

Thrax Management, LLC

Part 2A of Form ADV: Thrax Management LLC - *Brochure*

Item 1: Cover Page

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This brochure (the “Brochure”) provides information about the qualifications and business practices of Thrax Management, LLC (“Thrax” or the “Adviser”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer, Sheetal Duggal ((646) 205-6360/sd@thraxcap.com). The information in this Brochure has not been approved or verified by the US Securities and Exchange Commission (the “SEC”) or by any state securities authority. Additional information about Thrax is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Item 2: Material Changes

This is a first update to Thrax's initial Brochure filed with the SEC on December 8, 2014. Below please find a summary of only material changes to this Brochure since Thrax made its initial filing.

- Effective January 2015, Thrax Fund, LP, Thrax Offshore Fund, Ltd. and Thrax Master Fund, LP as well as a separately managed account client organized as a Delaware series private investment fund became clients as described in more detail in Item 7 of this Brochure; and
- In Item 8, Thrax made changes and additions to the disclosures regarding the risks associated with investing with Thrax.

In the future, this Item will identify and discuss the material changes since the last update to assist investors and make them aware of certain information that has changed since the prior year's Brochure.

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Item 4: Advisory Business

Thrax is an investment advisory firm organized as a limited liability company under the laws of the State of Delaware. Sheetal Duggal is the Chief Compliance Officer, Chief Investment Officer, Managing Member and Founder of Thrax. Thrax was formed in August 2014 and commenced advisory services on January 2, 2015. Thrax's principal owner is Thrax Management, LP. Thrax currently has four employees, including Mr. Duggal.

The Adviser currently provides investment advisory services to the Thrax Onshore Fund, the Thrax Offshore Fund and the Thrax Master Fund (as each term is defined in Item 7 and which is collectively referred to as the Thrax Funds) as well as one separately managed account client that is organized as a Delaware series private investment fund in which Thrax provides advisory services to one of its series (the "Fund Account"). With respect to the Thrax Funds: Thrax Onshore Fund and Thrax Offshore Fund invest into Thrax Master Fund which serves as the trading vehicle (also known as a "master-feeder investment structure"). Investors in the Thrax Funds as well as investors in the Fund Account, are typically high net worth individuals and/or institutional investors.

The investment objectives, strategies and restrictions of each of (i) the Thrax Funds are described in their respective offering documents and (ii) the Fund Account is described in its agreement with the Adviser. Investors in the Thrax Funds cannot generally place investment restrictions on the Adviser and may not tailor Thrax's advisory services to their individual needs. Separately managed account clients, including the Fund Account, may place investment restrictions on the Adviser and tailor the advisory services to their individual needs.

Please see Item 8 (Methods of Analysis, Investment Strategies, and Risk of Loss) for more information.

As of February 2015, Thrax has approximately \$164,647,070 of discretionary regulatory assets under management.

Item 5: Fees and Compensation

Thrax Funds: The Adviser is entitled to receive a fixed management fee from the Thrax Master Fund at a rate equal to (i) 0.125% (with respect to investments made by investors who invest in a Thrax Fund on or prior to January 31, 2015) and (ii) 0.167% (with respect to investments made by investors who invest in a Thrax Fund on or after February 1, 2015), in each instance per month (approximately equal to 1.5% and 2.0%, respectively, *per annum*) of each Thrax Fund investor's aggregate net asset values of each such respective investors capital account in the Thrax Master Fund. This management fee is payable monthly in advance and calculated as of the first day of each month. If an investor makes additional contributions to a Thrax Fund during a month, the management fee will be prorated and charged at the time of such contribution. If an investor makes a withdrawal at any time other than the end of a month, a pro rata portion of the management fee will be paid back to the investor. Management fees are deducted directly from the Thrax Master Fund.

Fund Account: During the first full twenty-four (24) months of the agreement with the Fund Account, the Fund Account will pay the Adviser a management fee at a rate of \$500,000 per annum, payable in advance on the first business day of each calendar month of which is pro-rated for partial months; and during the balance of the agreement with the Fund Account, the management fee will fluctuate depending on certain metrics from zero to 2% of the authorized gross market exposure. The Fund Account pays fees to the Adviser, the Adviser does not deduct these fees from the Fund Account directly. The Fund Account also pays for its brokerage and research expenses, custodial and all related trading expenses.

General: Asset based management fees are negotiable on a case-by-case basis.

Other Expenses Charged to the Thrax Funds: Other fees and expenses clients may pay in connection with Thrax's advisory services to the Thrax Funds include: research and related expenses (including 50% of research-related travel expenses), expenses associated with regulatory filings that relate to clients, client trading costs and expenses (e.g., brokerage commissions, margin interest, expenses related to short sales, custodial fees and clearing and settlement charges) and expenses associated with market data services and communication systems, brokerage services and order management systems expenses, fees in connection with proxy contests or to protect or preserve any investment held by a client and fees and other expenses incurred in connection with the investigation, prosecution or defense of any claims by or against a client. See Item 12 Brokerage Practices for more information.

Item 6: Performance Based Fees and Side-by-Side Management

Performance Fees: In addition, Thrax's related person, Thrax Management GP, LLC (the general partner to the Thrax Onshore Fund and the Thrax Master Fund) (the "General Partner"), is entitled to receive performance based compensation in an amount equal to 20% of the net capital appreciation attributable to each investor's capital account in a Thrax Fund (after taking into account expenses of such Fund, including any Management Fees). Performance compensation is generally calculated and paid annually and at the time of a withdrawal by an investor from a Thrax Fund (with respect to the amount withdrawn).

A separately managed account client will be subject to the same or similar compensation (whether received by Thrax or an affiliate such as the General Partner), including the Fund Account.

Prospective investors should be aware that performance-based compensation may create an incentive for Thrax to make investments that are riskier or more speculative than would be the case in the absence of such an arrangement.

Item 7: Types of Clients

Thrax provides discretionary management and advisory services to Thrax Fund, LP, a Delaware limited partnership (the "Thrax Onshore Fund"), Thrax Offshore Fund, Ltd., a Cayman Islands exempted company (the "Thrax Offshore Fund") and Thrax Master Fund, LP, a Cayman Islands exempted limited partnership (the "Thrax Master Fund" and collectively with the Thrax Onshore Fund and the Thrax Offshore Fund, the "Thrax Funds"). Thrax also provides discretionary management and advisory services to one series of a Delaware series fund (i.e., the Fund Account, together with the Thrax Funds, the "Clients").

The minimum investment amount for an investor investing in a Thrax Fund is \$1,000,000; however Thrax maintains discretion to accept less than the minimum investment threshold. The minimum amount to open a separately managed account client is negotiated on a case-by-case basis.

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

Summary of Certain Risk Factors

Investing in securities and other instruments involves risk of loss that clients (as well as investors investing in the Thrax Funds) should be prepared to bear. The management style offered by Thrax is not intended as a complete investment program, and may not be suitable for all. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of such an investment. No guarantee or representation is made that any client will achieve its investment objectives.

The following is a brief summary generally of the risks associated with Thrax's investment strategies.

General Market Risk. As with any investment, there is a risk that the price of a security held by the Client will fall or rise. There could be many reasons for a decline or increase in the price of a security. These include changing economic, political or market conditions and changes in interest rates. The profitability of the investments substantially depends upon Thrax correctly assessing the future price movements of stocks, bonds, commodities, options on stocks or commodities, and other instruments and the movements of interest rates. Thrax cannot guarantee that it will be successful in accurately predicting price and interest rate movements.

Technology and Related Risks. Certain of the companies in which Thrax invests may allocate greater than usual amounts to research and product development. The securities of such companies may experience above-average price movements associated with the perceived prospects of success of the research and development programs. In addition, companies in which Thrax invests could be adversely affected by lack of commercial acceptance of a new product or products or by technological change and obsolescence. Some of these companies may have limited operating histories. As a result, these companies may have inexperienced management, face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses.

Further, many technology companies rely on a combination of patent, copyright, trademark and trade secret protection and non-disclosure agreements, to establish and protect their proprietary rights, which are frequently essential to the growth and profitability of a technology company. There can be no assurance that a particular company will be able to protect these rights or will have the financial resources to do so, or that competitors will not develop or patent technologies that are substantially equivalent or superior to the technology of a company in which Thrax invests. Conversely, other companies may make infringement claims against a company in which Thrax invests, which could have a material adverse effect on such company.

The markets in which many technology companies operate are extremely competitive. New technologies and improved products and services are continually being developed, rendering older technologies, products and services obsolete. Moreover, competition can result in significant downward pressure on pricing. There can be no assurance that companies in which Thrax invests will successfully penetrate their markets or establish or maintain competitive advantages.

Competition. The securities industry, and the varied strategies and techniques to be engaged in by Thrax are extremely competitive. Thrax will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs. Consequently, these larger firms may be better positioned to capitalize on time-sensitive investment opportunities.

Thrax's Investment Activities. Thrax's investment activities involve a high degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by Thrax. These factors include a wide range of economic, political, competitive and other conditions (including acts of war or terrorism) which may affect investments. In recent years, the securities markets have become increasingly volatile, which may adversely affect Thrax's ability to realize profits. As a result of the nature of Thrax's investing activities, it is possible that the investment's financial performance may fluctuate substantially from period to period.

Risks of Investing in Securities. Prices of securities react to the business and financial condition of the company that issued them. Prices of a security may rise and fall based on changes in the business or

financial condition of the issuing company, changes in management and the potential for merger and acquisitions.

Limited Liquidity. Although Thrax intends that most of its investments will be publicly traded, a portion of investments may be illiquid. At times, Thrax may be unable to liquidate certain portions of its investments, or would only be able to liquidate such investments at a value determined by Thrax to be a discount to their true value. If an investment is thinly traded or is not traded at all, Thrax could have difficulty unwinding the investment at a desirable price. Clients might suffer significant losses if forced to unwind an illiquid investment as a result of changing market conditions or as a result of margin calls or other factors.

Counterparty and Settlement Risk. To the extent Thrax invests in swaps, swaptions, "synthetic" equivalents, derivative instruments, repurchase agreements, certain types of options or other customized financial instruments, Clients take the risk of non-performance by the other party to the contract. This risk may include credit risk of the counterparty and the risk of settlement default. This risk may differ materially from that entailed in exchange-traded transactions, which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. Thrax will seek to mitigate these risks by engaging only highly-rated firms with substantial capital, credit and market expertise.

Concentration of Investments. Thrax is not limited in the amount of capital that it may commit to any one investment and, in fact, Clients will have concentrated positions within their portfolios, although Thrax expects to limit Clients' investments in a single issuer or security to no more than 15% of the Client's Net Asset Value (measured at cost at the time an investment is made). Allocation of a large portion of Clients' capital to one or a small number of investments could increase the risk of the investment because of the lack of diversification in a portfolio. The concentration of Thrax's portfolio in a limited number of issuers, industries or strategies will subject Clients to a greater degree of risk with respect to the failure of one or a few issuers or with respect to economic downturns in relation to such industry. Clients may face similar risks with respect to concentration of investments in a particular country.

Investments in Non-U.S. Securities. Thrax may invest a portion of Client assets in Non-U.S. securities, which may give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and foreign issuers and markets are subject:

- These risks may include political or social instability, withholding taxes on dividends and interest, high or confiscatory tax levels, and limitations on the use or transfer of portfolio assets.
- Enforcing legal rights in some foreign countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against foreign governments.
- Non-U.S. securities markets may be less liquid, more volatile and less closely supervised by the government than in the United States. Foreign countries often lack uniform accounting, auditing and financial reporting standards, and there may be less public information about their operations.

Small Companies. Thrax may invest a substantial portion of Client assets in small and/or unseasoned companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification, and competitive strength of larger companies. In addition, in many instances, the frequency and volume of

their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, Thrax may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller company securities.

Other Risks Related to Thrax's Investment Strategy

Trading Costs. Thrax's strategy will likely not involve frequent trading of securities and derivatives. However, if frequent trading does occur, Thrax's expenses for brokerage commissions may be higher than for investment strategies that do not make frequent trades. Clients will bear these costs regardless of its profitability. In order for Clients to realize a net profit, its gross profits must exceed its costs, including brokerage commissions, fees and its other costs.

Broad Discretionary Power to Choose Investments and Strategies. Thrax has broad discretionary power to decide what investments to make for Client accounts and what strategies to use. While Thrax currently intends to use the strategies described in the offering documents, it is not obligated to do so, and it may choose any other investments and strategies that it believes are advisable.

Leverage. Thrax may use leverage in its investment program, including the use of borrowed funds and investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they may also increase the risk of loss. To the extent Thrax purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of Client portfolios. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, Thrax's use of leverage would result in a lower rate of return than if Client portfolios were not leveraged.

If the amount of borrowings which Client accounts may have outstanding at any one time is large in relation to their capital, fluctuations in the market value of the Clients' portfolio will have disproportionately large effects in relation to the portfolio's capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the Net Asset Value of the Client account to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional moneys borrowed fails to cover their cost to the Client account, then the Net Asset Value of the Client's portfolio will generally decline faster than would otherwise be the case.

Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Investors should be aware that an investment program utilizing leverage is inherently more speculative, with a greater potential for losses, than a program that does not utilize leverage.

Short Sales. Thrax intends to sell securities short. Short selling involves the sale of a security that Client account does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. Selling securities short risks losing an amount greater than the proceeds received. Theoretically, securities sold short suffer from an unlimited risk of loss because there is no limit on how high the price of security may rise before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. Clients may have losses if a security lender demands return of the lent securities and an alternative lending source cannot be found.

Options. Thrax intends to invest in options. The prices of options are highly volatile. Price movements of options contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of options also depends upon the price of the securities underlying them. Clients are also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities. Accordingly, options on highly volatile securities may be more expensive than options on other securities.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price.

If a put or call option purchased by Thrax were permitted to expire without being sold or exercised, Clients would lose the entire premium they paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying security caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying security would then be sold to the Client at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying security caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying security would then be sold by Thrax at a lower price than its current market value.

Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks. This risk is enhanced if the security being sold short is highly volatile. These conditions exist in the stocks of many companies. Accordingly, any such activity, to the extent Thrax were to engage in it, could result in a loss by Clients of all or a substantial portion of its assets.

Certain options are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

Futures. Thrax may engage in futures transactions subject to all appropriate registration or exemption from registration as a CPO and/or CTA (as the case may be). Futures contracts are usually made on a futures exchange which call for the future delivery of a specified “commodity” at a specified time and place. These contractual obligations, depending on whether one is a buyer or a seller, may be satisfied either by taking or making physical delivery of the “commodity” or by making an offsetting sale or purchase of an equivalent futures contract on the same exchange prior to the end of trading in the contract month. Futures prices are highly volatile. Financial instrument and foreign currency futures prices are influenced by, among other things, interest rates, changes in balances of payments and trade, domestic and international rates of inflation, international trade restrictions and currency devaluations and revaluations. Profitability of such investments will depend on Thrax’s ability to analyze price movements in those markets. Because low margin deposits are normally required, an extremely high degree of leverage is obtainable in futures trading. A relatively small price movement in a futures contract, consequently, may result in large losses. Thus, like other highly leveraged investments, any purchase or sale of a futures contract may result in losses which exceed the amount invested.

Most U.S. futures exchanges limit fluctuations during a single day in futures contract prices by regulations referred to as “daily price fluctuation limits” or “daily limits.” During a single trading day, no trade may be executed at prices beyond the daily limits, and positions in a particular contract can neither be taken nor liquidated at a price beyond the applicable limit. Futures prices in various commodities have

occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent Thrax from promptly liquidating unfavorable positions and subject Clients to substantial losses, which could exceed the margin initially committed to such trades. In addition, even if futures prices have not moved the daily limit, Thrax may not be able to execute futures trades at favorable prices if little trading in the contracts Thrax wish to trade is taking place. It is also possible that an exchange or regulatory authority may suspend trading in a particular contract or order that trading in a contract be conducted for liquidation of open positions only.

Forward Trading. Thrax may invest in forward contracts and options thereon. Such contracts and options, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell.

Hedging Transactions. Thrax may utilize financial instruments such as options to seek to hedge against fluctuations in the relative values of its portfolio positions and to hedge against other portfolio investments. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions’ value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible for Thrax to hedge against a fluctuation at a price sufficient to protect Clients’ assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. For example, the cost of options is related, in part, to the degree of volatility of the underlying securities. Accordingly options on highly volatile securities may be more expensive than options on other securities and of limited utility in hedging against fluctuations in those securities.

Thrax is not obligated to establish hedges for portfolio positions and may not do so. To the extent that hedging transactions are effected, their success is dependent on Thrax’s ability to correctly predict movements in the direction of currency and interest rates and the equity markets or sectors thereof.

Bonds and Other Fixed Income Securities. Thrax may invest in bonds and other fixed income securities, both U.S. and non-U.S., and may take short positions in these securities. Thrax may seek to invest in these securities when they offer opportunities for capital appreciation (or capital depreciation in the case of short positions) and may also invest in these securities for temporary defensive purposes and to maintain liquidity. Fixed income securities include, among other securities: bonds, notes and debentures issued by U.S. and non-U.S. corporations; U.S. Government securities or debt securities issued or guaranteed by a non-U.S. government; municipal securities; and mortgage backed and asset backed securities. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer’s inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility resulting from, among other things, interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

Thrax may invest in both investment grade debt securities and non-investment grade debt securities (commonly referred to as junk bonds). Non-investment grade debt securities may involve a substantial risk of default or may be in default. Adverse changes in economic conditions or developments regarding

the individual issuer are more likely to cause price volatility and weaken the capacity of the issuers of non-investment grade debt securities to make principal and interest payments than issuers of higher grade debt securities. An economic downturn affecting an issuer of non-investment grade debt securities may result in an increased incidence of default. In addition, the market for lower grade debt securities may be less liquid and less active than for higher grade debt securities.

Investments in Undervalued Securities. Thrax intends to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from investing with Thrax may not adequately compensate for the business and financial risks assumed.

Thrax may make certain speculative investments in securities which it believes to be undervalued, however, there are no assurances that the securities purchased will in fact be undervalued. In addition, Clients may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of Clients' funds would be committed to the securities purchased, thus possibly preventing Clients from investing in other opportunities.

Accuracy of Public Information. Thrax selects investments for the Clients, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to Thrax by the issuers or through sources other than the issuers. Although Thrax evaluates all such information and data and ordinarily seeks independent corroboration when Thrax considers it appropriate, Thrax is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available.

Illiquidity of Investments. Thrax may invest in or ultimately hold illiquid securities or securities that become difficult or impossible to value or redeem. In this instance, Thrax may take longer to liquidate these positions than would be the case with respect to freely-tradable securities. Accurately valuing and/or realizing these types of securities or closing out positions in such securities at appropriate prices may not always be possible. Thrax has the right to side pocket such investments, suspend or limit withdrawals or to meet such withdrawals through distributions of the assets in kind.

Purchasing Initial Public Offerings. Thrax may purchase securities of companies in initial public offerings or shortly after those offerings are complete. Special risks associated with these securities may include a limited number of shares available for trading, lack of a trading history, lack of investor knowledge of the issuer, and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for Thrax to buy or sell significant amounts of shares without an unfavorable effect on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or near-term prospects of achieving revenues or operating income.

Moreover, certain investors and Clients may be limited as to the amount of new issue allocations it/they can receive while other investors and Clients may not be restricted at all and may be entitled to receive or may actually receive a larger portion of any new issue allocation. Conversely, Thrax may determine to restrict certain Clients as a whole from purchasing new issues.

Regulatory Risks

Strategy Restrictions. Certain institutions may be restricted from directly utilizing investment strategies of the type Thrax may engage in. Such institutions, including entities subject to ERISA, should consult their own advisors, counsel, and accountants to determine what restrictions may apply.

Trading Limitations. For all securities, including options listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. If trading were suspended or limited, Thrax might be prevented from completing or continuing some of its strategies and might suffer losses as a result.

No Regulatory Oversight. While Thrax Funds may be considered similar to an investment company, it does not intend to register as such under the Investment Company Act of 1940, as amended (the “Company Act”), in reliance upon an exemption available to privately offered investment companies, and, accordingly, the provisions of the Company Act (which, among other matters, require investment companies to have disinterested directors, require securities held in custody to at all times be individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company and regulate the relationship between the adviser and the investment company) will not be afforded to Thrax Funds.

Thrax is registered as an investment adviser with the Securities and Exchange Commission (the “SEC”). Neither Thrax nor its affiliates are registered as a commodity pool operator or commodity trading advisor with the CFTC. Neither the SEC, the CFTC nor any other regulatory authority oversees or monitors Thrax’s investments.

Risks Related to the Investment Manager

Dependence Upon Sheetal Duggal. The success of Clients’ investments depends on the efforts of Sheetal Duggal, the managing member of Thrax. If Mr. Duggal should cease to participate in Thrax’s business, Thrax’s ability to select attractive investments and manage its portfolio could be severely impaired.

No Participation in Management. The management of Thrax Funds’ operations is vested solely in Thrax and its affiliated entity. Investors have no right to take part in the conduct or control of the business of these vehicles.

Limited Operating History. Thrax, the General Partner and Thrax Funds are entities with limited operating history upon which to evaluate future performance.

Operating Expenses. The operating expenses of Thrax Funds may constitute a high percentage of its capital relative to other investment entities. The managed account clients, including the Fund Account bear brokerage and research expenses, custodial and all related trading expenses.

Incentive Allocation. The General Partner’s performance fee may create an incentive for Thrax to make investments that are riskier or more speculative than would be the case in the absence of performance-based compensation.

Conflicts of Interest

There are several inherent and potential conflicts of interest among the General Partner, Thrax and Thrax Funds, including the following:

No Obligation for Full-time Service. The General Partner, Thrax and their principals and affiliates do not have any obligation to devote their full time to the business of Thrax Funds or Fund Account. They are only required to devote as much time and attention to the affairs of Clients as they decide is appropriate.

Advisory Services to Others. The General Partner, Thrax and their principals and affiliates may manage other accounts and private investment vehicles (both domestic and offshore) for which they are compensated and which may invest in securities of any kind (including securities in which the Thrax Fund and Fund Account may invest). They may also provide consulting and/or advisory services to other clients. In connection with such other investment management activities, the General Partner, Thrax and/or their managers, members, officers, affiliates and employees may decide to invest the funds of one or more other accounts or clients or recommend the investment of funds by other parties, rather than the Client funds, in a particular security or strategy. In addition, the General Partner, Thrax and such other persons will determine the allocation of funds from Thrax Funds, Fund Account and such other accounts and clients to investment strategies and techniques on whatever basis they decide is appropriate. In some cases, these accounts or clients may take positions that are opposite to Thrax Funds' and Fund Account's position. In certain cases, Thrax may allocate investment opportunities suitable for multiple Clients managed by Thrax based on a variety of factors, including but not limited to allocations based on relative account sizes, funds available for investment, diversification limitation, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved.

Diverse Limited Partners in Thrax Funds. The limited partners in Thrax Funds are expected to include taxable and tax-exempt entities and persons or entities resident of or organized in various jurisdictions. As a result, conflicts of interest may arise in connection with decisions made by Thrax that may be more beneficial for one type of limited partner. In making such decisions, Thrax intends to consider the investment objectives of Thrax Funds as a whole, not the investment objectives of any limited partner individually.

Cross Trading. Thrax may engage in transactions in which it and/or its affiliates causes Clients to purchase securities or other instruments from, or sell securities or other instruments to, other funds or managed accounts managed by Thrax, the General Partner and/or their affiliates ("cross-trades") for purposes of portfolio rebalancing or for other reasons as may arise from time to time without taking brokerage commissions or otherwise being compensated for effecting these cross-trades.

Additional Risk Factors

Unrelated Business Taxable Income for Certain Tax-Exempt Investors. Pension and profit-sharing plans, Keogh plans, individual retirement accounts and other tax-exempt investors may realize "unrelated business taxable income" as a result of an investment in Thrax Funds since the investment strategy may involve leverage. Any tax-exempt investor should consult its own tax adviser with respect to the effect of an investment in Thrax Funds on its own tax situation.

Accounting for Uncertainty in Income Taxes. The Financial Accounting Standards Board has released Accounting Standards Codification Topic 740 ("ASC 740") (formerly known as "FIN 48"), to provide consistent guidance on the recognition of uncertain tax positions. ASC 740 prescribes, among other things, the minimum recognition threshold that a tax position is required to meet before being recognized in an entity's financial statements. Prospective limited partners should be aware that, among other things, ASC 740 could have a material adverse effect on the periodic calculations of the net asset value of Thrax Funds, including reducing the net asset value of the Thrax Funds to reflect reserves for income taxes that may be payable in respect of prior periods by the Thrax Funds. This could adversely affect certain limited partners, depending upon the timing of their purchase and withdrawal of interests.

Restrictions on Transfer of Interests in Thrax Funds. Under the terms of the Thrax Funds' governing documents, limited partners are prohibited from transferring limited partnership Interests (the "Interests") unless the General Partner consents. There is no public market for the interests. Moreover, the interests have not been registered under the Securities Act or any state securities laws, and, for that reason, some additional transfer restrictions are imposed by law.

Withdrawal of Capital. A limited partner's right to withdraw funds from the Thrax Funds is subject to significant limitations. Subject to the lock-up period, a limited partner may make withdrawals from its capital account on a monthly basis, upon 60 days' prior written notice.

Substantial withdrawals by limited partners within a short period of time could require Thrax to liquidate securities positions more rapidly than would otherwise be desirable, possibly reducing the value of Clients' assets and/or disrupting Thrax's investment strategy. Reduction in the size of the Thrax Funds and Fund Account could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in Thrax's ability to take advantage of particular investment opportunities

Brokerage and Custodial Risk. There are risks involved in dealing with the custodians or prime brokers who settle Client trades. Thrax Funds maintain custody accounts with its prime brokers and primary custodians, including Morgan Stanley (the "Prime Broker"). Although Thrax monitors the Prime Broker and believes that it is an appropriate custodian, there is no guarantee that the Prime Broker, or any other custodian that the Thrax Funds may use from time to time, will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of Client assets, Thrax Funds would not incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both.

Thrax and/or the Prime Broker may appoint sub-custodians in certain non-U.S. jurisdictions to hold the Client assets. The Prime Broker may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by the Clients as a result of the bankruptcy or insolvency of any such sub-custodian. Clients may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a client by a custodian may not be available to the Clients. Under certain circumstances, including certain transactions where the Clients' assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of the Prime Broker, or where the Clients' assets are held at a non-U.S. custodian, the securities and other assets deposited with the custodian or broker may not be clearly identified as being Clients' assets and the Clients could be exposed to a credit risk with regard to such parties. Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, the Clients' ability to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as the Clients' may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical or time problems associated with enforcing the Clients' rights to its assets in the case of a bankruptcy or insolvency of any such party.

Personal Trading by the General Partner or Investment Manager. The General Partner, Thrax and their principals and affiliates may make trades and investments for their own accounts; provided that they will have to pre-clear each trade with the Chief Compliance Officer prior to executing it. In these accounts, they may use trading and investment methods that are similar to, or substantially different from, the methods used by them to direct the Client accounts.

Side Letters. Thrax may from time to time, seek to induce investment in the Thrax Funds by offering investment terms to certain prospective investors which are not available to existing investors in the Thrax Funds and in such circumstances a new class of interests may be issued. Such investment terms may include, without limitation variations to minimum investment, redemptions, fees, the right to receive reports from Thrax on a more frequent basis or the right to receive reports that include information not provided to other limited partners and such other rights as may be negotiated with such limited partners, with the effect that not all investors in the Thrax Funds will invest on the same terms and some investors may be expected to enjoy more favorable terms than others. As a result, should the Thrax Funds experience a decline in performance over a period of time, a limited partner who is a party to a side letter that permits different withdrawals terms may be able to withdrawal prior to other limited partners.

Risks Relating to Admission of Benefit Plan Investors. Thrax intends to use commercially reasonable efforts to limit investments by “benefit plan investors” (as defined in Section 3(42) of ERISA) so that the underlying assets of the Thrax Funds will not be deemed to constitute “plan assets” for purposes of ERISA or Section 4975 of the Code. If, however, the Thrax Funds were deemed to hold “plan assets,” (a) ERISA’s fiduciary standards could apply, which could materially affect the operations and profitability of the Thrax Funds, and (b) any transaction of the Thrax Funds with certain persons could constitute a prohibited transaction under ERISA and/or Section 4975 of the Code, unless an exemption applies.

THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN THRAX’S METHODS OF ANALYSIS AND INVESTMENT STRATEGIES USED IN FORMULATING INVESTMENT ADVICE OR MANAGING ASSETS.

Item 9: Disciplinary Information

Not applicable

Item 10: Other Financial Industry Activities and Affiliations

The General Partner is a related person of Thrax that serves as general partner to the Thrax Onshore Fund and the Thrax Master Fund. This relationship creates an incentive for Thrax to make investment allocations in the Thrax Funds that are riskier or more speculative than would be the case if the General Partner did not receive incentive based compensation from the Thrax Master Fund for serving as general partner to the Thrax Master Fund.

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

Code of Ethics and Personal Trading

Pursuant to Rule 204A-1 of the Advisers Act, Thrax has adopted a written Code of Ethics (the “Code”) predicated on the principle that the Adviser owes a fiduciary duty to its clients. The Code is designed to address and avoid potential conflicts of interest and is applicable to all officers, directors, members, partners or employees of Thrax (the “Employees”), each Employee’s spouse, minor children and other family members living in his or her household (the “Related Persons”), as well as each other individual designated in writing by a compliance officer as being subject to all or a portion of the compliance procedures or policies adopted by the Adviser (collectively the “Covered Persons”). The Adviser requires its Employees to act in its clients’ best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

Thrax requires each Covered Person to pre-clear before executing any personal securities transaction and

report all holdings; places other restrictions on Employee personal trading; and requires prompt internal reporting of Code violations. Thrax endeavors to maintain current and accurate records of all personal securities accounts of its Covered Persons in an effort to monitor all such activity. A copy of Thrax's Code is available upon written request to: Sheetal Duggal, Chief Compliance Officer, Thrax Management, LLC, 570 Lexington Avenue Suite 1403 New York, NY 10022 or by calling (646) 205-6360.

Certain transactions in which Thrax engages may require, for either business or legal reasons that no Covered Person trade in the subject securities for specified time periods. Such securities will appear on a list (the "Restricted List") that will be circulated to all Covered Persons. No Covered Person may engage in any sort of trading activity with respect to a security or a derivative thereof on the Restricted List without obtaining prior written approval from the Chief Compliance Officer.

Item 12: Brokerage Practices

General

Thrax is authorized to determine the broker or dealer to be used for each securities transaction for the Clients. In selecting brokers or dealers to execute transactions, Thrax need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not Thrax's practice to negotiate "execution only" commission rates, thus the Clients may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

Section 28(e) of the Securities Exchange Act of 1934, as amended, is a "safe harbor" that permits an investment manager to use commissions or "soft dollars" to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Except for services that would be a Thrax Fund expense or as otherwise described below, Thrax will limit the use of "soft dollars" to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. 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 an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; 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. The use of commissions arising from a Client's investment transactions for services other than research and brokerage will be limited to services that would otherwise be a Client expense. The use of commissions to obtain such other services would be outside the parameters of Section 28(e).

In some instances, Thrax may receive a product or service that may be used only partially for functions within Section 28(e) (e.g., an order management system, trade analytical software or proxy services). In such instances, Thrax will make a good faith effort to determine the relative proportion of the product or service used to assist Thrax in carrying out its investment decision-making responsibilities and the

relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting Thrax in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by Thrax from its own resources.

Research and brokerage services obtained by the use of commissions arising from the Clients' portfolio transactions may be used by Thrax in its other investment activities and thus, the Clients may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided.

Although Thrax will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker, commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. The receipt of such products or services and the determination of the appropriate allocation in the case of "mixed use" products or services creates a potential conflict of interest between Thrax and its Clients.

In selecting brokers and negotiating commission rates, Thrax will take into account the brokers' ability to effect transactions, the brokers' facilities, reliability and financial responsibility and the provision or payment of the costs of research related services. Thrax may place transactions with a broker or dealer that (i) provides Thrax (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to the Thrax Funds or other products advised by Thrax (or an affiliate), if otherwise consistent with seeking best execution; provided Thrax is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

When appropriate, Thrax may, but is not required to, aggregate client orders to achieve more efficient execution or to provide for equitable treatment among accounts. Clients participating in aggregated trades will be allocated securities based on the average price achieved for such trades.

Thrax can, in its sole discretion, to change the brokerage and custodial arrangements of Thrax Funds described above without further notice to limited partners.

Execution Risk; Trade Errors

Thrax's trading activity involves multiple instruments, multiple broker-dealers and multiple counterparties. Further, the execution of the trading and investment strategies employed by Thrax may require a high volume of trades, complex trades, difficult to execute trades, use of negotiated terms with counterparties such as in the use of derivatives, and the execution of trades involving less common or novel instruments. Thrax has trained the employees devoted to executing, settling and clearing such trades. However, in light of the foregoing, some slippage, trade errors and miscommunications with broker-dealers and counterparties may occur and result in losses. As a general principle, Thrax seeks to avoid trade errors and believes that investors should not suffer any losses as a result of Thrax's error. To the extent that an error occurs, it is corrected as soon as possible and the reason for the error is investigated and evaluated in order to prevent the error occurring again. To the extent an error is caused by a counterparty, such as a broker-dealer, Thrax will attempt to recover any loss associated with such error from such counterparty.

Item 13: Review of Accounts

Thrax performs various daily, monthly and quarterly reviews of each client's portfolio. These reviews

will be conducted by: (i) the Managing Member; and (ii) certain back office personnel, working for a third-party service provider, who are responsible for valuation, confirmations, settlements, and position reconciliation.

Separately managed account client's portfolio, including the Fund Account is monitored and reviewed in a similar manner as described above. Thrax sends to separately managed account clients quarterly reports.

Item 14: Client Referrals and Other Compensation

Thrax does not currently compensate any person for referrals of clients. However, Thrax may enter into such arrangements in the future.

Item 15: Custody

With respect to the Thrax Funds, Thrax is deemed to have custody of Thrax Onshore Fund and the Thrax Master Fund assets as its related person, the General Partner, serves as general partner to the Thrax Onshore Fund and the Thrax Master Fund. Thrax is also deemed to have custody over the Thrax Offshore Fund assets as the Managing Member serves as a director to the Thrax Offshore Fund. All investors in the Thrax Funds will receive audited financial statements prepared in accordance with US Generally Accepted Accounting Principles ("GAAP") within 120 days of each such Thrax Fund's fiscal year end which will be prepared by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board.

With respect to the Fund Account, Thrax does not have custody over the Fund Account's assets.

Item 16: Investment Discretion

Thrax has investment discretion over all clients' accounts. While Thrax does not accept limitations on its discretionary authority with respect to the Thrax Funds, other separately managed account clients may place restrictions on this discretionary investment authority in certain instances.

Item 17: Voting Client Securities

In accordance with Rule 206(4)-6 of the Advisers Act, Thrax has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that Thrax receives will be treated in accordance with these policies and procedures.

The proxy voting policy provides, among other things, that in general, if there is a conflict of interest or possible conflict of interest between the applicable client, on the one hand, and Thrax, on the other, the proxy will be voted in the best interest of the applicable client. If Thrax determines that any such conflict of interest exists or may be perceived to exist when voting a proxy, Thrax may, at its own discretion, resolve such conflict by: (i) delegating the voting decision for such proxy proposal to an independent third party; (ii) delegating the voting decision to an independent committee of partners, members, directors or other representatives of a client, as applicable; (iii) informing the investors in a client that is a fund of the conflict of interest and obtaining majority consent to vote the proxy as recommended by Thrax; or (iv) obtaining approval of the decision from Thrax's Chief Compliance Officer. In general, Thrax's proxy voting policy is to vote in accordance with the recommendation of the company's management, unless, in Thrax's opinion, such recommendation is not in the best interests of a client. Investors do not have the right to direct Thrax on how to vote on a particular matter.

There may be circumstances when refraining from voting a proxy is in a client's best interest including, without limitation, when and if Thrax determines that the cost of voting the proxy exceeds the expected benefit to a client. Furthermore, a client may invest in non-U.S. securities. The laws and regulations governing shareholder rights and voting procedures differ around the world, and in certain countries, the

requirements, restrictions or costs involved with voting may outweigh any benefit that a client would receive by voting the proxies involved. In such cases, Thrax may decide it is in the best interests of a client not to vote the applicable proxies.

Clients may obtain a copy of Thrax's Proxy Voting Policies and Procedures and information on how securities have been voted upon by submitting a written request directed to: Sheetal Duggal, Chief Compliance Officer, Thrax Management, LLC, 570 Lexington Avenue, Suite 1403 New York, NY 10022 or by calling (646) 205-6360.

Item 18: Financial Information

Not applicable.