

SHEFFIELD ASSET MANAGEMENT, L.L.C.
Part 2A of Form ADV: Firm Brochure

ITEM 1: COVER PAGE

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This brochure provides information about the qualifications and business practices of Sheffield Asset Management, L.L.C. ("Sheffield"), an investment adviser registered with the United States Securities and Exchange Commission ("SEC"). If you have any questions about the contents of this brochure, please contact us at 312-506-6403 or compliance@sheffieldmgmt.com. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Registration with the SEC does not imply a certain level of skill or training.

Additional Information about Sheffield is also available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2: MATERIAL CHANGES

Since the last annual amendment of this brochure in March 2014, no material changes were made to the brochure.

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ITEM 4: ADVISORY BUSINESS

Sheffield Asset Management, L.L.C., a Delaware limited liability company, began operation in February of 2003. Sheffield serves as the investment manager for and provides discretionary investment advisory services to various private investment funds. The funds offered to outside investors are Sheffield Partners, L.P., which we refer to as the "U.S. Fund," Sheffield Institutional Partners, L.P., which we refer to as the "U.S. Institutional Fund" and Sheffield International Partners, Ltd., which we refer to as the "Offshore Fund." The U.S. Institutional Fund and the Offshore Fund invest substantially all of their assets into Sheffield International Partners Master, Ltd., which we refer to as the "Master Fund." The U.S. Fund does not invest in the Master Fund, but pursues essentially the same investment strategy as the Master Fund. The purpose of the Master Fund is to achieve certain administrative efficiencies, and the Master Fund has no investors other than the U.S. Institutional Fund, the Offshore Fund and Sheffield. Prior to September 1, 2013, the U.S. Institutional Fund did not invest in the Master Fund, but was managed separately with essentially the same investment strategy as the Master Fund and the U.S. Fund. We refer to all of the above funds collectively as the "Funds," and each individually as a "Fund."

Brian Feltzin and Craig Albert, who we refer to as the "Principals," are the sole equity owners of Sheffield. Mr. Feltzin is Sheffield's founder and Managing Member and a co-Portfolio Manager. Mr. Albert joined Sheffield in January of 2004 as a Member and co-Portfolio Manager. Grosvenor Capital Management, L.P., a Chicago-based fund of funds manager, has a contractual right to receive payments from Sheffield based on a percentage of Sheffield's revenues. Grosvenor's interest in Sheffield does not represent any form of equity interest in Sheffield or in any Fund. Grosvenor does not control Sheffield or participate in any of its investment decisions.

Sheffield acts as investment manager for the Master Fund and the Offshore Fund, each of which is a Cayman Islands exempted company, and as general partner of the U.S. Fund and the U.S. Institutional Fund, each of which is a Delaware limited partnership. In this brochure, we will generally refer to trading activities on behalf of the Funds, but virtually all of the trading on behalf of the U.S. Institutional Fund and the Offshore Fund occurs at the Master Fund level.

On behalf of the Funds, Sheffield trades a variety of domestic and foreign securities, futures, derivatives and other instruments, including stocks, convertible securities, bonds, structured instruments and over-the-counter derivatives; however, the Funds' portfolios focus primarily on equity and equity-related securities. Sheffield takes both long and short positions in these instruments. The Funds have a broad investment mandate; there are no material limitations on the instruments that Sheffield trades on behalf of the Funds; and the Funds are subject to no formal diversification policies.

Sheffield has full discretion in trading on behalf of the Funds. It does not require, and does not seek, approval from the Funds or the investors in the Funds with respect to its trading. Sheffield does not tailor its advisory services to the individual needs of investors in the Funds, and investors in the Funds may not impose restrictions on investing in certain securities or types of securities. Sheffield does not participate in wrap fee programs.

As of December 31, 2014, Sheffield managed approximately \$1,058,772,000 of net client assets, all of which is managed on a discretionary basis.

ITEM 5: FEES AND COMPENSATION

Compensation

Compensation received by Sheffield consists of fees based on a percentage of assets under management and performance-based amounts, as more fully described below. Sheffield does not manage any funds or managed accounts that have a different fee structure (for example, only an asset-based fee).

Sheffield receives a management fee, in advance and on a quarterly basis, at a rate equivalent to an annual rate ranging from 1.0% to 1.5% of the net asset value of an investor's interest in a Fund. The management fee rate for the Funds generally differs based on the liquidity associated with the relevant interest, with interests having less liquidity being subject to a lower management fee.

Sheffield receives an annual performance-based allocation or fee of between 15.0 and 20% of "new profit," i.e., profit in a particular year in excess of a "high-water mark" attributable to a particular "tranche" of interests in the Fund. A "tranche" is a group of interests in the same series of a Fund held by the same investor and with the same date of investment. For example, an investor who invests in a particular series of interests in a Fund on two different dates will have two separate tranches of interests. The high-water mark for a tranche is equal to the highest cumulative profit attributable to the tranche as of the end of any previous year, or \$0 if there have not been profits attributable to the tranche as of the end of any previous year. The percentage of profits allocated or paid to Sheffield differs based on the liquidity associated with a particular tranche of interests in a Fund. In addition, the offering documents for the Funds include a discount mechanism for investor relationships over \$100 million.

Method of Payment of Fees

All fees or allocations received by Sheffield are deducted from Fund or investor accounts.

Fund Operating Expenses, Including Brokerage and Other Transaction Costs

In addition to the compensation payable to Sheffield, the Funds pay their ongoing operating and offering costs as set forth in the offering documents for each Fund, including, but not limited to:

- brokerage commissions, dealer mark-ups and other costs of executing transactions, which are discussed in more detail below;
- interest expense;
- legal, auditing, reporting and accounting expenses and regulatory reporting expenses (including, but not limited to, expenses incurred in connection with complying with Securities and Exchange Commission and Commodity Futures Trading Commission reporting obligations, such as expenses associated with reports of beneficial ownership of securities held by the Funds, as well as costs of preparing regulatory filings by the Funds or by Sheffield with respect to the Funds (including, but not limited to, Form PF));
- consulting fees and charges and the fees and charges of third parties retained by Sheffield to assist in evaluating prospective investments which may be made by the Funds, including research-related travel expenses;

- fees of the Funds' administrators;
- due diligence costs associated with evaluating trades in which the Funds invest, including travel expenses and payments to third parties for services such as identifying, evaluating, analyzing, pricing and developing trading strategies for trading in certain markets and implementing, managing and evaluating these strategies;
- computer software, data and information sources (such as Bloomberg) and licensing costs;
- research costs;
- costs and expenses related to directors' and officers' insurance;
- fees incurred in connection with the custody of assets of the Funds; and
- extraordinary expenses, including expenses relating to litigation or administrative proceedings.

Each Fund that invests in the Master Fund also pays its *pro rata* share of the expenses of the Master Fund, and accordingly, each investor in such Fund also indirectly pays its *pro rata* share of the expenses of the Master Fund.

In some cases, Sheffield may choose to pay certain expenses directly and obtain reimbursement therefor from the Funds.

The Funds are charged brokerage commissions, bid-ask spreads and other transaction costs and expenses in connection with their trading and investment activities as well as custodian fees for Fund assets held in cash or securities at various banks, broker-dealers and other financial institutions. For a discussion of the brokerage arrangements that Sheffield enters into on behalf of the Funds, see Item 12 below.

Negotiation of Fees: Waivers

Compensation payable to Sheffield is generally not negotiable, but under certain circumstances, Sheffield may, in its discretion, waive all or a portion of its management fees and/or incentive compensation for a particular investor.

Pre-Payment of Fees

As discussed above, management fees are paid by the Funds quarterly in advance but do not accrue until the end of each month. If an investor withdraws from a Fund during a calendar quarter, Sheffield will refund a *pro rata* portion of the management fee applicable to the withdrawn capital for that quarter, based on the timing of the withdrawal date.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As discussed in greater detail in Item 5 above, Sheffield receives performance-based compensation from investors in the Funds in the form of an allocation equal to a percentage of the appreciation in the net asset value of the investor's interest in the Fund.

Once a Fund's fiscal year has ended, any performance-based compensation earned during that year is not subject to reversal. The performance-based compensation received by Sheffield creates a conflict between Sheffield's interest in earning a profit in the short term and the long-term interests of the Funds and their investors. Specifically, Sheffield has an incentive to invest Fund assets in investments that are riskier or more speculative than would be the case if Sheffield were only compensated based on a flat percentage of capital, because these investments may allow Sheffield to collect larger performance-based compensation in a given year. To address this conflict, Sheffield has adopted and implemented written compliance policies and procedures designed to ensure that Sheffield abides by its fiduciary duty to act in the best interests of the Funds.

ITEM 7: TYPES OF CLIENTS

Sheffield provides discretionary investment advice to the Funds. The investors in the Funds generally consist of institutions, family offices, fund of funds and high net worth individuals and trusts. The U.S. Fund limits its investors to persons who are both "accredited investors," as defined in the Securities Act of 1933, and "qualified clients," as defined in the Investment Advisers Act of 1940, which we refer to as the "Advisers Act." The U.S. Institutional Fund limits its investors to persons who are both "qualified purchasers," as defined in the Investment Company Act of 1940, and "accredited investors," as defined in the Securities Act of 1933. Investors in the Offshore Fund must either be both "qualified purchasers" and "accredited investors," or non-United States persons. The minimum initial investment for the U.S. Institutional Fund and the Offshore Fund is currently \$5 million, and the minimum for the U.S. Fund is currently \$1 million. All minimums can be reduced or waived in Sheffield's sole discretion.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investment Objectives, Philosophy and Overview

The Funds concentrate their capital in a limited number of long-term investments in the securities of businesses which Sheffield believes to be trading at attractive valuations. The Funds may invest in both long and short positions in domestic and foreign common and preferred stocks, bonds, notes, options, index securities and other financial instruments that Sheffield believes offer the potential for attractive risk-adjusted returns. The Funds invest in both readily marketable and illiquid securities. The Funds may also invest in new issues of securities, provided that they comply with all of the rules and regulations pertaining to such investments, including the conduct rules of the Financial Industry Regulatory Authority, Inc., commonly referred to as "FINRA."

Sheffield's investment philosophy is based upon the belief that, over the long term, the investment environment is generally both rational and efficient. Over the short term, however, the investment environment can be characterized by inefficiencies whereby a company's public market value deviates materially from its fundamental or intrinsic value.

Sheffield believes that intrinsic value, in contrast to public market value, is an imprecise concept that can be estimated only by undertaking substantial due diligence, including rigorous company, financial and industry analysis. Intrinsic value reflects the amount an informed, rational buyer would pay for ownership of an entire company. The basis of the Funds' investment philosophy is to attempt to exploit, through either purchases or short-sales, significant differences between intrinsic and market value. Sheffield will focus on investments in which it has identified a likely catalyst which may cause the market's perceived discount from or premium over intrinsic value to correct in the near- to mid-term.

Sheffield attempts to implement a disciplined, value-oriented approach to investing but believes that maintaining a flexible and opportunistic investment style is important to the Funds' prospects for success.

Investment Strategy

Sheffield's objective is to construct and maintain a portfolio of proprietary, value-oriented ideas based on original research. The Funds' portfolios focus primarily on equity and equity-related securities, but Sheffield will look opportunistically at all market capitalizations as well as other asset classes. Sheffield believes that three key elements distinguish its investment strategy:

- a focus on some of the most complex and inefficient areas of the equity and debt markets;
- the ability to identify promising and proprietary investment candidates; and
- the ability to conduct independent and extensive due diligence.

Sheffield also believes that the most interesting investment candidates are typically characterized by some degree of complexity that dissuades most institutional investors from further investigation. These investments include securities of companies that are engaged in special situations, including spin-offs, liquidations, litigation situations, bankruptcies, corporate restructurings, takeover bids, rights offerings, exchange offers, tender offers, special dividends and similar transactions.

Sheffield believes that complex investment opportunities often reward diligent research. Sheffield's due diligence focuses on analyzing both qualitative and quantitative criteria and includes interviewing management teams, industry analysts, competitors, suppliers and customers, as well as comprehensive analysis of, where available, each prospective investment's public financial statements.

The Funds may allocate a significant portion of their portfolios—as much as 30% or more—to distressed investments. Sheffield believes that companies in financial distress often have significant value, which can be realized through recovery, restructuring or reorganization. Distressed securities investing seeks to profit from market inefficiencies resulting from the uncertainties surrounding prospective insolvencies and threatened restructurings as well as due to the lack of analyst/financial community information about the prospects for the often otherwise successful companies involved in such proceedings.

A portion of the Funds' portfolios is invested in short positions. Sheffield classifies companies whose securities may be appropriate for a short sale, which it refers to as "short candidates," into one or more of the following six categories: fundamental; balance sheet; tactical; potential frauds; special situations; and structural. Sheffield concentrates its short selling efforts on fundamental, balance sheet, tactical and structural shorts. Qualities of fundamental short candidates include deteriorating fundamentals, product obsolescence, key patent expiration and/or competitive inroads. Balance sheet short candidates typically exhibit income statement deterioration and are likely to face near-term liquidity issues. Tactical short candidates are positions designed to complement and hedge exposure to core long holdings. Sheffield will also short companies that we believe to be structurally flawed and which we expect to decline in value over time. Sheffield believes that its short selling strategy should help to reduce the Funds' overall return volatility.

Investment Process

The first step in the Funds' investment process is to identify investment opportunities for further review. Sheffield has substantial experience in identifying both value-oriented investments and companies which are undergoing defined corporate events that create "special-situation" investment opportunities. Sheffield believes that the ability to eliminate less attractive opportunities efficiently, allowing for more focused research and analysis of a smaller number of prospective investments, is the critical element in this first step.

Having identified a universe of prospective investments, Sheffield then attempts to gather as much information as Sheffield deems practicable concerning each prospective investment in an effort to develop an understanding of the quality of the business. On those prospective investments which meet Sheffield's qualitative standards, Sheffield then performs a detailed analysis of the company's financial position. Sheffield's due diligence may include, among other things, visiting with the company to conduct in-depth interviews with management and speaking with experts in the industry in which the company operates. The next elements in the decision-making process involve properly assessing a security's risk/reward relationship, including potential downside, attempting to identify the timing and significance of potential catalysts, and establishing a price target and exit criteria.

Stock selection drives the portfolio composition; Sheffield generally does not make macroeconomic bets or attempt to time the market.

Portfolio Management

Sheffield generally concentrates a majority of the Funds' portfolios in a relatively small number of core long positions. Sheffield believes that focusing on investments in which it has developed the most conviction allows for more time to monitor each position closely. Although Sheffield generally does not commit more than approximately 15% of the Funds' capital to any single investment, the Funds are subject to no formal diversification policies. There is no material limitation on the amount the Funds may invest in a particular company, the strategies which Sheffield may implement on behalf of the Funds or the markets and instruments in which the Funds may trade and invest.

In many cases, Sheffield builds a position in a company over time, increasing the Funds' position size as Sheffield becomes more comfortable with the company's management and the risks associated with its business. The Funds will often hold positions in a company for several years. While the Funds generally have relatively low portfolio turnover, Sheffield may from time to time trade in and out of positions in an effort to enhance returns. This repositioning may include acquiring more securities of a company, moving from one level of the capital structure to another, buying and selling securities of a company as the market price fluctuates within Sheffield's target range, or some combination of these.

Risk Management

Sheffield attempts to manage risk through a variety of methods. The goal of preservation of capital guides its investment decisions. Sheffield manages company-specific risk by limiting position sizes, as well as by building the Funds' portfolios from the bottom up, through independent, proprietary research.

Sheffield manages the Funds' portfolios such that gross market exposure (*i.e.*, the value of long positions and the absolute value of short positions in the portfolios as a percentage of equity) and net

market exposure (*i.e.*, the value of long positions minus the value of short positions in the portfolios as a percentage of equity) are generally within targeted guidelines.

Sheffield generally adjusts position size in light of the liquidity of the underlying investment. The liquidity of an investment is one of several important factors that Sheffield will consider in determining the maximum amount of capital that the Funds will allocate to it. Sheffield sets buy and sell targets for each Fund investment before the initiation of a position, and will reappraise such targets on an ongoing basis until the investment is liquidated. Sheffield generally establishes positions incrementally in a manner so that the Funds' commitments may increase as more detailed analysis permits a better assessment of each investment's prospects.

There is no assurance that even robust risk management will mitigate or prevent the Funds' from experiencing significant losses. By investing in the Funds, investors must be prepared to bear these losses. Investors are relying on the discretionary market judgment of Sheffield, trading in a wide range of strategies and markets and in investing in positions with a wide range of durations, without being subject to diversification requirements, leverage restrictions or any other form of mandatory trading policies.

Material Risks of Sheffield's Strategy

Investing in securities involves a risk of loss that investors in the Funds should be prepared to bear. The following is a summary of some of the material risks associated with the strategies expected to account for a significant portion of the Funds' trading. This summary does not attempt to describe all of the risks associated with an investment in the Funds, or even all risks associated with the Funds' strategy. The offering documents for each Fund contain a more complete description of these risks.

Small to Medium Capitalization Companies. The Funds invest in and trade the debt and equity securities of companies with small-to-medium-sized market capitalizations in the United States and abroad. While Sheffield believes that these investments provide significant opportunities, these stocks, particularly stocks of companies with smaller capitalization, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of these securities are often more volatile than prices of securities of large-capitalization companies, and the public information regarding the securities of small-to medium-sized companies may be less complete, accurate and timely. In addition, due to thin trading in some of these securities, investments may be less liquid than investments in the securities of larger capitalization companies.

Concentration. The Funds are not subject to any formal policies regarding diversification and may sometimes concentrate portfolio holdings in sectors and companies in light of investment considerations, market risks and other factors. There is no minimum or maximum position size for any of the securities in the portfolio. Each buy and sell decision will be re-evaluated and monitored on an ongoing basis in light of then-existing conditions.

Distressed Securities. The mispricings on which the Funds attempt to capitalize in their distressed investing reflect both the risk and the uncertainty of these investments. The long-term and illiquid nature of many of these investments increases their risk, as the Funds may be unable to exit these investments in order either to recognize profits or limit losses. Distressed securities may exhibit high mark-to-market volatility, require extensive due diligence and medium- to long-term holding periods, are generally illiquid and demand constant monitoring and carefully engineered exit strategies. Furthermore, it may be difficult to obtain information as to the true condition of the issuers in which the Funds invest.

Non-U.S. Investments. The Funds may invest a significant portion of their portfolios in securities of non-U.S. issuers and governments. Non-U.S. investments involve certain special risks, including, but not limited to: political or economic instability; the unpredictability of international trade patterns; the possibility of non-U.S. governmental actions such as expropriation, nationalization or confiscatory taxation; the imposition or modification of currency controls; price volatility; withholding taxes on dividends, interest and gains; different bankruptcy laws and practices; limitations on use or removal of funds or other assets; changes in governmental administration or economic or monetary policy; changed circumstances in dealings between nations; fluctuating currency exchange rates; and the lack of, or different, regulations.

As compared to U.S. entities, non-U.S. entities may disclose less financial and other information publicly and may be subject to less stringent and less uniform accounting, auditing and financial reporting standards. In addition, it may be more difficult to obtain and enforce legal judgments against non-U.S. entities than against U.S. entities.

Currency Risk. In the event that the Funds hold securities denominated in currencies other than U.S. dollars, those securities will be affected favorably or unfavorably by changes in currency rates and in exchange control regulations, and the Funds may incur costs in connection with conversions between various currencies.

Reliance on Corporate Management and Financial Reporting. Sheffield relies on the financial information made available by the companies in which the Funds invest. Sheffield does not have the ability to independently verify the financial information disseminated by these companies and is dependent upon the integrity of both the management of these companies and the financial reporting process in general.

Short Selling. The Funds sell securities short in implementing some of their trading strategies. Securities sold short must later be replaced by market purchases, and therefore, any appreciation in the market price of these securities results in a loss to the Funds. Purchasing securities to close out short positions can itself cause the security's market price to rise further, thereby increasing losses. Furthermore, the Funds may prematurely be forced to close out a short position if a counterparty demands the return of such borrowed securities. There can be no assurance that the securities necessary to cover a short position will be available for purchase due to the illiquidity and scarcity of many securities traded by the Funds.

Short selling is continually the subject of regulatory scrutiny, and regulatory restrictions in one or more markets in which Sheffield trades, like the short-selling ban imposed by the SEC in September 2008, could severely impair its ability to engage in short selling and/or render the strategy unprofitable. Restrictions may be imposed with little or no warning, which could result in substantial losses to the Funds.

Counterparty and Custody Risk. When the Funds invest in options, swaps, derivative or synthetic instruments, forward contracts or other over-the-counter instruments, the Funds may be subject to credit risk with regard to parties with whom they trade and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties may not benefit from such protections and expose the parties to the risk of counterparty default.

Leverage. The Funds may use leverage by purchasing instruments with borrowed funds, selling securities short and/or trading options, futures or other derivative instruments, which would increase any loss incurred. The more leverage employed, the more likely a substantial change will occur, either up or down, in the value of an open position. The investment strategies utilized by the Funds may from time to time require the use of substantial leverage.

Derivatives in General. The Funds may make use of various derivative instruments, such as convertible securities, options, futures, forwards and interest rate, credit default, total return and equity swaps. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage sometimes embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order to either realize gains or limit losses. The pricing relationships between derivatives and the instruments underlying the derivatives may not correlate with historical patterns, resulting in unexpected losses.

Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including dependence on the ability to predict movements in the price of the securities hedged; imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and difficulties in managing a portfolio or meeting short term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

Futures Trading. Futures prices are highly volatile, and price movements are influenced by a multitude of factors such as supply and demand relationships, government trade, fiscal, monetary and exchange control policies, political and economic events and emotions in the marketplace. Futures trading is highly leveraged. Furthermore, futures trading may be illiquid as a result of daily limits on movements of prices. The Funds' futures trading could be adversely affected by speculative position limits.

Options. Trading options is highly speculative and may entail risks that are greater than investing in other securities. Prices of options are generally more volatile than prices of other securities. In trading options, Sheffield speculates on market fluctuations of securities and securities exchange indices while investing only a small percentage of the value of the securities underlying such option. A change in the market price of the underlying securities or underlying market index will cause a much greater change in the price of the option contract. In addition, to the extent that Sheffield purchases options that it does not sell or exercise, the Funds will suffer the loss of the premium paid in such purchase. If Sheffield must buy those underlying securities, the Funds risk the loss of the difference between the market price of the underlying securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option. Furthermore, the risk of nonperformance by the seller of an option may be greater and the ease with which Sheffield can dispose of such an option may be less than in the case of an exchange traded option.

Swaps and Other Derivatives. The Funds enter into swap and similar derivative transactions involving or relating to interest rates, credit risks, non-U.S. currencies, commodities, securities, investment fund interests, indices, prices or other items. Currently, swap contracts and similar derivative contracts are individually negotiated and are not traded on exchanges, which means that in entering into these contracts the Funds are subject to risks including counterparty default and the lack of

active markets for the instruments. The Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly referred to as “Dodd-Frank,” adopted in July 2010 includes provisions that comprehensively regulate the over-the-counter derivatives markets for the first time. While Dodd-Frank is intended in part to reduce some of the risks described above, which in this respect may not be evident for some time after Dodd-Frank is fully implemented, a process that may take several years. In addition, even if Dodd-Frank addresses these risks, margin and other costs imposed on dealers are expected to be passed through to other market participants in the form of higher fees and less favorable dealer marks.

Hedging. Hedging techniques involve risks including imperfect correlation between the performance and value of the instrument and the value of the Funds’ securities, the possible lack of a secondary market for closing out a position in such instrument, losses from market movements not anticipated by Sheffield and the possible imposition of additional margin or other payment requirements.

Sheffield will not, in general, attempt to hedge all market or other risks inherent in the Funds’ positions, and hedges certain risks, if at all, only partially. Specifically, Sheffield may choose not to, or determine that it is economically unattractive to, to hedge certain risks, either in respect of particular positions or in respect of the Funds’ overall portfolios. The Funds’ portfolio composition will commonly result in various directional market risks’ remaining unhedged. Sheffield may rely on diversification to control such risks to the extent that Sheffield believes it is desirable to do so; however, the Funds are not subject to formal diversification policies.

Suspensions of Trading. Securities exchanges typically have the right to suspend or limit trading in any instrument traded on the exchanges. A suspension in trading could render it impossible for the Funds to liquidate positions and thereby expose the Funds to losses.

Importance of Sheffield; Dependence on Sheffield’s Principals. The Funds must rely on Sheffield’s ability to manage its trading and investment programs and the continued availability of Sheffield’s services. Sheffield, in turn, is dependent on the services of its Principals and, in particular, on their ability to develop and implement investment strategies that achieve the Funds’ investment objectives. Were either of the Principals to become unavailable to participate in the management of the Funds, the effect on the Funds would be material and adverse and could lead to termination and/or liquidation of the Funds.

Side Letters. Sheffield and the Funds may enter into agreements, commonly referred to as “side letters,” that may contain terms that are more favorable than the terms of investment that are generally available to investors. Sheffield and the Funds may enter into such side letters without notice to, or consent from, the other investors.

ITEM 9: DISCIPLINARY INFORMATION

Neither Sheffield, its Principals nor any of Sheffield’s affiliates have been or are the subject of any legal or disciplinary events that are material to an investor’s or prospective investor’s evaluation of Sheffield’s business or integrity.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Brian Feltzin, one of Sheffield's Principals, has a non-controlling interest in Waveland Capital Management L.L.C. and Waveland Capital Management II, L.L.C., each of which is an investment adviser to a private investment fund that is currently liquidating and closed to new investors. Mr. Feltzin is assisting the managing principal of the advisors, in a non-discretionary capacity, with the liquidation of the funds that they advise.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

As an SEC-registered adviser, Sheffield has adopted a Code of Ethics pursuant to SEC Rule 204A-1. Sheffield's Code of Ethics covers six primary topics: restrictions on political contributions by Sheffield and its Principals and employees; personal account trading policies; mandatory reporting of securities holdings and transactions by Sheffield's Principals and employees; prohibition on insider trading; Sheffield's policy on the giving and receipt of gifts; and Sheffield's record retention policies and procedures. All Principals and employees of Sheffield must acknowledge receipt of, understanding of and compliance with the Code of Ethics upon initial hire and annually thereafter.

Sheffield's Code of Ethics is available to investors and potential investors upon request.

Personal Trading

With respect to personal trading, Sheffield's Code of Ethics requires each of Sheffield's Principals and employees to report certain securities holdings to, and obtain pre-approval of covered personal trading transactions from, Sheffield's compliance department. One of the primary purposes of Sheffield's personal account trading policy is to monitor for and limit the existence of conflicts of interest between Sheffield or its Principals and employees and the Funds. The personal trading records of Sheffield's Principals and employees will not be made available to investors in the Funds.

In its role as investment advisor, Sheffield and its Principals and employees make investment decisions for the Funds. Sheffield and its Principals and employees may, in certain limited circumstances, trade and invest for their own accounts in the same securities as those in which it invests on behalf of the Funds, which could create a conflict of interest. As discussed above, Sheffield's Code of Ethics has pre-approval and reporting procedures designed to ensure that Sheffield's Principals and employees do not enter into transactions in their personal accounts, which could, as a result of their direction or timing, materially disadvantage the Funds. However, it is possible that, in certain limited circumstances, Sheffield's Principals or employees could have long positions in a security where the Funds have a short position, which would create a conflict of interest. Although this situation is unlikely, it could occur under certain circumstances, for example, if a newly-hired employee has a pre-existing long position in a security with respect to which the Funds have a short position or if a Principal or employee holds a long position in an exchange-traded fund with respect to which the Funds have a short position. Short selling by Sheffield's Principals and employees is generally prohibited by the Code of Ethics, which means that Sheffield's Principals or employees should never have a short position in a security in which the Funds have a long position (other than under rare circumstances involving investments in options by Sheffield's Principals or employees).

Additional Conflicts of Interest

The Funds and investors therein may be subject to conflicts of interest in addition to conflicts arising from personal account trading, as discussed immediately above, and conflicts relating to Sheffield's receipt of performance-based compensation, which are discussed in Item 6 above. Some of these conflicts are summarized here, but this summary does not attempt to describe all of the conflicts of interest associated with an investment in the Funds. The offering documents for each Fund contains a more complete description of what Sheffield believes to be the most significant conflicts of interest associated with an investment in the Funds. Clients or investors should carefully consider the conflicts of interest described here and, as applicable, in the offering documents for each Fund before deciding to invest in a Fund. Sheffield will consider any client or investor to have consented to these conflicts as a result of investing in a Fund.

Devotion of Time. Sheffield and its Principals and employees devote as much of their time to the business of the Funds as in their judgment is reasonably required, but are not required to devote a particular amount of time to this business. Sheffield and/or its Principals and employees may currently be involved in other business ventures or may organize or become involved in other business ventures in the future. The Funds will not share in the risks or rewards of such other ventures, which may compete with the Funds for the time and attention of Sheffield and therefore create additional conflicts of interest.

Other Accounts of Sheffield. Sheffield may, in the future, manage and advise accounts other than the Funds. These accounts may be managed on terms that differ significantly from those applicable to the Funds. Sheffield may have financial incentives to favor certain other accounts over the Funds. Even if Sheffield does not have such financial incentives, Sheffield would be required to allocate its limited resources among the Funds and any other accounts that it advises. Certain trades and entire strategies that Sheffield utilizes on behalf of the Funds, as well as many of the positions acquired for the Funds, may be materially different from the trades and strategies which Sheffield implements on behalf of other accounts.

Special Opportunity Investments. Sheffield has the ability to designate certain investment opportunities as "special opportunities" where it determines that the investment is either not suitable for the Funds or the Funds' participation in the investment should be limited. Special opportunities present a conflict of interest because they may divert the time and attention of Sheffield's investment personnel from the Funds' investment activities. In addition, Sheffield itself may participate in special opportunities, and therefore has a conflict in determining whether an investment opportunity is suitable for the Funds or should be treated as a special opportunity.

ITEM 12: BROKERAGE PRACTICES

Transactions for the Funds are generally allocated to brokers on the basis of best price and execution. In selecting the brokers for the Funds, Sheffield considers such factors as price, execution capabilities (including efficiency of execution and willingness to execute difficult transactions), financial strength and stability, block trading and block positioning capabilities, reputation, infrastructure, reliability, quality of research products or services and other value-added services. Additional detail regarding Sheffield's brokerage practices and policies can be found in Sheffield's Compliance Manual, which is available to investors and potential investors upon request.

Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" to investment managers who use commission dollars generated by their advised accounts to obtain investment research and brokerage services from companies that provide lawful and appropriate assistance to the manager

in the performance of investment decision making responsibilities. Sheffield will only accept “soft dollar” services that it reasonably believes come within the safe harbor of Section 28(e). Where a product or service provides both research and non-research assistance to Sheffield, a portion of the cost of the product or service, based upon a mixed use allocation between the two types of uses, may be paid for with “soft dollars.”

Sheffield may use research and brokerage services obtained through the use of commissions arising from the Funds’ transactions in connection with other investment activities. Each of the Funds may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided in consideration of the “soft dollars” generated by its trading. Sheffield is specifically authorized by the Funds to direct brokerage to firms which provide such services.

Research services within Section 28(e) may include, but are not limited to: newswire and quotation services; economic and market information; portfolio strategy advice; industry and company comments; technical data; recommendations; general reports; information on industries, groups of securities, individual companies, political developments, legal developments affecting portfolio securities and technical market action; statistical information; accounting and tax law interpretations; credit analysis; and risk measurement analysis. These research services are received primarily in the form of written reports, calls and meetings with research analysts. In addition, such research services may be provided in the form of access to computer-generated data and meetings arranged with corporate and industry spokespersons, economists, academics, consultants and/or government representatives. Brokerage services within Section 28(e) may include, but are not limited to: services related to the execution, clearing and settlement of securities transactions and functions incidental thereto, *i.e.*, connectivity services between Sheffield and a broker and other relevant parties such as custodians; trading software operated by a broker to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; trade clearance and settlement; electronic communication of allocation instructions; routing settlement instructions; post-trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

Sheffield pays bundled commission rates and receives proprietary research from many of its brokers. As a result, Sheffield may pay commissions in excess of what another broker might have charged for the same transactions in recognition of the value of the brokerage and research services provided by the broker and used for the benefit of the Funds. In addition, Sheffield may, subject to its best execution policies, trade with certain brokers primarily in consideration for providing research services. In any such case, Sheffield will determine in good faith that the amount of commissions charged is reasonable in relation to the value of the brokerage and research products or services provided by the broker.

Brokers used by the Funds may discharge the Funds’ payment obligations to third parties. Under such arrangements the Funds may pay commissions at higher rates than those another broker might charge, but would do so only if Sheffield determines in good faith that the amount of such commissions is reasonable in relation to the value of all the property (including rebates), products and services received. However, Sheffield may choose to incur expenses on behalf of the Funds directly and to obtain reimbursement from the Funds, even if the expenses could otherwise be paid through the use of commissions from the Funds’ trading, or “soft dollars.”

During its last fiscal year, Sheffield directed certain transactions to brokers with whom it had “soft dollar” arrangements in place. With respect to each such transaction, Sheffield believed that the execution services provided by such broker would be as good or better than those provided by competing brokers for a similar transaction cost.

In addition to any soft dollar arrangements that Sheffield enters into with brokers, brokers may provide certain research or other products or services to all of their customers, including Sheffield, without being requested to do so. Sheffield may take advantage of the products or services provided rather than producing them or paying for them from another provider. Similarly, Sheffield may accept investor referrals from brokers in appropriate circumstances. In these situations, Sheffield receives a benefit because it does not have to pay for the products or services, such as research, or because it will receive additional compensation if the Funds accept new investments.

Sheffield has an incentive to recommend brokers based on benefits that it receives from them, whether or not pursuant to soft dollar arrangements, rather than the interests of the Funds in receiving the most favorable execution. Any products or services that Sheffield receives from brokers may be used in connection with its management of all of the Funds, not just the Funds generating the relevant commissions.

Order Aggregation & Allocation of Investment Opportunities.

Sheffield generally aggregates orders for the same investment across the Funds, unless specific circumstance warrant otherwise and allocates the securities traded among the Funds in accordance with its trade aggregation and allocation policies and procedures. In general, allocations are made *pro rata* based on the current assets under management of each Fund. The three most common reasons why Sheffield may deviate from *pro rata* allocations among the Funds are: tax or regulatory differences between the Funds; to adjust for certain exposure imbalances between the Funds with respect to a particular security, issuer or market; and capital flows into and out of the Funds. Situations may occur in which a Fund could be disadvantaged because of the investment activities conducted by Sheffield for the other Funds.

Trade Errors

Although Sheffield has procedures designed to minimize mistakes made in executing trades, trade errors may occasionally occur. Sheffield will seek reimbursement from broker-dealers for trade errors caused by the broker-dealers. However, Sheffield will not request or accept reimbursement from broker-dealers for losses resulting from trade errors caused by Sheffield.

Sheffield's policy is that trade errors caused by Sheffield resulting in losses to a particular Fund are netted against trade errors resulting in gains to that Fund over the course of the calendar year. As of the end of each year, any gain resulting from this netting will be credited to the relevant Fund, without interest, or Sheffield will reimburse the Fund for any net loss. If Sheffield makes a "material" trade error, which it defines as a trade error that would decrease the net asset value of a Fund by more than one-half of one percent, Sheffield must immediately reimburse the affected Fund for the amount of the loss. However, any loss from a material loss will still be netted against any gains from trade errors occurring in the same year. Sheffield will only reimburse the Funds for any net losses from trading errors at the end of each calendar year, other than material trading losses, which are reimbursed immediately, and accordingly an investor making a withdrawal or redemption within a calendar year is exposed to the risk of losses from trading errors that have not yet been reimbursed by Sheffield.

If Sheffield does not have funds available to make a reimbursement required under its trade error policy, any management fees or performance-based compensation payable to Sheffield will continue to accrue but will not be paid to Sheffield until Sheffield has reimbursed the Funds.

ITEM 13: REVIEW OF ACCOUNTS

Records of trades placed for the Funds are generally reviewed by at least one of Sheffield's Chief Compliance Officer, Chief Financial Officer and the Principals on a daily basis with a view towards identifying trade errors or transactions not in accordance with the Funds' investment objectives. The Funds' accounts are also reviewed on a daily basis to ensure that Sheffield's records are in agreement with those of its custodians and the Funds' administrators.

Each investor in the Funds receives the following written reports:

- A monthly statement showing its capital account balance.
- An annual report containing audited financial statements for the Fund in which they were invested.
- A quarterly letter that describes performance attribution for the previous quarter and often contains details of the investment thesis of a current or recent portfolio position.

Investors can also access other written reports containing performance and other information regarding the Funds in which they are invested on a password-protected website.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Sheffield and the Funds have entered into an agreement with a third-party solicitor under which Sheffield will compensate the solicitor with respect to investments in the Funds by investors introduced by the solicitor. The compensation is the form of a cash payment based on a fixed percentage of the amount invested. Neither Sheffield nor the Funds imposes any sales charge in connection with investments in the Funds, although third-party solicitors may independently impose sales charges, which should be disclosed to investors by the solicitor.

ITEM 15: CUSTODY

While Sheffield places all Fund assets in custody with unaffiliated broker-dealers or banks, it is considered to have custody over the Funds' assets because of its role as general partner or investment manager of the Funds. Investors in the Funds do not receive statements from the custodian. Instead, the Funds are subject to an annual audit, and the audited financial statements are distributed to each investor in accordance with the audit exception set forth in Rule 206(4)-2 under the Advisers Act. The audited financial statements are prepared in accordance with U.S. generally accepted accounting principles and distributed within 120 days of the respective Fund's fiscal year end.

ITEM 16: INVESTMENT DISCRETION

Pursuant to the offering documents for each Fund, Sheffield, as investment manager or general partner, has complete investment authority with respect to all securities owned by the Funds. Investors in the Funds execute subscription agreements, which, along with the offering documents for each Fund, document Sheffield's authority. Any limitations on Sheffield's investment authority are specifically set forth in the offering documents, the investment management agreements or partnership agreements applicable to the Funds, investor side letters and/or Sheffield's internal compliance policies and procedures.

ITEM 17: VOTING CLIENT SECURITIES

Sheffield has the authority to vote the securities held by the Funds by virtue of the investment management agreements for the Offshore Fund and the Master Fund and the limited partnership agreements for the Onshore Fund and the U.S. Institutional Fund. [A1]

Sheffield's policy is generally to vote proxies in the manner that it believes is consistent with achieving the applicable Fund's stated objectives. Absent a particular reason to the contrary, it is Sheffield's general policy to vote proxies in accordance with the recommendation of the underlying portfolio company's management on administrative or routine matters. In the case of non-recurring or extraordinary matters, Sheffield votes on a case-by-case basis in accordance with the goal of achieving the relevant Fund's stated objectives. It is Sheffield's policy to abstain from voting proxies when it no longer holds the investment for which a vote is being requested, even if it is entitled to vote based on its ownership as of the record date.

Sheffield may, on occasion, determine to abstain from voting a proxy or a specific proxy item when it concludes that the potential benefit of voting is outweighed by the cost or that it is not in the Fund's best interest to vote. In making this determination, Sheffield may consider a variety of factors, including, but not limited to: the costs associated with exercising the proxy (including, but not limited to, translation, travel, registration, legal and/or power of attorney expenses); any legal restrictions on trading resulting from the exercise of a proxy; and the benefit to the Funds from the specific proposal.

Sheffield will not allow the Funds or any investor in the Funds to direct the voting of any proxies on behalf of the Funds. In addition, Sheffield may decline to vote proxies that are not material to the investment process (for example, standard proxies on money market funds).

In the event that any of the securities relating to a proxy vote have been lent out pursuant the Funds' securities lending agreements, Sheffield's compliance department (with input from the portfolio management team) will determine whether it would be advisable to "call-in" such securities for voting and, if so, will use reasonable efforts to do so.

In furtherance of Sheffield's goal to vote proxies in the manner that it believes is consistent with achieving the applicable Fund's stated objectives, Sheffield follows procedures designed to identify and address material conflicts that may arise between Sheffield's interests and those of the Fund and its investors before voting proxies on behalf of such Fund. If Sheffield determines that any conflict or potential conflict is not material, Sheffield may vote proxies notwithstanding the existence of such conflict or potential conflict or may abstain from voting such proxies in the event that it concludes (as described in more detail above) that the potential benefit of voting is outweighed by the cost or that it is not in the Fund's best interest to vote.

If Sheffield determines that a conflict of interest is material, one or more methods may be used to resolve the conflict, including: disclosing the conflict to investors and obtaining their consent before voting; having the Fund engage another party to vote the proxy on its behalf; engaging a third party to recommend a vote with respect to the proxy based on application of the policies set forth herein; or such other method as is deemed appropriate under the circumstances given the nature of the conflict.

Investment adviser clients of Sheffield, or investors in a Fund, may request a copy of the Sheffield's Proxy Voting Policy, as well as relevant proxy voting records, by making a written request to:

Amy Rosenow
Chief Operating Officer/Chief Compliance Officer
Sheffield Asset Management, L.L.C.
900 North Michigan Avenue
Suite 2000
Chicago, Illinois 60611

ITEM 18: FINANCIAL INFORMATION

Sheffield is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.