

Part 2A of Form ADV: Firm Brochure

Item 1 - Cover Page

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The date of this brochure is July 1, 2015.

This brochure provides information about the qualifications and business practices of Aroya Capital LP. If you have any questions about the contents of this brochure, please contact us at 212-906-4001 or email christy.leonard@aroyacap.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Aroya Capital LP also is available on the SEC’s website at www.adviserinfo.sec.gov.

Any reference to Aroya Capital LP as a “registered investment adviser” or as being “registered,” does not imply a certain level of skill or training.

Item 2 - Material Changes

Not applicable.

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Item 4 - Advisory Business

- A. **Aroya Capital LP** (“Advisor,” “we” or “us”) is a Delaware limited partnership that was formed in February 2007. We are principally owned and controlled by David Liebowitz.

Aroya Investment Partners GP, LLC (“Aroya GP”), a Delaware limited liability company and an affiliate of the Advisor, is a “Relying Adviser” as that term is described in the SEC Staff No-Action Letter dated January 18, 2012, to the American Bar Association, Business Law Section. Aroya GP is also principally owned and controlled by David Liebowitz. Unless and only to the extent the context otherwise requires, the description of the Advisor’s business and activities throughout this brochure includes the business and activities of Aroya GP.

- B. We currently provide discretionary investment advice to Aroya Investment Partners, LP (the “Domestic Fund”), and may in the future manage other pooled investment vehicles (together with the Domestic Fund, the “Funds”) and certain separately managed accounts (together with the Funds, our “clients”). We expect that the vast majority of our investments on behalf of our clients will be in publicly listed equity securities and derivatives linked to the VIX index, but we may invest and trade in any financial instruments (including cash and cash equivalents) at any time.
- C. We generally do not permit investors in the Funds to impose limitations on the investment activities described in the offering documents for the Funds. Under certain circumstances, we will contract with a client to adhere to limited risk and/or operating guidelines imposed by the client. We negotiate such arrangements on a case by case basis. (*See Item 16 “Investment Discretion.”*)
- D. We do not participate in wrap fee programs.
- E. As of July 1, 2015, we managed approximately \$26,000,000 on a discretionary basis. We do not manage any assets on a non-discretionary basis.

Item 5 - Fees and Compensation

- A. Our fees and compensation are described in the advisory contracts we enter into with our clients. The Domestic Fund currently offers the investment options as are summarized below. Investors holding Class A limited partnership interests (“Class A Interests”) in the Domestic Fund pay a quarterly management fee of 0.5% per quarter (approximately 2% on an annualized basis), and are subject to a quarterly performance-based allocation of up to 20% of aggregate net capital appreciation. Investors holding Class B limited partnership interests (“Class B Interests”) in the Domestic Fund do not pay a management fee and are subject to a quarterly performance-based allocation of up to 30% of aggregate net capital appreciation.
- B. We generally deduct our management fees from client accounts quarterly in advance. Generally, we or our affiliates receive performance-based fees or allocations from client accounts on an annual basis in arrears and upon withdrawals or redemptions by investors in the Funds.
- C. A Fund generally bears the direct costs and expenses associated with its operations, including, but not limited to:

- (i) fees to the Fund's administrator;
- (ii) investment expenses (e.g., expenses which the Advisor reasonably determines to be related to the investment of the Fund's assets, including, without limitation, brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, bank service fees and interest expenses and the cost of investigating actual or potential investments);
- (iii) the cost (including, but not limited to, any related consulting, hardware and maintenance expenses) of: trade execution and management systems, compliance, risk and portfolio systems and reports, integration and data transfer connectivity costs to and from third party systems, and products and services relating to research concerning the Fund's investments or potential investments, including, without limitation, the following: (A) professional fees (including, without limitation, expenses of consultants and experts) relating to investments (including, without limitation, with respect to compliance by the Advisor with securities and investment advisory laws and regulations); (B) the costs of obtaining third-party research products and services (including, without limitation, the cost of research reports relating to securities, issuers, market segments or geographic regions, the costs of portfolio modeling and analyses, the costs of computerized financial databases (e.g., Bloomberg), pricing and quotation services); and (C) the costs of subscriptions or publications regarding investments;
- (iv) legal expenses;
- (v) accounting, auditing and tax preparation expenses;
- (vi) organizational expenses and expenses relating to the offer and sale of Fund interests;
- (vii) liability and other insurance for the benefit of the Fund, the Advisor and the Advisor's affiliates;
- (viii) other similar expenses related to the Fund; and
- (ix) extraordinary expenses.

We may also allocate a portion of certain clients' capital to money market funds or exchange-traded funds. In addition to the fees and expenses discussed above, investors will indirectly incur similar fees and expenses if we invest client's capital in such money market funds or exchange traded funds, as these funds in turn pay similar fees to their investment managers and other service providers.

In the event that expenses are incurred for the benefit of a Fund and other entities, we will allocate a portion of such expenses to the Fund and/or such other entities in a manner that we deem appropriate.

We are responsible for our own overhead expenses including rent and utilities and the compensation of our employees.

D. Management fees are generally paid quarterly in advance, and are not refundable if a withdrawal or redemption is made or the advisory contract is cancelled prior to the end of a payment period.

E. We do not accept compensation for the sale of securities or other investment products.

Item 6 - Performance-Based Fees and Side-By-Side Management

We or our affiliates receive annual performance-based fees or allocations from our clients, which are based on a percentage of the capital appreciation of client assets.

The terms of the performance-based fees and allocations may differ among our client accounts. This may result in a conflict of interest when we allocate opportunities among these accounts because we will have an incentive to favor accounts that have higher performance-based fees and allocations. To avoid such a conflict of interest we generally follow documented procedures in allocating opportunities among our client accounts, which do not take into account the performance-based fees and allocations to which such accounts are subject.

We generally allocate investment opportunities so that each security held by the accounts we manage is held on a *pari passu* basis. In certain circumstances, we may allocate securities among client accounts on a different basis. In such cases, the factors that we may consider when determining which securities to allocate to each client account include, but are not limited to, the investment objectives and restrictions of each client account; the overall portfolio composition of the client accounts; relative capital available for investment in the applicable client account; liquidity of the security; market capitalization and/or enterprise value of the underlying credit; position size; industry exposure; market exposure; gross, net, long and short exposure; and applicable tax considerations. New issues (as defined by FINRA rule 5130) are allocated to client accounts in accordance with the criteria set forth above.

As the management fees and performance-based fees and allocations are based directly on the net asset value of our client accounts, we have a conflict of interest in valuing the assets held in the accounts. We will follow our documented valuation policies and consult with the third-party administrator to the accounts in order to mitigate this risk.

Item 7 - Types of Clients

We primarily provide investment advice to clients that are private investment funds. Investors in such private investment funds are generally high net worth individuals and institutional investors that qualify as “accredited investors” (as defined in Rule 501 under the Securities Act of 1933, as amended) and “qualified clients” (as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). The minimum investment in the private investment funds is generally \$1,000,000. If in the future we manage separately managed accounts, we will determine the minimum investment for any such accounts on a case by case basis.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

A. *Methods of Analysis and Investment Strategies Generally*

Overview

The Domestic Fund is designed to exploit anomalies in the pricing of equity volatility derivatives. The Domestic Fund's approach seeks to arbitrage relative mispricing between the long and short end of the term structure of equity volatility.

The Domestic Fund's goal is to provide positive returns that are not dependent upon a rising equity market or the general level of interest rates and show a low correlation to the S&P 500 Total Return Index over the course of market cycles.

Anomalies in the Pricing of Equity Volatility Derivatives

- Equity volatility has a strong **negative correlation** to overall equity price levels.
- This strong negative correlation quite logically provides the possibility that a **long equity volatility exposure** might provide a “**hedge**” to long equity exposure, providing “**insurance**” for the portfolios of traditional investors against broad based equity market declines.
- A structural inefficiency exists in the market for derivatives relating to equity volatility. Investors persistently “**overpay**” for **long equity volatility exposure**. This thesis is confirmed by myriads of data and research from both the academic and investment communities.
- The overpricing of equity volatility derivatives is typically most extreme at longer durations and less extreme at shorter durations. This is reflected in the **slope** of the **term structure of equity volatility**.

Sources of Alpha

- The **term structure of equity volatility** is too steep – the curve is in “**contango**” or **positively sloped** over 80% of the time. Longer duration equity volatility derivatives are typically more overpriced than shorter duration equity volatility derivatives. There is an arbitrage opportunity in selling longer term equity volatility exposure vs. buying shorter term equity volatility exposure.
- Option implied volatility vs realized volatility (variance risk premium) - Over time and over the course of market and volatility cycles, the **implied volatilities** of options tend to exceed the **actual realized volatility** of the underlying asset or index. Option prices generally overestimate how volatile their underlying instrument will be. Therefore, sellers of options typically have an “edge” over buyers of options.
- Option volatility skew - options with a strike price close to the underlying price are typically more fairly valued than out of the money options. The further out of the money one goes, the greater the overpricing. This is reflected by rising implied volatilities the further an option strike is out of the money.

Monetizing the Slope of the Term Structure of Equity Volatility

- We position the portfolio in a **balanced** manner maintaining **offsetting long and short equity volatility positions**.

- Our short equity volatility exposure is maintained in the longer duration region of the term structure of equity volatility.
- Our long equity volatility exposure is in the less richly valued (on a relative basis) shorter duration region of the term structure – specifically in the front two months.
- We can access VIX “roll down” returns with VIX options and/or VIX futures.

Maintaining Balanced Exposures – Non-Directional Strategy

- We are consistent in our approach to portfolio construction by maintaining offsetting long and short equity volatility exposures.
- Due to the unforeseen or “stochastic” component in changes in equity volatility, we believe that it would be imprudent for our approach to portfolio construction to be informed by our view or prediction of the future path of equity volatility. In fact, we are not attempting to predict the future path of equity volatility, nor is the success of our approach to risk management predicated upon our ability to do so.
- Our strategy emphasizes a systematic approach to the position sizing of our long and short equity volatility exposures such that we can achieve a profit over a wide range of market scenarios, as well as comfortably manage our capital requirements even in the face of the most extreme tail-risk events.
- Our long equity volatility exposures maintained in the front months benefit from the fact that beta (the sensitivity of volatility positions to movements in spot VIX) is greater in the front months of the term structure of equity volatility than it is in the more distant months, where we maintain our short equity volatility exposures.
- We require a long equity volatility exposure that will provide outsized P&L benefit during adverse market events. Therefore, we include far out of the money option positions among our long exposures, so that as truly adverse events become even more extreme, our clients’ overall portfolio profit is expected to rise.

Convexity: Positive and Negative

- Our short equity volatility exposures are characterized by “negative convexity” — their risk exposures accelerate as volatility rises (up to a point at which the risk approaches linearity).
- Our long equity volatility exposures require similar and offsetting “positive convexity” in order to keep pace with our short equity volatility exposures.
- Our long equity volatility exposures are structured in such a way that there is a crossover point at which our positive convexity exceeds our negative convexity. At that point, our long equity volatility exposures begin to profit at a faster pace than our short equity volatility exposures are experiencing a draw-down.
- In the case of a “Black Swan” event, our clients’ portfolios are expected to show an overall profit.

Keys to Achieving our Risk Management Objectives

- It is well accepted that equity volatility is a **mean reverting function**. This has vitally important implications for our approach to risk management. In the face of an equity volatility spike, one can reasonably expect very material reversion to lower levels of equity volatility in a relatively brief period of time – typically within days or weeks. Our portfolio construction takes advantage of the **highly mean reverting nature of the VIX**.
- Our approach to position sizing is rooted in the concept referred to as the **Kelly Criterion**. This is essentially a fixed fractional approach, which prescribes that new

positions should be sized to a constant and fixed percentage of one's then current capital. In using the Kelly Criterion, we seek to optimize the compound growth rate of our clients' portfolios over time.

- Our methodology for quantifying risk utilizes a scenario based approach, in which we stress the portfolio to a variety of "shocks" from the moderate to the truly extreme.
- Our balance between long and short equity volatility exposures is aimed at enabling us to comfortably manage our capital requirements in all market conditions.
- Thus, the goal of our risk management is *not* to minimize the variance of our clients' portfolios daily returns (or weekly or monthly returns for that matter).
- Rather, the goal of our risk management is to minimize the variance of our capital requirements and limit our clients' exposure to tail risk events.

Mean Reversion: A Critical Component of our Arbitrage Strategy

- It is an accepted fact that equity volatility is a **mean reverting function**. Even the most extreme spike in equity volatility will ultimately dissipate and market volatility will revert back to more moderate levels that existed prior to the onset of a "crisis."
- Our portfolio construction recognizes that a violent spike in volatility may occur almost instantaneously. We also acknowledge our inability to anticipate the precise time required for full mean reversion. However, experience demonstrates that material mean reversion can be expected to occur rather quickly – typically within days or weeks.
- Our critical focus on comfortably managing our capital requirements in the face of even the most extreme of tail risk events allows our clients' portfolios to take full advantage of the phenomenon of mean reversion.

Scenario Based Approach to Modeling Risk Exposures

- It is clearly essential for us to maintain robust internal risk models and to have the ability to independently stress our clients' portfolios under a variety of scenarios.
- Our stresses include instantaneous "flash crash" scenarios.
- The results of our internal risk shocks inform the size and composition of both our clients' long and short equity volatility exposures.
- Given our desire to maintain our exposure in the face of an extreme market event, we need to not only maintain adequate capital for present conditions, but we also need confidence that our capital requirements will be manageable during an adverse event of potentially extreme proportions.
- Therefore, it is critical that our risk model allows us to accurately predict our forward capital requirements — the capital that our prime broker will require our clients to maintain in the midst of an adverse market event.

Investing in securities involves risk of loss that clients and investors should be prepared to bear.

B. Certain Risks Associated with Methods of Analysis and Investment Strategies

An investment in each Fund or any other account that we manage is speculative and involves a high degree of risk. There can be no assurance that the investment objectives of any of our clients will be achieved or that an investment with us will generate positive returns for any client. The Funds have substantial limitations on investors' ability to

redeem or transfer their interests in the Funds, and no secondary market for the Funds' interests exists or is expected to develop. Each Fund's investment techniques involve significant risks which are described in detail in its respective Confidential Private Offering Memorandum (each, a "PPM"). Prospective investors and other clients are strongly urged to review the applicable PPM or other governing documents carefully and consult with their own financial, legal and tax advisors before investing in a Fund or appointing us to manage a client account.

Item 9 - Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Item 10 - Other Financial Industry Activities and Affiliations

- A. Neither we nor any of our management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither we nor any of our management persons is registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing.
- C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any *related person* listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.

- 1. **broker-dealer, municipal securities dealer, or government securities dealer or broker**

None

- 2. **investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)**

The management of multiple pooled investment vehicles, including any separately managed accounts, may result in conflicts of interests when we and our related persons allocate their time and investment opportunities among the Funds and other clients. In addition, the compensation earned by us and our related persons from each of the Funds may differ from one another and other clients. We and our related persons will generally follow documented procedures in allocating trades among our clients (*see Item 6, "Performance-Based Fees and Side-by-Side Management" above*).

Subject to applicable law, we may effect transactions (generally for rebalancing purposes and to correct misallocations of trades) among client accounts (including the Funds) in which one client account will purchase securities from or sell securities to another client account (including Funds in which we or our related persons may have a significant interest). This may result in a conflict of interest because a

potential transaction may result in benefits to one transacting party that may be greater than the benefits to the other transacting party. In order to mitigate such conflicts, we effect such transactions only when we believe that such transactions are in the best interests of the applicable clients. Such transactions shall be effected for cash consideration, generally at the closing price of the particular security, and no brokerage commission or transfer fee shall be paid to us or our related persons in connection with any such transaction.

In addition, except for cross trades to correct misallocations of trades among client accounts and for cross trades that are exempt from the prohibited transaction rules under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Internal Revenue Code of 1986, as amended (the “Code”), as provided by the Pension Protection Act of 2006, we will not effect any cross trades on behalf of any client account that constitute “plan assets” under ERISA or the Code.

Our principals (and/or other related persons) may have a greater portion of their personal assets invested in certain of the Funds than in the others. As a result, we may have a conflict of interest in allocating investment opportunities among the Funds. We will generally follow documented procedures in allocating trades among Funds. (See Item 6, “Performance-Based Fees and Side-by-Side Management” above.)

3. other investment adviser or financial planner

Aroya GP serves as the general partner to the Domestic Fund. There are no material conflicts of interest resulting from the relationship between us and Aroya GP other than any conflicts described in Item 10, section C.2 above.

4. futures commission merchant, commodity pool operator, or commodity trading advisor

None

5. banking or thrift institution

None

6. accountant or accounting firm

None

7. lawyer or law firm

None

8. insurance company or agency

None

9. pension consultant

None

10. real estate broker or dealer

None

11. sponsor or syndicator of limited partnerships

None

- D. We do not recommend or select other investment advisers for our clients and receive compensation directly or indirectly from those advisers or have other business relationships with those advisers that creates a conflict of interest for us.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

- A. We have adopted a Code of Ethics (the “Code of Ethics”) which provides that we are committed to conducting our business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, we recognize that we have a fiduciary duty to our clients, and that all of our employees must conduct their business on our behalf in a manner that enables us to fulfill this fiduciary duty. In this regard, we have developed policies and procedures in our Code of Ethics that are premised on fundamental principles of openness, integrity, honesty and trust. In addition, among other things, our Code of Ethics governs all personal investment transactions by our employees, our policies with respect to gifts and entertainment, compliance with applicable federal securities laws, the manner in which violations of our Code of Ethics are to be reported, and certain other outside activities of our employees. We will provide a copy of our Code of Ethics to any client or prospective investor upon request.
- B. We recommend that prospective investors invest in the Funds. Our principals and other management persons have significant personal investments in the Funds. In addition, we and our affiliates receive performance-based fees and allocations from the Funds.

Subject to applicable law, we may effect transactions between client accounts (generally for rebalancing purposes and to correct misallocations of trades) whereby one client account will purchase securities from or sell securities to another client account (*see Item 10, Section C.2 above*).

In the event that we effect a cross trade between an account in which we or our controlling persons own more than twenty five percent (25%) and another client account, such transaction may be deemed to be a principal transaction under the Advisers Act. Such transactions may create a conflict of interest for us because we may put our or our control persons’ interests in such accounts before the interests of our clients in the other account. In order to mitigate this conflict of interest, we monitor the interests of our principals, their immediate family members and their affiliates in our client accounts, and we will not effect any cross trades between accounts if we believe that such trade would result in a principal transaction unless:

- 1) We believe that such transaction is in the best interest of the clients participating in the transaction; and

- 2) We obtain the consent of the applicable clients as required by the Advisers Act.
- C. Employees are generally prohibited from engaging in a personal securities transaction without the prior written consent of our Chief Compliance Officer, in consultation with our principal owner (or in the case of the Chief Compliance Officer, the prior written consent of our principal owner), other than (i) direct obligations of the government of the United States; (ii) bankers acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by money market funds; (iv) shares issued by open-end mutual funds other than mutual funds managed by us or our affiliates or mutual funds whose principal underwriters are our affiliates; and (v) shares issued by unit investment trusts that are exclusively invested in one or more open-end mutual funds, none of which is a mutual fund that is managed by us or our affiliates or a mutual fund whose principal underwriters are our affiliates.

Restrictions relating to personal securities trading also generally apply to an employee's immediate family member (including any relative by blood or marriage either living in the employee's household or financially dependent on the employee).

- D. We may buy or sell securities for one client at the same time that we or our related persons buy or sell the same security for one or more other clients (including the Funds which are our related persons). This will typically happen when more than one client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. This may create a conflict of interest if one account may benefit from making the trade before or after the other account. We will generally aggregate trades, subject to best execution to avoid any such conflict of interest (*see Item 12, Section B "Aggregation of Orders"*).

Our principals and employees may also trade securities for their own accounts that are the same securities that we are trading on behalf of our clients (*see Item 11, Section C*).

Item 12 - Brokerage Practices

A. Selection of Brokers

In selecting brokers to effect portfolio transactions for client accounts, we consider such factors as price, the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility and the provision or payment (or the rebate to the client for payment) of the costs of property or services (e.g., short term custodial services, research services, news and quotation services, certain publications and other brokerage and research products and services).

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above.

From time to time, we periodically evaluate the execution performance of the broker-dealers we use to execute client transactions. We also evaluate, and seek to resolve, any conflicts of interest that we may have in selecting brokers to execute client transactions.

1. Research and Other Soft Dollar Benefits

We may in the future enter into soft dollar arrangements with brokers. Soft dollar arrangements arise when an investment adviser obtains products and services, other than securities execution, from a broker in return for directing client securities transactions to the broker. Soft dollar arrangements will pose a conflict of interest for us in that such arrangements will allow us to pay with client commissions expenses that would otherwise be borne by us. If we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products or services. We believe that this conflict will be mitigated because our clients will generally pay for research as a “hard dollar” expense pursuant to their respective investment management agreements. We may have an incentive to select a broker based on our interest in receiving the research or other products or services offered by such broker, rather than on our clients’ interests in receiving most favorable execution.

When engaging in soft dollar transactions, we will comply with the safe harbor requirements of Section 28(e) of the Securities Exchange Act of 1934, as amended. Under this provision, in exercising our discretionary authority to select or arrange for the selection of brokers for execution of transactions for our clients, and, subject to our duty to obtain best execution, we may consider the value of research and brokerage products and services (collectively, “Research”) provided by such brokers. Research may include, among other things, proprietary research from brokers, which may be written or oral. Research products may include, among other things, databases and quotation services. Research services may include, among other things, research concerning market, economic and financial data, a particular aspect of economics or on the economy in general, statistical information, pricing data and availability of securities, financial publications, electronic market quotations, performance measurement services, analyses concerning specific securities, companies, industries or sectors, market, economic and financial studies and forecasts, appraisal services, and invitations to attend conferences or meetings with management or industry consultants. Accordingly, if we determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, a client may pay commissions to such broker in an amount greater than the amount another broker might charge.

Research provided by such brokers may be used to service all client accounts and not exclusively in connection with the management of the client account that generated the particular soft dollar credits.

Where a product or service obtained with client commission dollars provides both research and non-research assistance to us, we will make a reasonable allocation of the cost which may be paid for with client commission dollars.

Our prime broker provides us with front and back office services, including trading, securities lending, clearing, reporting, and settlement for equities, fixed income, foreign currency and options, among others. Subject to applicable law, our prime broker may also provide us with capital introduction services.

We execute securities transactions on behalf of client accounts with broker-dealers that provide us with access to proprietary research reports (such as standard investment research and credit reports). To our knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. These bundled services are made available to us on an unsolicited basis and without regard to the rates of commissions charged or paid by client accounts or the volume of business that we direct to such broker-dealers.

We may acquire with client brokerage commissions (or markups or markdowns) (i) research, such as proprietary research from brokers, which may have been written and/or oral; (ii) research products, such as databases and quotation services; and (iii) research services, such as research concerning market, economic and financial data; a particular aspect of economics or on the economy in general; statistical information; pricing data and availability of securities; financial publications; electronic market quotations; performance measurement services; analyses concerning specific securities, companies, industries or sectors; market, economic and financial studies and forecasts; appraisal services; and invitations to attend conferences or meetings with management or industry consultants.

We may take into account the quality, comprehensiveness and frequency of available research services and products considered to be of value provided by brokers when directing client transactions to a particular broker. We will direct transactions to such brokers only consistent with best execution. Brokers sometimes suggest a level of business they would like to receive in return for the research services and products they provide, however we have not committed to provide any level of brokerage business to any broker. We will also evaluate the execution performance of the broker-dealers we use to execute client transactions and resolve any conflicts of interest that we may have in selecting brokers to execute client transactions.

2. Brokerage for Client Referrals

Subject to applicable law, we may direct some client brokerage business to brokers who refer prospective investors to the Funds, consistent with best execution. Because such referrals, if any, are likely to benefit us but will provide an insignificant (if any) benefit to our clients, we have a conflict of interest with our clients when allocating client brokerage business to a broker who has referred investors to us. To prevent client brokerage commissions from being used to pay investor referral fees, we will not allocate client brokerage business to a referring broker unless we determine in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to the client account. Prime brokers may provide capital introduction services to us. Such services may influence us in deciding whether to engage such prime brokers.

3. Directed Brokerage.

We do not recommend, request or require that a client direct us to execute transactions through a specified broker-dealer.

4. Trade Error Policy

We will reimburse each client account for net losses resulting from trade errors to the extent that we are required to do so under the governing agreements for such client account. In general, we will not be liable to a client account for net losses resulting from a trade error unless such trade error results from our bad faith, gross negligence, fraud or willful misconduct.

We may correct misallocations of trades among client accounts by re-allocating the applicable trade using the intended allocation methodology prior to the trade's settlement date. If an erroneous allocation cannot be corrected prior to or after settlement, we may, if appropriate and subject to applicable law, correct such erroneous allocation by effecting a cross trade between client accounts at the price at which the initial trade was effected.

B. Aggregation of Orders

We will generally aggregate client trades, subject to best execution. Aggregation, or "bunching," describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for us generally arise when more than one client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. In such event, securities purchased or sold will generally be allocated among client accounts on an average price basis. When an aggregated order is only partially filled, we will allocate the investment opportunity as described in Item 6 above.

We may also aggregate subsequent orders for the same security entered during the same day with any previously filled orders. This determination may take into consideration changes in the market price of the security and differences in allocations among accounts.

Item 13 - Review of Accounts

Client portfolios are reviewed daily, and their performance analyzed, by our investment professionals, including, but not limited to, David Liebowitz. Client portfolios are also reviewed by members of our operations team to monitor compliance with the applicable trading mandate and any applicable risk and/or operating guidelines. The Chief Compliance Officer is also involved in the review of trading activity and account allocations. Client investments are evaluated based on performance, proprietary research, general market conditions and such other considerations as we deem appropriate.

We may, in our discretion, furnish investors in the Funds with periodic written unaudited performance reports on a monthly basis. On an annual basis, investors receive a copy of the relevant Fund's annual audited financial statements and, where applicable, a statement of taxable income (form K-1).

We may provide certain investors with access to more frequent and/or more detailed information regarding the Funds' securities positions, performance, finances, and management and/or other information about the Funds or us (including, notification of the commencement of certain disciplinary actions, legal proceedings, investigations or similar matters against a Fund, us and/or

our personnel, or of redemptions from a Fund by us and/or our personnel), possibly enabling such investors to better assess the prospects and performance of the Funds.

Item 14 - Client Referrals and Other Compensation

We have entered into arrangements with one or more third parties and compensate such third parties for referring investors to us. Typically, we pay these third parties a portion of the management fees and/or performance-based fees or allocations that we receive from the investors introduced to us by these third parties. Any such arrangements will be on a fully-disclosed basis and in accordance with all applicable laws.

We enter into soft dollar arrangements with brokers pursuant to which we obtain certain research and brokerage products and services in return for directing client securities transactions to the broker (*see Item 12, Section A "Selection of Brokers"*).

Item 15 - Custody

For purposes of Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), we are deemed to have custody over the Funds' assets. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to the Funds or their respective investors because annual audited financial statements are delivered to investors within 120 days after the end of each Fund's fiscal year.

Item 16 - Investment Discretion

We have discretionary authority to manage securities accounts on behalf of our clients. The investors in the Funds generally may not place any limits on our authority beyond the limitations set forth in the offering and governing documents of such Funds. On a case by case basis, owners of any separately management accounts that we may manage in the future may negotiate certain risk and/or operating guidelines that we will adhere to when exercising our discretionary authority over such accounts.

Item 17 - Voting Client Securities

We generally have voting discretion over securities held in clients' accounts. Clients are generally not able to direct their votes in a particular situation. We have adopted a proxy voting policy which is summarized below.

Our "Proxy Coordinator" is responsible for determining how to vote all proxy statements received by us with respect to securities held in clients' accounts. The Proxy Coordinator may designate other appropriate employees to assist him or her in reviewing proxy statements and preparing necessary records. The Proxy Coordinator may also retain a third party to assist him or her in coordinating and delivering proxies.

In the absence of conflicts of interest, we will vote all proxies in the manner that the Proxy Coordinator determines is in the best interests of the client's account. In addition, the Proxy Coordinator may determine to abstain from voting a proxy if he or she believes that such action is in the best interests of the client. The Proxy Coordinator may take into account the following factors, among others, in determining if a specific proposal is in the best interests of the client:

- (a) management of the issuer's views and recommendations on such proposal;

(b) whether the proposal may have the effect of entrenching existing management and/or making management less responsive to shareholders' concerns (e.g., instituting or removing a poison pill, classified board of directors and/or other anti-takeover measure); and

(c) whether he or she believes that the proposal will fairly compensate management for its and/or the issuer's performance.

If the Proxy Coordinator deems that the issue being voted upon is not material for the client, we will not be obligated to vote on such matter.

If the Chief Compliance Officer believes that a material conflict exists between us and the client, we will rely exclusively in making its voting decision on the recommendation of an independent third party who is experienced in advising investment managers regarding proxy voting decisions.

Special considerations may apply in cases of conflicts of interest involving ERISA clients.

A client may obtain information about how we voted securities in the Fund or other account in which the client is invested by contacting us at the address set forth on the cover page of this brochure.

Item 18 - Financial Information

Not applicable.

Item 19 - Requirements for State-Registered Advisers

Not applicable.