

Kellner Management, LP
June 2015

This brochure provides information about the qualifications and business practices of Kellner Management, LP (“Kellner Management”), an investment advisor registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the content of this brochure, please contact us at 212-350-0262 or gfriedman@kellnercap.com. This information has not been approved or verified by the United States Securities and Exchange Commission or by and state securities authority.

Additional information about Kellner Management is also available on the SEC’s website at www.adviserinfo.sec.gov.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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Item 2. MATERIAL CHANGES

The last annual amendment of Form ADV Part II was released on July 17, 2014. Since that amendment, Kellner Management entered into an investment advisory agreement with an affiliated registered investment company employing an event driven investment strategy.

This brochure should be reviewed in its entirety.

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Item 4. ADVISORY BUSINESS

Kellner Management, LP (“Kellner Management”) is an SEC registered investment advisor that was founded in 2002. Kellner Management is owned by its general partner, Kellner Capital, LLC, a Delaware LLC majority owned and controlled by George A. Kellner, and its limited partner, George A. Kellner.

Kellner Management provides investment management and advisory services on a discretionary basis to affiliated registered investment companies. The clients may impose restrictions on investing in certain securities or types of securities. Kellner Management does not tailor advisory services to the individual needs of investors in the registered investment companies. Investment management and advisory services are provided to the clients pursuant to merger arbitrage and event driven strategies.

As of June 30, 2015, Kellner Management had approximately \$91 million of client assets under management, all on a discretionary basis.

Item 5. FEES AND COMPENSATION

Kellner Management receives a management fee of 1.25% per annum and a 12b-1 fee of .25% per annum (on Class “A” shares only) on the value of each shareholder’s investment in its merger arbitrage affiliated registered investment company and a management fee of 1.50% per annum and a 12b-1 fee of .25% per annum (on Class “A” shares only) on the value of each shareholder’s investment in its event driven affiliated registered investment company. Kellner Management has contractually agreed to waive a portion or all of its management fees and pay its affiliated registered investment companies’ expenses in order to limit its net annual operating expenses.

In addition to a management fee, the affiliated registered investment companies’ clients also incur brokerage and other transaction costs. Please refer to Item 12 of this brochure for a discussion of Kellner Management’s brokerage practices. Additionally, the clients may also be subject to other expenses including, but not limited to, administrator expenses, custodian fees, filing fees, research expenses, legal fees, compliance fees, taxes, tax preparation and audit fees. In instances where clients’ assets are invested in ETFs, pooled investment vehicles or registered investment companies, the clients bear their pro rata share of the investment management fees, performance fees and other expenses of the underlying investments.

Item 6. PERFORMANCE –BASED FEES AND SIDE-BY-SIDE MANAGEMENT

While Kellner Management does not charge its clients a performance based fee, an entity under common control, Kellner Private Fund Management, LP (“Kellner Private”), provides investment management and advisory services to affiliated pooled investment vehicles and to sub accounts of non affiliated pooled investment vehicles and it or an affiliated entity is entitled to be paid or allocated performance-based compensation. In

addition, some of Kellner Management's personnel are also employed by Kellner Private pursuant to an expense sharing agreement. Such personnel are typically compensated on a basis that includes a performance based component. Because the affiliated registered investment companies' clients of Kellner Management and the affiliated pooled investment vehicles and the sub accounts of the non affiliated pooled investment vehicles managed by Kellner Private have similar investment strategies, Kellner Management and Kellner Private along with certain of their investment personnel have an incentive to favor the account that pays the higher fees.

Kellner Management has adopted and implemented policies and procedures intended to address conflicts of interest relating to multiple accounts managed by Kellner Management and entities under common control that share similar investment strategies and the allocation of investment opportunities. Kellner Management reviews investment decisions for the purpose of ensuring that accounts with similar investment strategies are treated equitably. The performance of similarly managed accounts is compared at least monthly to determine whether there are any unexplained significant discrepancies. In addition, Kellner Management's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities on a pro rata basis to the extent that orders are aggregated and that they be done so on an average price basis. Finally, Kellner Management's procedures also require that objective allocation for limited opportunities to ensure fair and equitable allocation amount accounts.

Item 7. TYPES OF CLIENTS

Kellner Management's clients are affiliated registered investment companies. Underlying investors in the affiliated investment companies can be individuals, tax exempt entities, corporations, partnerships, limited liability companies, IRA's and trusts.

Initial and subsequent investment minimums for shareholders of the affiliated registered investment companies are disclosed in their prospectuses.

Item 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Kellner Management provides investment management services to its clients pursuant to merger arbitrage and event driven strategies.

Merger Arbitrage Investment Strategy

Merger arbitrage involves the purchase and selling of public securities which are the subject of an acquisition attempt, exchange offer, tender offer, recapitalization or other corporate reorganization or liquidation. The strategy seeks profits thru the trading of securities (primarily public equities).

When a proposal for a merger or an exchange offer is publicly announced, Kellner Management will evaluate the proposed transaction and form a judgment as to the

probability of its consummation. Kellner Management utilizes a rigorous analytical process with investment decisions based on fundamental analysis, valuation, timing and risk/reward considerations.

If Kellner Management determines that it is probable that the transaction will be consummated, it may purchase shares of the target company. In order to hedge against the risk of market fluctuation in the securities to be received, Kellner Management may sell securities of the acquiring company short (transactions in listed stock options are also used to hedge long and short positions).

In this activity, when Kellner Management determines that it is probable that a transaction will be consummated, Kellner Management will purchase securities at prices often only slightly below the anticipated value to be paid or exchanged for such securities in the merger, exchange offer or cash tender offer (and substantially above the prices at which such securities traded immediately prior to the announcement of the merger, exchange offer or cash tender offer). If the proposed merger, exchange offer or cash tender offer appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the security to be tendered or exchanged will usually decline sharply by more than the difference between the purchase price and the anticipated consideration to be paid (the anticipated profit). In addition, where a security to be issued in a merger or exchange offer has been sold short in the expectation that the short position will be covered by delivery of such security when issued, failure of the merger or exchange offer to be consummated may force Kellner Management to cover its short position in the market at a higher price than its short sale, with a resulting loss.

In addition, Kellner Management may determine that the offer price for a security which is the subject of a tender offer is likely to be increased, either by the original bidder or by another party. In those circumstances, Kellner Management may purchase securities above the offer price, thereby exposing the merger portfolio to an even greater degree of risk.

Where Kellner Management determines that it is probable that a transaction will not be consummated, Kellner Management may sell the securities of the target company short, at times significantly below the announced price for the securities in the transaction. If the transaction (or another transaction, such as a “defensive” merger or a “friendly” tender offer) is consummated at the announced price or a higher price, Kellner Management may be forced to cover the short position in the market at a higher price than the short sale price, with a resulting loss.

The consummation of mergers, exchange offers and cash tender offers can be prevented or delayed by a variety of factors. An exchange offer or a cash tender offer by one company for the securities of another will often be opposed by the management or shareholders of the target company on the grounds that the consideration offered is inadequate or for a variety of other reasons. This opposition will often result in litigation in which it may be alleged, among other things, that the offering material supplied by the offeror contains inadequate, false or misleading disclosures, that the offeror has, by its activities in connection with the offer, violated federal and/or state securities or takeover

laws, or that the proposed acquisition would violate federal antitrust laws, margin regulations or other statutes or regulations. The same allegations may be made in litigation brought by federal or state regulatory agencies or authorities to prevent or delay the proposed acquisition, including litigation brought by the SEC, the Antitrust Division of the Department of Justice or the Federal Trade Commission. Depending on the industry involved in a particular transaction, the consummation of the transaction may require the approval or non-action of other regulatory bodies, such as the Federal Reserve Board, the Department of Transportation, the Interstate Commerce Commission, the Office of Thrift Supervision or the Federal Communications Commission. In addition, management of a target company may seek a “defensive” merger with, or a “friendly” tender offer by, a company other than the offeror, or propose its own recapitalization plan, although such action would not usually result in a loss.

The consummation of a transaction may be delayed for compliance with the Hart-Scott-Rodino Antitrust Improvements Act of 1976 which requires certain waiting periods before the transaction may be completed, waiting periods required under state takeover laws, and, with respect to mergers, exchange offers and recapitalization plans in which securities are to be offered, the need to register the offered securities under the Securities Act.

Offerors in tender or exchange offers customarily reserve the right to cancel such offers in the above and a variety of other circumstances, including an insufficient response from shareholders of the target company. Even if the defensive activities of a target company or the actions of regulatory authorities fail to defeat an acquisition, they may result in significant delays, during which the merger portfolio’s capital will be committed to the transaction and interest charges on funds borrowed to finance its arbitrage activities in connection with the transaction may be incurred.

Where a merger, an exchange offer or a cash tender offer has been agreed upon by the management of the two companies involved, its consummation may be prevented by intervention of a government regulatory agency (as described above), a shareholder’s suit to enjoin the proposed transaction or, in the case of a merger, the failure of the shareholders of the company to be acquired, and, where necessary, the acquiring company, to approve the merger, market conditions resulting in material changes in securities prices, and a variety of other circumstances, including, but not limited to, the failure to meet certain conditions customarily specified in acquisition agreements.

Cash tender offers by corporations, or their controlling shareholders, management or other affiliates, for the shares of such corporations, made with the intent of “going private”, are often opposed by minority shareholders alleging that the proposed transaction is financially inadequate or inherently unlawful, and such transactions have on occasion been enjoined. Certain rules of the SEC require especially complicated disclosures relating to such transactions concerning, among other things, the fairness of such transactions to public shareholders. Such rules can be expected to generate grounds for additional litigation by shareholders or the SEC.

An exchange offer or a cash tender offer will often be made for less than all of the outstanding securities of an issuer, with the provision that, if a greater number is tendered, securities will be accepted pro rata. Thus, after the completion of a tender offer, and at a time when the market price of the securities has declined below its cost, Kellner Management may have returned to it, and be forced to sell at a loss, a portion of the securities it tendered.

Kellner Management will attempt to assess all of the foregoing risk factors, and others, in determining the extent of the position it will take in the relevant securities and the price it is willing to pay for such securities. However, many risks, such as the outcome of pending or threatened litigation, cannot be quantified.

Moreover, it is likely that many of the merger arbitrage portfolio's positions will be in securities the then current market for which consists primarily of other merger arbitrage firms and partnerships. Consequently, it is likely that adverse developments of a kind which may trigger a determination to dispose of a position may require Kellner Management to sell into a limited market which is crowded with other significant sellers.

Short-term fluctuations in the level of interest rates generally will affect the operating results of merger arbitrage portfolios, not only with respect to its own borrowing costs, but also with respect to their effect on the market value of target company securities and the cost of money to bidders therefore.

Changing market and economic conditions (including fluctuations in the credit markets), and other factors such as changes in U.S. federal or state tax laws, U.S. federal or state securities laws or accounting standards, may make corporate acquisitions less desirable or may make merger arbitrage less profitable or unprofitable. For example, an increase in the prices of equity securities generally might diminish the number of such transactions. In addition, legislation is proposed from time to time which would limit or prohibit certain transactions. Similarly, rule making, adjudicatory or other activities of the SEC, FINRA, or any securities exchange may make the merger arbitrage trading activities less feasible, less profitable or both.

Event Driven Investment Strategy

Event driven investing seeks to achieve positive risk-adjusted returns independent of the returns generated by the overall equity markets. Kellner Management pursues this investment objective by allocating assets using various strategies that seek to profit from securities experiencing catalyst driven change. Catalyst driven change refers to potential mispricings of securities created by the risks related to specific corporate transactions or market events. Such events can include: mergers, bankruptcies, financial or operational stress, restructurings, asset sales, recapitalizations, spin-offs, litigation, regulatory and legislative changes as well as other types of events. Under normal market conditions, Kellner Management employs a variety of these strategies and in a variety of asset classes including, without limitation, equity securities, fixed-income securities, and derivative instruments.

The types of equity securities in which Kellner Management may invest include, but are not limited to, common and preferred stocks of all market capitalizations, rights, warrants, convertibles, partnership interests (including master limited partnerships (“MLPs”)) and investment companies, including exchange-traded funds (“ETFs”). Kellner Management may invest in securities of foreign issuers, including issuers in emerging markets, and in foreign securities in the form of depositary receipts, such as American Depositary Receipts (“ADRs”), European Depositary Receipts (“EDRs”) and Global Depositary Receipts (“GDRs”).

Fixed-income securities in which Kellner Management may invest include, but are not limited to, those of domestic and foreign governments, government agencies, asset-backed securities, mortgage-backed securities, exchange-traded notes (“ETNs”), senior secured and unsecured floating rate bank loans (*i.e.*, loan assignments and participations) and other floating rate securities, municipalities and companies across a wide range of industries, market capitalizations and maturities and may include those that are rated below investment grade (*i.e.*, “junk bonds”). Kellner Management may also invest in Rule 144A and other restricted securities and securities issued pursuant to initial public offerings (“IPOs”).

In seeking investments experiencing catalyst driven change, Kellner Management will use a variety of investment strategies, focusing on opportunities that provide the most attractive risk/reward profile. These investment strategies include:

- Event Driven – Event driven investing involves the purchase of securities and other obligations that are subject to corporate activity or other catalyst-driven event where Kellner Management believes the market price does not adequately reflect the effect such activity will have on the securities’ valuation.
- Stressed and Distressed Securities – Stressed and distressed securities investing includes the purchase of securities and other obligations of companies that are experiencing financial or business difficulties, including companies in bankruptcy. Kellner Management invests in stressed and distressed securities to gain exposure to debt instruments whose pricing does not accurately reflect their value.
- Long/Short Equity, Equity Market Neutral and Dedicated Short Bias – These strategies provide long and short exposure to equity securities that Kellner Management expects to increase or decrease in value, respectively.
- Merger Arbitrage – This strategy involves purchasing securities of companies that are involved in publicly announced mergers, takeovers, tender offers, leveraged buyouts, spin-offs, liquidations and other corporate reorganizations.
- Capital Structure Arbitrage Strategies – This strategy involves purchasing securities of an issuer coupled with the sale of other securities of the same issuer to take advantage of price disparities between the two types of securities that may occur as a result of the issuer’s current financial situation.

- Convertible Arbitrage – This strategy involves purchasing a convertible bond and selling short the underlying common stock to seek to profit from an improvement in the credit quality of the issuer while hedging against default risk.
- Volatility Strategies – These strategies include model based trading that establishes long/short positions that seek to profit from pricing differences in the implied volatility of options, futures and cash on the same asset across different strike prices or terms of expiration.
- Other Strategies – Kellner Management may also employ other investment strategies that are complimentary to the strategies discussed above. Kellner Management may employ these other strategies directly or by investing in investment vehicles, such as a partnership or a fund, managed by an unaffiliated third party.

The investment process for merger arbitrage and event driven investing involves the continuous screening of the universe of available opportunities to optimize investment selection, maximize total returns, and manage risk. Kellner Management utilizes a rigorous analytical process with investment decisions based on fundamental analysis, quantitative analysis, technical analysis, qualitative analysis, valuation, timing and risk/reward considerations.

Fundamental analysis attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself). In merger arbitrage investing it is primarily used to gauge the amount at risk if a transaction does not consummate and to determine if an offer for a company is at a fair premium or might be subject to higher bids.

Technical analysis attempts to analyze past market movements and apply that analysis to the present to supplement fundamental research and in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk that a poorly managed or financially unsound company may underperform regardless of market movement. Technical analysis is often used to supplement fundamental analysis and is not typically relied on exclusively.

Quantitative analysis uses mathematical models in an attempt to obtain accurate measurements of a company's quantifiable data such as the value of a share price or earnings per share. A risk of using quantitative analysis is that the models used may be based upon assumptions that may be proved to be incorrect.

Qualitative analysis subjectively evaluates non-quantifiable factors such as the quality of management, labor relations, and strength of research and development factors not readily subject to measurement in an attempt to predict changes to a securities price based

on that data. A risk of using qualitative analysis is that Kellner Managements subjective judgment may prove to be incorrect.

Portfolios may be constructed of both long securities and securities sold short. Positions may be financed through the use of leverage. Kellner Management may also purchase or sell options on the underlying equity securities or other derivative securities in order to enhance returns or reduce risk.

To obtain exposure to long and short positions in securities, Kellner Management expects to enter into total return equity swap agreements. Swap agreements are two party contracts for periods ranging from a few days or weeks to more than one year. In a standard total return “swap” transaction, two parties agree to exchange the returns which might be earned or realized on particular investments or instruments or a basket of investments or instruments. The parties do not actually invest in or own the underlying securities or instruments that are the subject of the swap contract. Under such a swap agreement, Kellner Management’s affiliated registered investment companies pay the other party to the agreement (a “swap counterparty”) fees plus an amount equal to any negative total returns from the underlying investments specified in the swap agreement. In exchange, the counterparty pays Kellner Management’s affiliated registered investment companies an amount equal to any positive total returns from the stipulated underlying investments.

Derivative instruments are subject to a number of risks, including the risk of changes in the market price of the underlying securities, credit risk with respect to the counterparty, risk of loss due to changes in interest rates and liquidity risk. The use of certain derivatives may also have a leveraging effect, which may increase volatility and reduce returns.

Kellner Management may invest in foreign (non-U.S.) securities. Such investments may result in more rapid and extreme changes in value than an investment exclusively in securities of U.S. companies due to smaller markets, differing reporting, accounting and auditing standards, nationalization, expropriation or confiscatory taxation, foreign currency fluctuations, currency blockage, political changes or diplomatic developments.

Investments and trades are made without regard to portfolio turnover considerations, and therefore annual portfolio turnover rate may be high. Such frequent trading affects investment performance through increased brokerage and transaction costs and the realization of taxable gains and losses.

Kellner Management may, from time to time, employ various hedging techniques to reduce the risk of speculative investments in securities. There remains a substantial risk, however, that hedging techniques may not always be effective in limiting losses. If the portfolio manager analyzes market conditions incorrectly or employs a strategy that does not correlate well with the portfolio’s investments, the hedging techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. These hedging techniques may also increase the volatility of results, involve a small investment

of cash relative to the magnitude of risk assumed, or result in a loss if the other party to the transaction does not perform as promised.

Kellner Management's objective is to invest its capital in those situations which the portfolio manager believes will offer the greatest risk-adjusted returns. Although Kellner Management will follow a general policy of seeking to spread risk among a number of investments, its client's portfolio may, at certain times, hold a few relatively large (in relation to its capital) securities positions, with the result that a loss in any such position could have a material adverse impact on the portfolio's capital.

Since Kellner Management will increase the number and/or size of its investment positions through the use of leverage (i.e., purchasing securities by putting up only a portion of the instrument's value and in effect borrowing the remainder), the possibilities for profit and the risk of loss will be increased. As the result of the use of leverage, fluctuations in the market value of the portfolio may therefore have a disproportionately large effect on the value of its capital. Leveraged investments may result in losses in excess of the amounts invested. In addition, short-term fluctuations in the level of interest rates generally will affect the operating results of the portfolio, with respect to its own borrowing costs and rebates received on short sales.

The securities markets are speculative; prices are volatile; and market movements are difficult to predict. Supply and demand for securities change rapidly and are affected by a variety of factors, including interest rates and general trends in the overall economy or particular industrial or other economic sectors. Government actions, especially those of the Federal Reserve Board, have a profound effect on interest rates, which, in turn, affect the price of securities and potential profit opportunities on securities involved in corporate transactions. In addition, a variety of other factors which are inherently difficult to predict, such as domestic and international political developments, governmental trade and fiscal policies, patterns of trade and war or other military conflict can also have significant effects on such markets. Kellner Management may have only limited ability to vary the investment portfolio in response to changing economic, financial and investment conditions. No assurance can be given as to when or whether adverse events might occur which could cause significant and immediate loss in the value of the portfolio. Even in the absence of such events, investing and trading securities can quickly lead to large losses. Because of the inherently speculative nature of these activities, results may be expected to fluctuate from month to month and from period to period.

Kellner Management may engage in short selling. Selling securities short runs the risk of losing an amount greater than the amount invested. Short selling is subject to unlimited risk of loss because there is no limit on how much the price of the stock might appreciate before the short position is closed. A short sale may result in a sudden and substantial loss if, for example, an acquisition proposal is made for the subject company at a substantial premium over market price.

At various times, the markets for securities purchased or sold by Kellner Management, although organized and active, may nevertheless be "thin" or illiquid, making the

purchase or sale of securities at desired prices or in desired quantities difficult or impossible. For example, many securities exchanges have authority to suspend trading in a particular security without notice. Further, the lack of an established secondary market may make it more difficult to value illiquid securities, and as a result such valuations may vary materially from the amount realized at time of disposition.

If Kellner Management buys an option (either to sell or purchase a security), it may pay a premium representing the market value of the option. If the option is not exercised and the security underlying the option at expiration is less than the exercise price, the portfolio may lose the entire amount of the premium. Conversely, if Kellner Management sells an option (either to sell or purchase a security), it will be credited with the premium but will have to deposit margin or collateral due to its contingent liability to take or deliver the securities underlying the option in the event the option is exercised. Traders who sell options are subject to the entire loss occurring with respect to the underlying security (less any premium received). The writing or purchasing of an option runs the risk of losing the entire investment or substantially more than the entire investment, thereby causing significant losses in a relatively short period of time. The ability to trade in or exercise options also may be restricted in the event that trading in the underlying security becomes restricted. Options trading may also be illiquid in the event the portfolio manager invests in contracts with extended expirations.

The securities analysis methods used by Kellner Management rely on the assumption that the companies whose securities Kellner Management purchases and sells, the rating agencies that review these securities and other publicly available sources of information about these securities are providing accurate and unbiased data. While Kellner Management is alert to indications that data may be incorrect, there is always a risk that Kellner Management's analysis may be compromised by inaccurate or misleading information.

These methods, strategies and investments involve risk of loss to Kellner Management's client and clients of the affiliated registered investment companies must be prepared to bear the loss of their entire investment.

Item 9. DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose whether there are any legal or disciplinary events that would be material to a client's or prospective client's evaluation of Kellner Management. Neither Kellner Management nor any of its management personnel have been involved in a domestic or foreign criminal or civil action, or in any action in military court. Neither Kellner Management nor any management personnel have been involved in a proceeding with a self-regulatory organization.

Item 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Kellner Management has entered into investment advisory agreements with a series trust on behalf of its affiliated registered investment companies.

Kellner Management has entered into an expense sharing agreement with Kellner Private Fund Management, a SEC registered investment advisor under common control and with HitherLane Partners, LLC, a SEC registered broker dealer. Pursuant to these agreements Kellner Private Fund Management and HitherLane Partners will reimburse Kellner Management for the costs of certain shared personnel and facilities.

Item 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Kellner Management has adopted a Code of Ethics (the “Code”) that obligates it and its supervised persons to put the interest of Kellner Management’s clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All of Kellner Management’s personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Glen M. Friedman, Chief Financial and Compliance Officer by email at gfriedman@kellnercap.com, or by telephone at 212-350-0262.

Kellner Management requires all personnel to obtain permission of a principal prior to opening a personal trading account with a broker-dealer. Copies of all confirmations and statements of such account must be furnished to Kellner Management directly from the broker-dealer. In addition, all personal trading activity is required to be approved by a principal of Kellner Management before being placed with a broker. No trading in any principal, employee or related person’s account will be permitted if such transaction would adversely affect any of Kellner Management’s client accounts.

To monitor this process, pre-approval requests are compared to broker confirmations. In addition, transaction activity in each principal, employee or related person’s account is reviewed periodically for compliance with Kellner Management’s policy.

Shares of its affiliated registered investment companies are solicited to investors pursuant to prospectuses.

Pursuant to investment management and advisory agreements, Kellner Management and an affiliated entity regularly effect securities transactions for client accounts. Trading portfolios of clients with similar investment strategies are generally managed on a pari-passu basis. As a result, conflicts of interest may arise between the trading accounts managed for Kellner Management and its affiliated entity’s clients.

Investment decisions are made for the Kellner Management and its affiliated entity’s clients in a fair and equitable manner in light of the relevant investment considerations. Kellner Management considers participation by clients with similar investment objectives in each transaction unless Kellner Management makes specific determination that the transaction is not suitable for a particular client. In addition legal and structural

differences between Kellner Management and its affiliated entity's clients may result in different trade execution.

In certain instances, simultaneous transactions will occur for Kellner Management and its affiliated entity's clients. Purchases and sales are then allocated between the clients so that no party will be treated less favorably than the other. While in some cases this could have a detrimental effect upon the price or value of a security for one of the parties or upon its ability to complete an entire order, in other cases coordination and the ability to participate in volume transactions will be beneficial to parties. In general, purchases and sales that are deemed appropriate for the clients are allocated pro rata in accordance with relative assets under management or buying power (subject to rounding), after taking into account relative liquidity of each party and the security in question.

Item 12. BROKERAGE PRACTICES

As a general matter in executing portfolio transactions, Kellner Management may deal with such brokers or dealers as may, in Kellner Management's best judgment, provide prompt and reliable execution of the transaction at favorable security prices and reasonable commission rates. In selecting brokers or dealers, Kellner Management will consider all relevant factors, including the price (net of applicable brokerage commissions or dealer spread), size of the order, nature of the market for the security, timing of the transaction, the reputation, experience and financial stability of the broker or dealer, the quality of service, difficulty of execution and operation facilities of the firm involved.

In allocation brokerage, Kellner Management may take into consideration the receipt of research services even though such broker-dealers may charge commissions which exceed those other broker-dealers may have charged for the same transaction, if in Kellner Management's view the commissions are reasonable in relation to the value of the brokerage and/or research services provided by the broker-dealer, viewed in terms of either the particular transaction or Kellner Management's overall responsibilities with respect to the client as to which it exercises investment discretion. Thus, a client may be deemed to be paying for research, brokerage or other services provided by the broker-dealer which are included in the commission rate.

When appropriate under its discretion, Kellner Management may direct transactions for clients to broker dealers who provide Kellner Management with research and brokerage products and services either directly or thru client commission arrangements. The brokerage commissions used to acquire research and brokerage products and services are known as "soft dollars". Although Kellner Management will use the research and services in making investment decisions for its clients, it will generally pay more than the lowest available commissions for execution of these transactions. Kellner Management may enter into "soft dollar" arrangements to cover client expenses to the extent such arrangements are permitted by law.

All commissions paid by Kellner Management clients fall within the SEC's "safe harbor" provisions (section 28(e) of the US Securities Act of 1934, as amended) which allows an investment adviser to pay for research and brokerage services with the "soft dollars" generated by client account transactions. In determining whether a service or product qualifies as research or brokerage, Kellner Management evaluates whether the service or product provides lawful and appropriate assistance to Kellner Management in carrying out its investment decision-making responsibilities. Research and other services provided by brokers may include economic and market information, technical data, recommendations and market data services.

Kellner Management's authority to use "soft dollar" credits generated by the clients' securities transactions to pay for expenses that might otherwise have been borne by Kellner Management raises conflicts of interest as it may give Kellner Management an incentive to select brokers or dealers for client transactions, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by Kellner Management rather than giving exclusive consideration to the interests of the clients.

Kellner Management's Chief Compliance Officer periodically reviews and evaluates Kellner Management's soft dollar practices to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transactions or Kellner Management's overall responsibilities to the portfolios over which Kellner Management exercises investment discretion.

Kellner Management believes that its clients benefit from the services obtained with "soft dollars" generated by trades for the accounts of its clients. However, services received by Kellner Management will not be used for the exclusive benefit of any one client, and may not be distributed on a pro rata basis.

During Kellner Management's last fiscal year, and as a result of client brokerage commissions (or markups or markdowns), Kellner Management and/or its related persons received research reports, attended conferences, and held discussions with research analysts, among other things. In each case the product or service received met the eligibility criteria of the SEC's "safe harbor" provisions.

When appropriate, Kellner Management aggregates client orders for the purchase or sale of the same security submitted contemporaneously for execution using the same executing broker to achieve more efficient execution or to provide for equitable treatment among client accounts. Clients participating in aggregated trades are allocated securities based on the average price achieved for such trades. Such aggregation may enable Kellner Management to obtain for clients a more favorable price or better commission rate based upon the volume of a particular transaction. However, brokerage commission rates are not necessarily reduced as a result of such aggregation. In some instances,

average pricing may result in higher or lower prices than otherwise obtainable by a single client. Kellner Management allocates the securities purchased or proceeds of a sale pro rate among the participant accounts, based on the purchase or sale order.

Item 13. REVIEW OF THE ACCOUNTS

Analysis of market conditions and positions within an account occur continuously by Kellner Management's principals, portfolio managers and investment professionals. Trading strategies and portfolio positions for each account are discussed and reviewed at "morning meetings" which are held before the opening of the U.S. markets and are regularly attended by Kellner Management's principals, portfolio managers and investment professionals.

In addition, Kellner Management's principals, portfolio managers, investment professionals and other relevant personnel attend regularly scheduled weekly and monthly meetings to review account performance, market conditions, specific securities held, account portfolios and the risks inherent in such portfolios.

Investors in the affiliated registered investment companies receive quarterly statements, and annual and semi-annual reports which describe among other things returns, portfolio holdings, expenses, and risks.

Item 14. CLIENT REFERRALS AND OTHER COMPENSATION

Kellner Management may allocate brokerage to broker-dealers which provide it with research even though such broker-dealers may charge commissions which exceed those other broker dealers may have charged for the same transaction, if in Kellner Management's view the commissions are reasonable in relation to the value of the brokerage and/or research services provided by the broker-dealer, viewed in terms of either the particular transaction or Kellner Management's overall responsibilities with respect to the account as to which it exercises investment discretion. Please see Item 12 for further information on Kellner Management's brokerage practices.

Kellner Management has arrangements where it may pay fees to internal solicitors who introduce investors to Kellner Management's affiliated registered investment companies. Such fees are based upon a percentage of invested capital.

Item 15. CUSTODY

This item is not applicable

Item 16. INVESTMENT DISCRETION

Kellner Management provides investment management services on a discretionary basis to affiliated registered investment companies pursuant to investment advisory agreements. Subject to certain limitations, restrictions and objectives set forth in the

governing documents of the affiliated registered investment companies, Kellner Management has been granted complete discretion in the investment and reinvestment of client assets, is authorized to purchase and/or sell securities and other financial instruments and to determine the broker to be used for each securities transaction, subject to the requirements of best price and execution.

The investment advisory agreements of the affiliated registered investment companies provide Kellner Management with the power to supervise investments subject to the investment objectives, policies and restrictions as set forth in the affiliated registered investment companies' and their Trust's governing documents, including, without limitation, the Trusts Agreement and Declaration of Trust and By-Laws; the affiliated registered investment companies' prospectuses, statements of additional information and undertakings and such other limitations, policies and procedures as the Trustees may impose from time to time.

Item 17. VOTING CLIENT SECURITIES

Kellner Management has adopted a written statement of Proxy Voting Policies, Procedures and Guidelines to assure that client securities over which Kellner Management has voting discretion are voted in the best interests of the client and to resolve any material conflicts that may arise between the clients' interest and the interest of Kellner Management. In general, the applicable portfolio manager will exercise discretion to vote securities held for client accounts in a manner consistent with achieving the investment objectives that have been established for the client's account. Any material conflicts of interest that may arise will be disclosed to, and direction will be sought from, the client and, in the absence of direction, Kellner Management will abstain from voting the clients securities.

Kellner Management's authority to vote proxies or act with respect to other shareholder actions is established through the delegation of discretionary authority under the investment management, advisory or sub advisory agreements with clients. Therefore, unless a client specifically reserves the right, in writing, to vote its own proxies or to take shareholder action with respect to other corporate actions requiring shareholder actions, Kellner Management will vote all proxies and act on all other actions in a timely manner as part of its full discretionary authority over client assets.

Clients may obtain information on how their securities were voted or a copy of Kellner Management's Proxy Voting Policies, Procedures and Guidelines by written request addressed to Kellner Management.

Item 18. FINANCIAL INFORMATION

This item is not applicable.