaudited financial records and will therefore be subject to adjustment. This valuation will be conclusive with respect to the Attalus Fund, even though Managers will generally face a conflict of interest in valuing such securities because the value thereof will affect their compensation. Therefore redemptions from an Attalus Fund may be subject to a subsequent adjustment resulting in an investor receiving an amount that is greater or less than the amount such investor would have received on the basis of the adjusted valuation.

- *Leverage* – The Attalus Funds themselves may use portfolio level leverage (up to a limit of 10 percent on a cost basis of the Fund’s assets under management, at the Fund level). All of the Attalus Funds invest in Portfolio Funds that may employ varying levels of leverage. Although leverage has the ability to increase returns, it introduces greater risk by magnifying both gains and losses. Under adverse market conditions, the losses will be greater than if leverage was not employed. Generally when employing leverage through a margin account, as would the Portfolio Funds, the lender requires a discretionary amount of collateral to be posted as security against the loan forming a lien. If the lender were to increase the amount of margin required, which could also be a function of the regulatory environment, the Portfolio Fund might be compelled to dispose of assets at times and prices that could be disadvantageous and result in substantial losses. The lien, too, introduces credit risk against the lender but through the due diligence process, Attalus evaluates that the Portfolio Funds have entered into financing arrangements with fiscally sound lenders in an effort to keep credit risk *de minimus*.

Disciplinary Information

Attalus and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client’s evaluation of the company or its personnel.

Other Financial Industry Activities and Affiliations

Attalus and its employees do not have any relationships or arrangements with financial services companies that pose material conflicts of interest.

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

Attalus has policies to avoid conflicts of interest when employees own, buy or sell securities. The firm has adopted a Code of Ethics that is designed to detect and prevent conflicts of interest. Certain personal securities transactions are required to be pre-cleared and monitored by the firm’s compliance personnel. The firm’s policies and procedures require that the firm’s employees always put the firm’s clients’ interest first. The firm will only recommend Attalus funds or separate accounts to clients based solely on investment considerations, including whether the investments are suitable for a client and meet the client’s investment guidelines. Attalus’ Code of Ethics is predicated on the principal that Attalus owes a fiduciary duty to its clients. Employees of Attalus must avoid activities, interests and relationships that are or appear to be contrary to the best interest of clients. Attalus requires employees to (i) place client interest ahead of Attalus; (ii) engage in personal investing that is in compliance with the Attalus policy; (iii) avoid taking advantage of such employee’s position of employment; (iv) comply with the spirit and the letter of the U.S. federal securities laws and the rules governing the capital markets; (v) pre-clear certain transactions and periodically report securities holdings and transactions, and (vi) report violations of the Code to appropriate supervisory personnel. A copy of the firm’s Code of Ethics is available upon request.

Attalus is the general partner for Attalus Explorer Fund, L.P. in which certain clients are solicited to invest.

Brokerage Practices

The majority of Attalus Funds' transactions are directly with third-party managers and funds without the involvement of any financial intermediary such as a broker-dealer. Thus commissions are not ordinarily payable in connection with such investments. In the instances where Attalus uses a broker to trade, the financial stability and reputation of the broker and its execution capabilities is taken into consideration. It is the policy of Attalus to always seek best execution for Client securities transactions. Attalus generally takes the following into account when selecting broker dealers: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer and (iv) the competitiveness of commission rates in comparison with other broker-dealers satisfying Attalus' other selection criteria. Although Attalus generally seeks competitive commission rates and commission equivalents, it may not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services. Attalus has not participated in any formal soft dollar programs where it receives products or research services in return for payment of commissions to brokers or dealers. Attalus typically executes client transactions on an aggregated basis when it believes that to do so will obtain best execution and allow to negotiate more favorable commission rates or other transaction costs that might have otherwise been paid had such orders been placed independently. Instances in which client orders will not be aggregated include, but are not limited to, the following: tax, legal, regulatory, cash availability, or other administrative reasons. Clients participating in an aggregated order generally will receive the average price of the transaction and pay their share of transaction costs. On occasion if an order is partially filled participating accounts will receive a pro rata average priced allocation of the order. Attalus' allocation procedures seek to allocate investment opportunities among Clients in the fairest possible way taking into account Clients' best interests and the appropriateness of investments in relation to a Fund's investment objectives. Attalus will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any Client or group of Clients.

Review of Accounts

Once a fund manager is retained, Attalus monitors the relationships through on-site visitations, analysis of the investment portfolio, and discussions with the manager and with investment personnel associated with the fund manager. Formal and informal conversations are held by sector analysts with the underlying hedge fund investments at least monthly to maintain an understanding of the hedge fund managers' thoughts regarding opportunities in their respective markets and their current risk profile levels. On-site visits are generally conducted on an annual basis. The goal of this ongoing analysis is to provide Attalus with information to ascertain a fund manager's ability to implement its strategy successfully and, when necessary, adapt the investment program to changes within the financial markets. It is this ongoing evaluation process, not the fund manager's past performance that will ultimately determine when it is appropriate to maintain, increase, or terminate an allocation. Investments will be redeemed if it is determined that changes within its process of key personnel or secular changes in the capital markets inhibit or eliminate exploitation of the fund manager. Monitoring of investments is executed by each member of the investment team and each

fund manager is contacted regularly.

Investors receive monthly valuations directly from Attalus' third party administrator. The reports typically contain the net asset value at the beginning of a reporting period, the change in the net asset value for the period and the ending net asset value. Investors will receive final unaudited monthly reports. Investors also receive annual audited financial statements of a Fund(s) prepared in accordance with generally accepted accounting principles

Client Referrals and Other Compensation

Attalus does not engage the services of any placement agents who are compensated for referring investors however it reserves the right to do so. Other than the management fees and performance compensation disclosed herein, Attalus does not receive any material compensation or economic benefits in connection with the provision of investment services to the Attalus Funds.

Within its Code of Ethics, Attalus maintains written policies and procedures with regard to the giving and receipt of gifts and gratuities and the giving of donations, contributions, and sponsorships. These policies and procedures require, among other things, internal approval for certain activities in order to help minimize the risks associated with potential conflicts of interest between the interests of Attalus and its clients. Further, such policies and procedures prohibit giving or receiving gifts, donations, contributions, sponsorships, and other gratuities that Attalus determines are lavish or excessive under the circumstances.

Custody

Client assets are held in custody by unaffiliated broker/dealers or banks; however by virtue of the general power of attorney provided to Attalus in the investment management agreements it enters into with the Attalus Funds, it has access to Fund assets since it or a related person serves as the managing member or general partner of the Funds. To comply with the Advisers Act Custody Rule (i.e. Rule 206(4)-2) and to provide meaningful protection to investors, each Fund is subject to an annual financial statement audit by an independent public account registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements are prepared in accordance with generally accepted accounting standards, and are distributed to investors within 180 days (or 120 days for a Fund that is not a fund of funds) of the each Fund's fiscal year end, in accordance with Rule 206(4)-2 under the Advisers Act.

Investment Discretion

Attalus serves as an investment manager or adviser to the Funds and generally has complete discretion and authority to manage and direct the investment of capital for the Funds. This authority is provided to Attalus through an advisory agreement signed with a Fund. Any limitations on Attalus' authority is included in Fund offering documents, advisory agreements, investor side letters, and/or the Company's internal compliance policies and procedures.

Voting Client Securities

Attalus has not voted proxies for Clients, the third-party managers vote Attalus' Clients' proxies. Clients or investors may not direct Attalus to vote proxies in a particular solicitation.

Financial Information

Attalus has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.