

Paloma Partners Management Company

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March 31, 2017

This brochure (the “**Brochure**”) provides information about the qualifications and business practices of Paloma Partners Management Company (“**PPMC**”). If you have any questions about the contents of this Brochure, please contact us at (203) 862-8000. PPMC is registered as an investment adviser with the United States Securities and Exchange Commission (“**SEC**”) pursuant to the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). Registration with the SEC does not imply a certain level of skill or training and the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

This Brochure is not: (i) an offer or agreement to provide advisory services to any person; (ii) an offer to sell interests (or a solicitation of an offer to purchase interests) in any Fund; (iii) a complete discussion of the strategies, risks, or conflicts of interest associated with any Fund; or (iv) to be relied on in determining whether to invest in a Fund or establish an advisory relationship with PPMC. The information provided in this Brochure about any Fund is qualified in its entirety by reference to the relevant Fund Documentation. Additional information about PPMC is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 MATERIAL CHANGES AND GENERAL INFORMATION

This Brochure was last updated on March 30, 2016. Material changes to this Brochure include:

American Lane Quantitative Strategies LLC, American Lane Quantitative Strategies Ltd. and American Lane Quantitative Strategies Fund LP were liquidated and closed during 2016.

The CPP Fund, which has been closed to new investors for several years, is currently liquidating its investments in Portfolio Funds and returning capital to investors. Additional information about the CPP Fund entities is included in Section 7.B of Schedule D in PPMC's ADV Part 1.

Updated disclosures about principal and cross trades are included on page 20 of this Brochure.

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ITEM 4 **ADVISORY BUSINESS**

PPMC is a Delaware corporation formed in 1989 and has its principal place of business in Greenwich, CT. PPMC is owned equally by S. Donald Sussman, Douglas Ambrose, Andreas Bauer, Heather Garson, Gregory Hayt, Paul Kukuza, Michael Liebowitz, Gavin Morrocu and Randall Tam. Mr. Sussman and Mr. Hayt are PPMC's Directors. PPMC provides discretionary investment advisory services to private investment funds.

Paloma Partners Advisors LP ("**Paloma Advisors**") is a Delaware limited partnership formed in 2014 as the successor entity to Trust Asset Management, LLP. Mr. Sussman owns and controls Paloma Advisors. Paloma Advisors is a relying adviser with respect to PPMC's investment adviser registration with the SEC. Paloma Advisors also provides discretionary investment advisory services to private investment funds.

PPMC and Paloma Advisors are collectively referred to herein as **Paloma Management**. References to the activities of Paloma Management do not generally include the activities of Trading Teams employed by PPMC.

As of December 31, 2016, PPMC managed \$5.3 billion and Paloma Advisors managed \$5.4 billion on a discretionary basis. Neither PPMC nor Paloma Advisors manage assets on a non-discretionary basis.

- **THE PALOMA FUND**

The Paloma Fund is a multi-strategy hedge fund that seeks to achieve attractive long-term risk-adjusted returns with low correlation to major market indices through dynamic capital allocation among a changing set of investment strategies and Portfolio Managers. There are no diversification requirements or material limitations on the strategies, investments, instruments, leverage, markets or countries in which the Paloma Fund may invest.

Paloma Management has ultimate discretion and control over the Paloma Fund and its investments. Investment advice is provided to the Paloma Fund pursuant to the terms of each feeder fund's confidential private offering memorandum and other organizational and governing documents (collectively "**Fund Documentation**"); investors in the Paloma Fund cannot obtain services tailored to their specific needs. Paloma Management's responsibilities to the Paloma Fund include: the selection of Portfolio Managers and strategies; managing the Fund's allocations and exposures across strategies and among Portfolio Managers; portfolio risk and credit risk management; and risk hedging. **Portfolio Managers** is the collective term for Trading Teams, Portfolio Funds and managers of other direct investments in public or private companies.

Most of the Paloma Fund's Portfolio Managers are Trading Teams. **Trading Teams** are authorized to trade in the Paloma Fund; capital is made available, but not allocated, to a Trading Team to execute an investment strategy. Trading Teams are either engaged as third-party independent contractors or are employed by PPMC. Independent contractors are responsible for their own operations (e.g., registration, supervision of employees, hiring of personnel and information technology) but are subject to Paloma Management's portfolio risk management oversight. Descriptions of Trading Teams and their activities in this Brochure generally apply to all Trading Teams (regardless of whether or not a Trading Team is a third-party independent contractor or employee) unless otherwise noted.

The Paloma Fund also invests in **Portfolio Funds** which are external private investment funds and makes other direct investments in public or private companies. These investments are not generally subject to the Paloma Fund's operational controls

PPMC provides investment advice to the Paloma Fund as a service provider to PIL and POL, as a special member of PPLLC and as a general partner of PILP. Paloma Advisors provides investment advice to the Paloma Fund as the trading advisor of PIL and POL, as the managing member of PPLLC and a general partner of PILP. Additional information about the Paloma Fund entities is included in Section 7.B of Schedule D in PPMC's ADV Part 1.

- THE CPP FUND

Paloma Advisors provides investment advice to the CPP Fund as the managing member of CPPLLC, the trading advisor of CPPL and the managing member of CPF. PPMC provides certain administrative support services to the CPP Fund but does not provide investment advice to the CPP Fund. Additional information about the CPP Fund entities is included in Section 7.B of Schedule D in PPMC's ADV Part 1. Note that the CPP Fund has been closed to new investors for several years and is currently liquidating its investments and returning capital to investors.

DISCLAIMER

No guarantee or representation is made that any Fund's investment program, including, without limitation, its investment objectives, diversification, strategies or risk monitoring processes will be successful. The risk management process includes an effort to monitor and manage risk, but does not imply low risk. There may be risks which are not monitored or controlled and risks that may be greater than forecasted, especially in unusual market conditions. Nothing herein is intended to imply that a fund's investment strategy is "conservative", "safe", "risk free", or "risk averse". There can be no assurance that a Fund's investment objective will be achieved or that its portfolio design and risk monitoring strategies will be successful. Investors may lose all or substantially all of their capital.

ITEM 5 FEES AND COMPENSATION

PLEASE REVIEW THE RELEVANT FUND DOCUMENTATION FOR A COMPLETE DISCUSSION OF THE FUND'S FEES AND EXPENSES.

PPMC does not have a fee schedule and does not currently receive asset-based or performance-based compensation. Almost all of PPMC's expenses are passed-through to and paid by the Paloma Fund and therefore its investors. PPMC's expenses include expenses incurred by PPMC: on behalf of a Fund, for the benefit of a Fund or for the benefit of PPMC. PPMC's expenses are deemed to be expenses of a Fund regardless of whether or not they are directly related to the Fund's investment activities. The CPP Fund currently bears a small allocation of PPMC's expenses for administrative services provided by PPMC to the CPP Fund. Additional information about PPMC's expenses is provided below.

Paloma Advisors receives either a Management Fee payable monthly in arrears of 1/12 of 1.5% from investors in the Paloma Fund's A and B classes or an annual Incentive Fee of 20% from investors in the Paloma Fund's C and D classes. Paloma Advisors is no longer collecting a Management Fee from the CPP Fund. The CPP Fund currently pays a small allocation of Paloma Advisor's expenses for one employee who is providing services to the CPP Fund. The expenses for that employee are shared with the Paloma Fund based on an allocation of the employee's time between the two Funds.

Each Fund's administrator calculates the amount of the applicable Management Fee or Incentive Fee. The Management Fee or the Incentive Fee may be subject to fee waivers with respect to particular investors (as described further below under "FEE WAIVERS/REDUCTIONS").

An investment in the Funds is subject to substantial fees and expenses. Expenses allocated to a Fund are material, both on an absolute basis and as a percentage of a Fund's assets. Each feeder fund bears all of its direct expenses and indirect expenses (as a pro rata share of all fees and expenses incurred in the master fund), including, without limitation Paloma Advisors' Management Fee or Incentive Fee (as applicable), the compensation and benefits for employees, expenses related to the investment activities of the relevant Fund (including brokerage commissions, financing fees, management fees and performance-based compensation paid to Portfolio Managers, and withholding taxes), organizational, offering, ongoing operating, administrative, legal, audit, compliance, registrar and transfer agent fees and expenses, insurance and other expenses of any nature related to the business of a Fund and the advisers, and with respect to the offshore feeder funds, the cost of the offshore administrator and board of directors. Expenses are deducted periodically in advance or arrears. Currency hedge share classes will also bear expenses related to the execution of the currency hedge.

- PPMC EXPENSES AND OTHER OPERATING AND ADMINISTRATIVE EXPENSES

The expenses of PPMC (such as salaries, bonuses and benefits paid to all PPMC employees – including Trading Teams employed by PPMC – and other overhead, operating and administrative expenses of PPMC) are passed through to, and paid for or reimbursed by, the Funds. These expenses are significant and create less of an incentive for PPMC to reduce its expenses (including compensation expenses) than would be the case if all or some of its expenses were not passed through to investors but rather had to be covered by a “fixed” fee with respect to the services provided.

A Fund’s ongoing operating expenses include PPMC’s office, general administrative, overhead and other operating costs or expenses. The expenses for the Chief Compliance Officer and other compliance related expenses (e.g. legal and consulting advice) related to Paloma Advisors’, PPMC’s, or a Fund’s compliance requirements, including regulatory filings and registration/membership fees, are passed through to the Funds.

The types of expenses which may be passed through to the Fund include, but are not limited to, the fees, costs or expenses related to:

- The salaries, bonuses, fringe benefits, continuing education, certifications, and professional licenses, of employees;
- Consultants, subcontractors, agents, professional advisors, and recruiters;
- Computer hardware, software and other equipment including telephones and smart phones;
- Reference materials, research services, data feeds, and industry publications;
- Facilities (including leases for office space) and overhead expenses including expenses related to office improvements, fixtures, furniture, and maintenance;
- Travel, meal, lodging, and entertainment expenses related to investor relations, marketing, relationship development, due diligence, or for purposes related to other permissible expenses (e.g. continuing education or recruiting);
- Maintenance, updates, and taxes related to any leases, services, contracts, hardware, or with respect to other permissible expenses described herein;
- Directors’ and officers’ insurance and errors and omissions insurance, if any; and
- Any other fees and expenses incurred in connection with any transactions, engagement, or other agreements entered into by a Fund, PPMC or Paloma Advisors on behalf of, or for the ultimate benefit of, a Fund or PPMC including, among other things, the costs and expenses of auditors, third party administrators and Trading Teams employed by PPMC to advise a Fund.

- PORTFOLIO MANAGER EXPENSES

Trading Team Compensation: Trading Teams that are independent contractors will generally receive a negotiated management fee and performance-based compensation while Trading Teams that are employees of PPMC will generally receive a salary and bonus which may be discretionary or calculated on the basis of performance as described below.

- *Independent Contractors:* The calculation methodology for management fees and performance-based compensation paid to Trading Teams varies by Trading Team. The management fee is generally determined through negotiations with Paloma Management. A Trading Team may also receive a draw, which is generally treated as an advance against the performance-based compensation of that Trading Team (and may therefore be nonrefundable if the Trading Team does not generate sufficient performance-based compensation to repay the draw). The management fees are paid periodically in advance and are generally non-refundable.
- *Employee Trading Teams:* The salary received by an employee Trading Team is generally treated as an advance against the bonus due to that Trading Team and will be set-off against bonus amounts otherwise payable. The amounts available for bonus to employee Trading Teams may be reduced by expenses incurred by PPMC in connection with the performance of the Trading Team's duties and for amounts paid on behalf of, or costs of services provided to, the Trading Team by PPMC or the relevant fund(s).

If a Trading Team provides advice to more than one Fund, Paloma Management will allocate the management fee (or salary and expenses in the case of employee Trading Teams) to the relevant Fund(s) using an allocation methodology it believes to be fair and reasonable.

Performance-based compensation is generally calculated based on a percentage of a Trading Team's net profits as of each calendar year-end (or such other calculation period as set forth in the relevant investment management agreement) and is generally subject to a hurdle rate and a high water mark. A high water mark may be waived or modified for a Trading Team if Paloma Management deems the waiver to be in the best interest of the relevant Fund(s).

Portfolio Funds: A Fund's investment in a Portfolio Fund is subject to that Portfolio Fund's asset-based and performance-based compensation, as well as a share of that Portfolio Fund's expenses (which in certain cases may include some or all of the portfolio manager's out-of-pocket expenses).

Losses: Performance-based compensation is payable to each Portfolio Manager based solely on its own performance. A Portfolio Manager with positive performance is entitled to receive performance-based compensation even if the overall performance of a Fund is negative. If a Portfolio Manager suffers net losses during the year, the losses are generally carried forward and past losses generally must be made up before performance-based compensation becomes payable in subsequent years. There is no “carry back” or “claw back” of losses to permit recouping of performance-based compensation from prior years.

- **ADDITIONAL EXPENSES RELATED TO PALOMA FUND CLASS B and D INVESTORS**

Class B and Class D investors in the Paloma Fund are subject to a Liquidity Capital Account Reduction¹ at an annualized rate (depending on the value of the capital account balance) of either 0.25% or 0.50% of the relevant capital account balance. The Liquidity Capital Account Reduction will be credited on a pro rata basis to the capital account balances of investors electing an annual withdrawal cycle up to the amount of the Management Fee or Incentive Fee (as applicable) and non-trading related expenses. Any excess Liquidity Capital Account Reduction is payable to Paloma Advisors. The Liquidity Capital Account Reduction is applied monthly in arrears.

- **ADDITIONAL EXPENSE RELATED TO THE HEDGE CURRENCY SHARE CLASSES**

Investors in non-US dollar share classes will bear the costs incurred in connection with hedging the applicable currency risk exposure including, without limitation, potential lost opportunity costs related to collateral or other requirements necessary to engage in the hedging activity (which may effectively reduce the amount of capital of hedge currency share class investors utilized by the relevant Fund for its investment program).

- **FEE AND EXPENSE RESERVES**

If after giving effect to a withdrawal, an investor would be completely withdrawn from a Fund except for its interest in one or more illiquid investments, Paloma Management may determine to reserve or hold back a portion of the proceeds with respect to such withdrawal that is required, in its reasonable discretion, to pay fees and expenses then expected to be earned or owed, as applicable, and other expenses, liabilities and contingencies estimated to be accrued over the life of those illiquid investments (including general reserves for unspecified contingencies).

¹ Investors in PIL and POL are subject to a Liquidity NAV Reduction, which reduces the net asset value of the shareholders' shares with a quarterly redemption cycle at the same rate as the Liquidity Capital Account Reduction reduces PPLLC's investors' capital account balances.

- COMPENSATION RECEIVED FROM OTHER FUNDS

The Funds currently invest (or intend to invest), and may in the future invest, in other vehicles from which Paloma Advisors, Mr. Sussman, or an affiliate is entitled to receive compensation. In the event that a Fund invests, or commits capital to invest in a fund from which Mr. Sussman is entitled to Fees (an “Other Fund”), Mr. Sussman will waive, or cause to be waived, the portion of the Management Fee or Incentive Fee, as applicable, that would have otherwise been charged to the Fund with respect to an amount of net asset value equal to the Fund’s Investment Amount. For purposes of this provision, (i) “Fees” mean management fees, other asset-based fees, and performance-based fees; and (ii) a “Fund’s Investment Amount” means the amount of capital invested or committed by a Fund in the Other Fund upon which the Other Fund calculates its management fees.

Other Funds may charge higher overall fees than the Funds charge, which may result in a conflict of interest in determining whether or not to invest a Fund’s assets in the Other Funds. That conflict of interest is discussed further in ITEM 6.

- FEE WAIVERS/REDUCTIONS

A Fund, with the consent of Paloma Advisors, may elect to reduce, waive, calculate differently, or provide rebates on:

- (i) Paloma Advisors’ Management Fee or the Incentive Fee with respect to certain investors, including, without limitation, investors that are partners, affiliates, or current and former employees of Paloma Management, members of the immediate families of those persons and trusts or other entities for their benefit, strategic or large investors, or in connection with solicitation arrangements with placement agents and asset aggregators.
- (ii) The Liquidity Capital Account Reduction with respect to certain investors, including, without limitation, strategic or large investors, or in connection with solicitation arrangements with placement agents and asset aggregators (but not investors that are partners, affiliates or employees of Paloma Management, members of the immediate families of those persons and trusts or other entities for their benefit).

A Fund’s Administrative and Operating Expenses (described above) cannot be waived, reduced, calculated differently or rebated (except in accordance with the Liquidity Capital Account Reduction) for any investor.

ITEM 6 PERFORMANCE-BASED FEES and SIDE-BY-SIDE MANAGEMENT

As described in Item 5, Paloma Advisors is entitled to receive performance-based compensation from two classes of interests in the Paloma Fund and Portfolio Managers are generally entitled to receive performance-based compensation if their investment performance is positive. The receipt of performance-based compensation creates the appearance of certain conflicts of interest. Potential conflicts include incentives to:

- cause a fund to make investments that are riskier or more speculative than would be the case if the compensation was not performance-based;
- favor a client that pays performance-based compensation over a client that does not pay, or pays lower, performance-based compensation; or
- overvalue assets in order to increase the amount of performance-based compensation.

Paloma Management believes the risks associated with these potential conflicts are mitigated by:

- Mr. Sussman's alignment of interest with investors through a significant personal investment in the Paloma Fund and his exposure to the same risk of loss as other investors; similarly, Portfolio Managers of Portfolio Funds generally have substantial personal investments in the Portfolio Funds in which the Paloma Fund invests;
- independent risk management oversight performed by Paloma Management with respect to portfolios managed by Trading Teams; and
- the use of the Paloma Fund's administrator to value almost all of the Fund's assets using PPMC's Pricing Procedures. Note that "net appreciation," which is the basis for most performance-based compensation, includes unrealized appreciation, and may result in Paloma Advisors or a Portfolio Manager receiving greater performance-based compensation than would be the case if net appreciation was based only on realized gains.

ITEM 7 TYPES OF CLIENTS

PPMC and Paloma Advisors provide discretionary portfolio management services to private investment funds. Interests in the funds advised by Paloma Management, and the funds themselves, are not registered under the U.S. Securities Act of 1933, as amended, and are excepted from the definition of an "investment company" under Section 3(c)(7) of the Investment Company Act of 1940, as amended. Accordingly, interests in the Paloma Fund are offered exclusively to investors satisfying the applicable eligibility and suitability requirements either in private placement

transactions within the United States or in offshore transactions. Investors in the Paloma Fund are also Qualified Eligible Persons as defined in the Commodity Exchange Act.

In the future, PPMC and Paloma Advisors may provide investment advice to other clients, including other private funds or separately managed accounts.

The minimum initial investment in the Paloma Fund is generally \$5 million and may be waived in compliance with applicable law.

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

- **METHODS OF ANALYSIS AND INVESTMENT STRATEGIES**

The following is a summary of the strategies and methods used in formulating advice or managing assets (and their material risks) for the Funds. Any or all of the strategies described below may be undertaken in developing or emerging markets, or in the securities of companies based in developing or emerging markets.

In the execution of these strategies, Paloma Management and/or Portfolio Managers may trade or invest, directly or indirectly, on margin or otherwise, in all forms of securities and other financial instruments, where “securities” and “financial instrument” are given their broadest possible meanings and include any interest of any kind commonly referred to as securities.

The Funds may employ additional strategies, or variations of these strategies without advance notice to investors. Additional strategies and variations of strategies may involve higher levels of risk.

Depending upon the investment strategies employed and market conditions, a Fund may be adversely affected by unforeseen events involving such matters as changes in interest rates, the credit status of an issuer, forced withdrawals of securities, break-up of planned mergers, unexpected changes in relative value, short squeezes, an inability to short stock or changes in tax treatment, among others.

All strategies carry a risk of loss. Certain risks are inherent, or more likely to impact a particular strategy or transaction, while other risks are related to the markets in which the Funds may trade or the instruments are traded. Market risk is inherent in all securities investments to varying degrees, and there can be no assurance that the investment objective of the Funds will be achieved. Certain investment practices may increase the risk profile of the Funds. The Funds’ activities could result in substantial losses (including the complete loss of capital) under certain circumstances.

While Paloma Management currently expects that Portfolio Funds as well as the Funds, will primarily engage in these types of strategies, the Funds and Portfolio Funds may engage in investment strategies and trade in financial instruments that are not described in this Brochure. These descriptions do not in any way limit the Funds' or Portfolio Funds' investment activities.

Statistical Arbitrage and Systematic Futures Strategies (Algorithmic Strategies) use quantitative methods and statistical models which seek to identify mispricings among securities and futures based on various metrics such as deviations from equilibria, momentum, pattern recognition, volume, or flow-driven momentum and factors underlying security price variations. The frequency of trading varies by model, but may be high. These portfolios may have directional exposure but generally seek to generate returns with minimal correlation to directional moves of the major markets.

Credit Relative Value Investment Strategies are designed to identify attractive long and short opportunities in corporate, asset backed and mortgage backed securities (including senior and subordinated claims as well as bank debt and other outstanding debt obligations). Portfolio Managers seek to take advantage of idiosyncratic opportunities on both the long and short sides. Strategies may also have limited exposure to government, sovereign, equity, convertible or other obligations. Portfolio Managers may employ fundamental credit analyses focused on valuation, asset coverage and quality of collateral. In most cases portfolio exposures are concentrated in publicly traded instruments, albeit with varying degrees of liquidity.

Fundamental and Directional Strategies measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition, prospects and management of a company itself) to determine if a company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Commodities Strategies trade commodities, futures, options, or derivatives on agricultural and energy products, metals and minerals, among others, based on technical and fundamental analysis of relevant markets. Investments can also include the equity of companies that produce, process, convert, transport and service commodities.

Volatility and Correlation Strategies trade derivatives (typically derivatives in which optionality plays a role) that are linked to the realized or implied volatility of an asset or basket of assets, or to the correlation of one or more assets.

Fixed Income Strategies typically include long and short credit positions based on quantitative or qualitative analysis of various fixed income securities to capture inefficiencies in the relative pricing

of similar instruments. Instruments traded typically include bonds (including fixed, floating rate and zero coupon bonds), sovereign debt, interest rate swaps, futures contracts, forward contracts, government sponsored agency debt, mortgage backed securities, asset backed securities or related derivatives. These strategies may have significant directional exposure to take advantage of market dislocations.

High Yield Strategies trade and invest in credit derivatives, bank debt, senior and subordinated bonds, equity or other securities of unrated or below investment grade issuers based on an assessment of fundamental values.

Capital Structure Strategies seek to exploit pricing inefficiencies and informational asymmetries through a diversified portfolio of offsetting long and short positions within companies' capital structures. Investments can include bank debt, convertible and non-convertible senior and subordinated debt, and preferred and common stock of one or more companies.

Convertible Securities Strategies seek to exploit price differentials (spreads) between convertible securities and the underlying security. Instruments traded typically include bonds, preferred and common stock, and derivatives.

Long/Short Strategies seek to generate alpha and mitigate correlation to major market directional movements by establishing long and short positions in securities, indices, ETFs or baskets of securities. These strategies can either be market neutral or have some directional exposure.

Distressed Strategies generally invest in the securities and other assets of issuers in weak financial condition (perhaps having a negative net worth), experiencing poor operating results, needing substantial capital investment, facing special competitive or product obsolescence problems, or involved in various stages of bankruptcy or reorganization proceedings.

Event Driven, Special Situation and Merger Arbitrage Strategies involve investments in opportunities created by certain current or expected events or special situations and may involve a long or a short view with respect to an issuer depending on the anticipated outcome of particular events or transactions. The strategies trade in the securities of publicly-traded companies in announced or prospective mergers, acquisitions, cash tender-offers, exchange offers, corporate recapitalizations or other corporate actions, including the anticipation of such events occurring in the future.

Activist Strategies seek to make investments for the purpose of influencing the management of a company (which may take a cooperative or hostile approach) to realize value through, for example, going private transactions, management changes, divestitures or acquisitions. These strategies

typically involve acquiring a substantial ownership stake in an issuer either alone, or in conjunction with others.

Investments in Private Equity/Private Placements are medium to long-term investments in private companies that are not publicly traded securities. In addition to purchasing a company's equity, investments may be in mezzanine debt or other types of financing. Exit transactions from these investments typically involve, but are not limited to, initial public offerings (after which time, the Funds' interests may be subject to transfer restrictions for periods of time) or private sales of the Funds' investment.

Investments in Real Assets are typically opportunistic investments in physical, tangible assets which may include: commodities, equipment, natural resources or property. These investments may be longer-term investments.

Macro-Economic Strategies seek to profit by capturing market movements across a global universe of investment opportunities, such as equity, currency, commodity and fixed-income markets, based on a broader economic analysis than would be used for the purchase or sale of specific securities. These strategies may be directional and seek to exploit mispricings across markets and geographies.

Fund-Level Hedging Strategies seek to limit the exposure of the Fund to rapid, adverse changes in the market environment and to "tail risks." However, Paloma Management is not obligated to hedge any specific risk and may elect not to hedge against certain risks or to alter the extent to which the Funds are hedged from time to time.

Investments in Developing or Emerging Markets may utilize any or all of the strategies described herein.

DISCLAIMER

The following is a summary of certain material risks associated with the types of securities that Paloma Management and/or Portfolio Managers primarily recommend to the Funds (or the Portfolio Funds in which the Funds invest). The information included below does not include every potential risk associated with every investment strategy or security. Investors and prospective investors in the Funds are urged to ask questions regarding risk factors applicable to a particular investment strategy or security, read all product-specific risk disclosures (for example, the Fund Documentation) and determine whether a particular strategy or type of security is suitable for his/her/its own account in light of his/her/its circumstances, investment objectives and financial situation. Investing in securities involves risk of loss, possibly a total loss of invested capital that investors should be prepared to bear.

There is no guarantee that a Fund's investment program, including, without limitation, its investment objectives, strategies, or risk monitoring goals will be successful. Investment results may vary substantially over time. Investments in the Funds are speculative and involve a high degree of risk. There may be risks which cannot be monitored or controlled, and risks that may be greater than forecasted, especially in unusual market conditions. Paloma Management cannot guarantee that any assumptions relied on herein will be true for all future events or that all assumptions have been considered or stated.

PLEASE REVIEW THE RELEVANT FUND DOCUMENTATION FOR A MORE DETAILED DISCUSSION OF RISK FACTORS APPLICABLE TO EACH FUND.

- INVESTMENT AND TRADING RISKS – GENERALLY
 - Highly Volatile Markets
 - Prime Broker and Counterparty Risk
 - Concentration of Investments
 - No Fixed Strategy, Instruments, Markets, Sectors or Issuer Weightings
 - Discretion of Paloma Management; New Strategies and Techniques
 - Dependence on the Manager and Portfolio Managers
 - Use of Leverage
- INVESTMENT STRATEGY RISKS
 - Statistical Arbitrage and Systematic Futures (Algorithmic Strategies)
 - Model-Based Trading and Programming Errors
 - Fundamental or Directional Investments
 - Macro-Economic
 - Short Selling
 - Event Driven, Special Situations and Merger Arbitrage
 - Activist Strategies
 - Board Participation
 - Insider Status
 - Hedging Transactions
 - Highly Volatile Markets
 - “Widening” Risk
 - Securities of Non-U.S. Companies
 - Legal and Tax Systems
 - Developing or Emerging Markets, which also may include the following other risks:
 - Access to Markets

- Currency Risk
 - Trading Volume; Transparency
 - Emerging Markets Banking and Financial Systems; Inflation
- RISKS RELATED TO INSTRUMENTS TRADED
 - Convertible Securities
 - Fixed Income Securities and Loans
 - ABS and MBS
 - Distressed and High Yield Securities
 - Bankruptcy Claims
 - Commodities, Futures and Certain Derivative Investments
 - Credit Default Swaps (“CDS”)
 - Put Options
 - Call Options
 - Futures Contracts
 - Forward Contracts
 - Exchange Rate Fluctuations; Currency Considerations
 - Investments in Private Companies
 - Illiquid Portfolio Instruments
 - Investments in Standalone Funds
 - Use of Leverage
- OPERATIONAL RISKS
 - Trade Errors
 - Inefficient Trade Execution
 - Leverage and Financing Risk
 - Change in Margin Terms
 - Loss or Insufficiency of Margin on Derivatives
 - Net Asset Value Triggers
 - Valuation
 - In-Kind Distributions
 - Lack of Investor Liquidity
 - Significant Withdrawals/Redemptions
 - Repurchase Agreements
 - Commodities Futures and Options Margin
 - Margin in Periods of Stress
 - Cash Deposit Risk

- Non-U.S. Custodians, Brokers and Counterparties
 - Master-Feeder Structure
 - General Political, Economic, Legal, Tax and other Regulatory Risks
- RISKS RELATED TO PORTFOLIO FUNDS

The Funds' investments in Portfolio Funds present additional risks to investors. These additional risks include, without limitation:

- Liquidity Risk
- Lack of Transparency
- Fraud or Mismanagement
- Valuation Risk
- Risk of multiple levels of fees and expenses

ITEM 9 DISCIPLINARY INFORMATION

On September 2, 1997, S. Donald Sussman settled a claim (regarding alleged violations of the Advisers Act) with the SEC and paid a \$40,000 civil monetary penalty. The SEC's order (Advisers Act Release No. 1653) is available here: <http://www.sec.gov/litigation/admin/ia1653.txt>.

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Each of PPMC and Paloma Advisors is a member of the National Futures Association ("NFA"), a registered commodity pool operator and swap firm. The owners of PPMC are registered with the NFA as principals and PPMC employees involved in investor relations are registered with the NFA as Associated Persons. Mr. Sussman is also registered with the NFA as a principal and as an Associated Person, of both Paloma Advisors and PPMC. Paloma Management's Chief Compliance Officer is registered with the NFA as a principal of both PPMC and Paloma Advisors.

- OTHER FUNDS

The Paloma Fund currently invests, and may in the future invest, in other funds ("**Other Funds**") from which Mr. Sussman is entitled to a portion of the fees charged by the Other Funds (such as the China Funds discussed below). Mr. Sussman will waive, or cause to be waived, the portion of the Management Fee or Incentive Fee Paloma Advisors is entitled to receive from the Paloma Fund, as applicable, that would have otherwise been charged to the Paloma Fund for any of the Fund's capital used as a basis for calculating the management or performance fee paid to the Other Fund. Other Funds may, however, charge higher fees than are charged by the Funds, which may

result in a conflict of interest for Mr. Sussman when allocating a Fund's assets to an Other Fund with higher fees. In that case, although Mr. Sussman will waive the fees to which he is entitled from the Paloma Fund, he could potentially receive a greater amount of compensation through his relationship with the Other Funds.

- CHINA FUNDS AND CHINA MANAGERS

The China Funds are private equity funds that generally invest in private companies operating in or affected by economic activity in China and securities reasonably related to such investments. The China Funds are managed by the China Managers. Mr. Sussman effectively owns 50% of the China Managers. Additional information about the China Managers is provided in Section 7.A of Schedule D in PPMC's ADV Part 1. The China Funds in which the Paloma Fund is currently invested include: the Cathay Investment Fund Limited, Cathay Capital Holdings L.P., Cathay Capital Holdings II L.P. and Cathay Capital Holdings III L.P.

To address the conflict of interest related to the receipt of compensation from both the Paloma Fund and the China Funds for the same capital (i.e., double fees), as described above, Paloma Advisors waives the Management Fee and the Incentive Fee in respect of the Paloma Fund's investments in the China Funds.

- PACIFIC ALTERNATIVE ASSET MANAGEMENT CO LLC

Mr. Sussman has a passive indirect ownership interest² in Pacific Alternative Asset Management Co LLC (SEC File No. 801-57416) ("PAAMCO"). Mr. Sussman is registered with the NFA as a principal of PAAMCO. Mr. Sussman does not currently participate in the management of PAAMCO.

- OTHER INVESTMENT ACTIVITIES

Investment Persons³ may engage directly or indirectly in any business or other activities, including exercising investment advisory and management responsibility and buying, selling or otherwise dealing with securities for their own accounts, for the accounts of family members, and for the accounts of other clients. These activities may conflict with Investment Persons' activities on behalf of clients. For example, Investment Persons may give advice and take action in the performance of

² Mr. Sussman owns Franklin Realty Company, which owns Franklin Realty Holdings LLC, which has a substantial ownership interest in PAAMCO Founders Co., LLC, which owns the majority of PAAMCO.

³ For the purpose of this Item 10, the term "Investment Persons" includes Paloma Advisors, PPMC, Portfolio Managers and their respective employees, officers and directors.

their duties to one client which may differ from the timing and nature of action taken with respect to a Fund or Portfolio Fund. These other activities may affect the prices and availability of the securities and other financial instruments in which a Fund or Portfolio Fund invests.

In certain circumstances, the Funds may invest in securities or other instruments of the same issuer (or affiliated group of issuers) having a different seniority in the issuer's capital structure. If the issuer becomes insolvent, restructures or suffers financial distress, there may be a conflict among the interests of the Funds, insofar as the issuer may be unable (or in the case of a restructuring prior to bankruptcy may be expected to be unable) to satisfy the claims of all classes of its creditors and security holders. Under these circumstances it may not be feasible to reconcile the conflicting interests of the Funds in a way that protects each Fund's interests.

- **BOARD MEMBERSHIPS**

Investment Persons may serve as directors of companies in which a Fund or Portfolio Fund invests. In addition to any fiduciary duties owed to a Fund or Portfolio Fund, as a director of a company, an Investment Person also owes a fiduciary duty to the company. Board memberships may place an Investment Person in a position where they must make a decision that is not in the best interests of a Fund or Portfolio Fund. Investment Persons serving as directors may receive non-public information as a result of their duties and such knowledge may restrict a Fund's ability to buy or sell securities of the relevant company. Board members may receive compensation for their service on a board; such compensation may or may not be passed on to the Fund(s) invested in the relevant issuer. There are currently two Portfolio Managers, who are not employees of PPMC or Paloma Advisors, serving on boards and receiving compensation which is not passed on to the Fund.

- **PERSONAL INTERESTS IN OTHER FUNDS**

Investment Persons that have ownership interests in certain clients may have an incentive to favor those clients (and therefore themselves) over other clients. For example:

- Certain Investment Persons do own and may in the future acquire additional interests in certain of their clients (including the Paloma Fund).
- An Investment Person (or its affiliate) may provide most of the initial seed money for a new fund (in which case that fund may be wholly or principally owned by that Investment Person (or its affiliate)).

Paloma Management seeks to mitigate and manage these conflicts with respect to its supervised persons through its Code of Ethics and with respect to external Trading Teams and Portfolio Funds, through due diligence reviews of Portfolio Manager's codes of ethics and allocation policies.

- **MASTER-FEEDER STRUCTURE**

The feeder funds invest through a master-feeder structure which may create a conflict of interest in that different tax considerations may cause a master fund to structure or dispose of an investment in a manner that provides more advantageous tax treatment, or better (or worse) returns, to a feeder fund. Additionally, a feeder fund may trade and invest part of its capital for its own account, when presented with investment opportunities appropriate for it and its investors but that are not appropriate or not optimal (for tax or other reasons) for other feeder funds. Paloma Management or affiliates, including Mr. Sussman, may, and typically do, have a disproportionate investment in one of the feeder funds and may, therefore, receive any benefit derived disproportionately by that feeder fund.

- **LETTERS OF UNDERSTANDING A/K/A “SIDE LETTERS”**

By entering into side letters, certain investors in a Fund may receive information that is not generally requested or utilized by other investors in a Fund, and as a result, may be able to act on such information (i.e., request redemptions).

Any rights related to access to information that are given to any investor in a Fund are generally available to all investors in that Fund.

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

Paloma Management has adopted a Code of Ethics (the “Code”) that includes: (i) a standard of conduct to which all supervised person are required to adhere, (ii) reporting requirements, rules and restrictions applicable to the personal investment activities of supervised persons, and (iii) a requirement that supervised persons report violations of the Code to the Chief Compliance Officer. The term supervised persons includes all of Paloma Management’s employees, officers and directors but does not include external Trading Teams.

The Code permits trading in individual securities only after receiving preclearance approval. Supervised persons are generally prohibited from initiating new positions in individual securities and are only permitted to liquidate individual securities owned before becoming subject to the Code after receiving preclearance approval for the transaction. Supervised persons are required to provide the Chief Compliance Officer with initial and annual holdings reports (excluding accounts holding certain exempt securities or discretionary accounts) and quarterly transactions reports. Supervised persons are generally prohibited from participating in initial public offerings and executing transactions in issuers included on PPMC’s Restricted List. Supervised persons must also obtain preapproval from the Chief Compliance Officer prior to investing in any private placement.

The Chief Compliance Officer reviews violations of the Code to determine appropriate internal sanctions.

If there is adequate capacity, Paloma Management and/or its affiliates may invest, or co-invest directly, side-by-side or otherwise (through special purpose vehicles created by those parties, in conjunction with third parties or otherwise) in a Portfolio Fund, or any other investments of a Fund. In the event that a conflict of interest arises, Paloma Management will seek to resolve such conflicts in a fair and equitable manner.

Investors and prospective investors in the Funds may obtain a complete copy of the Code of Ethics free of charge by submitting a written request to the Chief Compliance Officer, Heather Garson, at Two American Lane, Greenwich, CT 06831 or by phone at (203) 861-8405.

- EXPENSES

Investors and prospective investors should note that Paloma Management may have a conflict with respect to controlling expenses, as the Fund Documentation does not limit the amount of expenses that the Funds may pay, advance or reimburse.

- AFFILIATED INVESTMENTS

Investment Persons may act in multiple capacities, and may effect transactions with, or for an account in instances in which Investment Persons may have multiple interests. Paloma Management has invested, and may in the future invest, assets of a Fund in entities managed by affiliates.

Investment Persons receive asset and/or performance-based compensation (as well as reimbursement of certain expenses and indemnification guarantees) in respect of investments by the Funds in other funds managed by Investment Persons. The determination by Paloma Management to effect any such investment will be based on such criteria as Paloma Management may determine to be appropriate at the time.

It is possible that other funds managed by Investment Persons in which such investments are made may charge higher fees and expenses than would be the case if such investment were made in a comparable, non-affiliated collective investment fund or vehicle. Paloma Management has no obligation to determine whether an investment in a comparable, non-affiliated collective investment fund or vehicle would subject the Funds or clients to lower fees and expenses.

Trading Teams have established, and may in the future establish, one or more funds which may or may not also be Portfolio Funds (meaning a Fund may also make a passive investment in such funds).

- **CROSS AND PRINCIPAL TRADES**

Paloma Management may direct, from time to time and subject to applicable client investment guidelines and restrictions, one client to sell securities to another client (or with other Funds) through an internal cross trade. Cross trades may be executed with the assistance of a broker-dealer or as an “internal cross” where the client’s custodian is instructed to book the transaction at a price determined in accordance with Paloma Management’s valuation policies. No fees will be charged by Paloma Management to its clients in connection with the completion of a cross trade. In certain cases, cross trades may be viewed as principal trades due to certain ownership interests. In addition, Paloma Management and its personnel may effect principal transactions with clients subject to applicable client investment guidelines and restrictions.

Cross trades and principal trades give rise to conflicts of interest between clients. For example, one client could be advantaged to the detriment of another in the event that the securities being exchanged are not priced in a manner that reflects their fair value. In addition, an investment adviser could use its investment authority to transfer unappealing securities from one client to another. These same conflicts exist when a client effects a transaction with Paloma Management and its personnel.

With respect to principal transactions, Paloma Management will comply with the requirements of Section 206(3) of the Advisers Act and their internal policies and procedures. Paloma Management will, among other things: (1) confirm that such trade is allowed by the applicable investment guidelines; (2) ensure that Paloma Management’s valuation procedures were followed when pricing the transaction, including obtaining a third-party valuation when appropriate; and (3) confirm that notice of the specific trade was provided to the clients and written consent was obtained.

ITEM 12 BROKERAGE PRACTICES

For the purpose of this ITEM 12, and unless otherwise specifically noted, the term “Portfolio Managers” includes Paloma Management and Trading Teams.

PPMC reviews, approves and monitors the counterparties used by Paloma Management and Trading Teams. Executing broker-dealers and counterparties are chosen by each Trading Team from those that have been reviewed and approved by PPMC. Factors relevant to PPMC’s evaluation of prime brokers, executing broker-dealers and counterparties include:

- Reliability;
- Reputation and integrity;
- Financial stability;
- Transaction and financing costs; and
- Counterparty diversification and credit exposure considerations.

Prime brokers, executing broker-dealers and counterparties are chosen by Trading Teams in consultation with PPMC. Additional factors considered by PPMC with respect to each Trading Team's choice of prime brokers, executing-brokers and counterparties include:

- Strategy expertise;
- Counterparty agreements including agreements relevant to swaps, futures and foreign markets;
- Algorithmic trading capabilities;
- Diversification and stability;
- Commission rates and volume impact on tiered commission rates; and
- Suitability.

Soft dollar arrangements provide an incentive to select or recommend a broker-dealer based on an interest in receiving Products or Services, rather than on receiving most favorable execution. Soft dollar arrangements may cause a Fund to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). Portfolio Managers with clients in addition to a Fund (or a Portfolio Fund in which a Fund is invested) may also benefit from the use of soft dollars. Therefore, it is theoretically possible that another fund will benefit (which benefit may be disproportionate relative to its contribution to the expenditure that generated them) from soft dollar services paid for by a Fund.

With respect to soft dollar arrangements, the conflicts that typically give rise to concerns underlying the use of soft dollars do not generally exist for Paloma Management because the Funds (and not Paloma Management) bear all of the expenses related to their own operations. Therefore, the use of soft dollars does not result in any expense shifting between Paloma Management and the Funds.

To the extent that a Fund's commissions are used to acquire Products and Services through the use of "soft dollars," Products and Services received will be of the type contemplated by the Safe Harbor provided in Section 28(e) of the U.S. Securities Exchange Act of 1934 (that is, "research" and "brokerage"), although transactions may or may not otherwise comply with the provisions of Section 28(e) (e.g., may relate to transactions in instruments other than securities).

During our last fiscal year, we acquired the following Products and Services through the use of soft dollars: (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; (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; (iv) invitations to attend conferences or meetings with management or industry consultants; and (v) execution services to effect securities transactions as eligible brokerage.

In selecting brokers and dealers to effect portfolio transactions, Portfolio Managers may consider the full range of quality of the broker's services to meet best execution obligations and may not pay the lowest commission rates or prices available. The following are some factors that contribute to efficient execution, although Portfolio Managers are not required to weigh these factors equally:

- Reliability
- Reputation
- Experience in the industry
- Financial stability
- Capital commitment
- Efficiency in executing and clearing transactions
- Confidentiality of trading activity
- Provision of Products and Services (defined below)
- Idea generation
- Ability to find liquidity
- Competitive rates
- General responsiveness

Products and Services constituting "research" may be in any form (e.g., written, oral or on-line) and may include, without limitation:

- Traditional research reports analyzing the performance of a particular company or stock, market, company and financial data
- Market, economic, political and financial information (including studies and forecasts);
- Statistical information including market analysis
- Data on the pricing and availability of securities
- Seminars and conferences relating to the investment in securities or containing analyses of issuers, industries, securities, economic factors and trends and portfolio strategy.

Products and Services constituting “brokerage” may include, without limitation:

- Execution algorithms
- Order management systems
- Post-trade reporting and analysis
- Clearance services
- Settlement services
- Custody services

Portfolio Managers do not have an obligation to obtain the lowest available commission cost. Accordingly, if a Portfolio Manager determines in good faith that the commissions charged by a broker or the transaction costs charged by a dealer are consistent with their obligation to seek best execution and are reasonable in relation to the value of the Products or Services provided by the broker or dealer, a Fund may pay commissions to the broker or transaction costs to the dealer in an amount greater than another might charge to execute the same transaction.

From time to time, the Paloma Fund may be introduced to potential investors interested in investing through “capital introduction” events sponsored by a Fund’s prime brokers. Neither Paloma Management nor any Fund compensates any prime broker for organizing the events or for investments in a Fund ultimately made by prospective investors attending the events. However, the events and other services (including, without limitation, capital introduction services) provided by a prime broker may create the appearance that PPMC is influenced to some extent in selecting prime brokers and determining the extent to which a prime broker will be used. PPMC does not request or require any Trading Team to execute transactions through a specific broker-dealer or use a specific prime broker or other counterparty to compensate anyone for client referrals.

We do not cause the Funds to pay higher commissions or other transactions costs in connection with any capital introduction program, however, we do pay (directly, not using commissions) to attend certain conferences, seminars and other events that are attended by prospective investors. In addition, certain prime brokers or counterparties may have platforms through which their clients and customers invest in our Funds directly or through a feeder fund established by the platform.

Prime brokers may also introduce the Funds to potential Trading Teams. This may create the appearance of a conflict of interest, however, just as the Funds do not compensate prime brokers for investor referrals, the Funds do not compensate prime brokers for Trading Team referrals. In some cases a referral may be the result of an existing relationship with the Trading Team and while the Trading Team may indicate a preference for using the referring prime broker, PPMC’s approval to use the prime broker will be based on the selection criteria described above.

Investors cannot direct brokerage.

Aggregation Of Trade Orders: In the case that Portfolio Managers execute trades on behalf of multiple clients, and if portfolio decisions are made contemporaneously for multiple clients in the same instrument, Portfolio Managers may, if consistent with market conditions, client characteristics, and applicable law, bunch or aggregate client orders for execution. These bunched or aggregated orders might facilitate execution and may reduce brokerage and other costs. Portfolio Managers, however, are not required to bunch or aggregate orders if portfolio management decisions are not made contemporaneously, if the Portfolio Manager determines that it would be consistent with its investment management duties or the interests of its clients not to do so, or if bunching or aggregating is not practical operationally or otherwise.

Although it is anticipated that any bunching or aggregation of orders will benefit each client overall, aggregating orders may disadvantage clients, including by resulting in shared allocations of orders or higher execution prices for clients. Alternatively, not aggregating orders may disadvantage clients, including by resulting in higher costs (including higher execution prices) for client orders.

Trade Errors: A Fund (and not Paloma Advisors, PPMC or Trading Teams) will bear the cost of any losses (and reap the benefits of any gains) resulting from trading errors and similar human errors, absent gross negligence or intentional misconduct. Trade errors might include, for example, keystroke errors that occur when entering trades into an electronic trading system or typographical or drafting errors related to derivatives contracts or similar agreements. Given the volume of transactions executed on behalf of a Fund, investors should assume that trading errors (and similar errors) will occur and that a Fund will be responsible for any resulting losses, even if such losses result from negligence.

ITEM 13 REVIEW OF ACCOUNTS

Paloma Management's Portfolio and Risk Management Department monitor the Paloma Fund on an ongoing basis. Monitoring and analysis is performed using PPMC's Risk Management System, other tools, research, expertise and knowledge, and adjusts risk when appropriate.

- **REPORTS TO CLIENTS**

Investors in the Paloma Fund receive monthly unaudited account statements, quarterly net asset value statements for the applicable feeder fund, monthly portfolio reports, periodic letters and annual financial statements audited by an independent public accounting firm.

Investors in the CPP Fund receive quarterly unaudited account statements as well as quarterly net asset value statements as well as audited annual financial statements.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

A Fund or Paloma Management may enter into (and have entered into) arrangements that provide for the compensation of third party placement agents for their services (typically calculated as a percentage of the management fee attributable to the placed investor(s)) at the Fund's or Paloma Advisors' expense, provided that where such compensation is payable by a Fund, the management fee payable to Paloma Advisors will be reduced by the amount of any such compensation so that the Fund will not ultimately bear the cost of compensating the third party placement agents.

Paloma Management is not paid a sales charge in connection with the sale of interests or shares in a Fund.

ITEM 15 CUSTODY

Paloma Management is deemed to have custody of the Funds' assets because we are authorized to withdraw funds or securities from the Funds (for example to deduct fees or pay expenses) and because we serve as general partners to the Funds which gives us access to the cash and securities of the Funds.

The Funds' securities, cash, cash equivalents and other financial instruments are generally held by qualified custodians. Additional information about the Funds' custodians is provided in PPMC's ADV Part 1. Investors in each Fund receive annual financial statements audited by an independent public accounting firm, within 120 days (Paloma Fund investors) and 180 days (CPP Fund investors) of the fiscal year end.

ITEM 16 INVESTMENT DISCRETION

PPMC and Paloma Advisors each exercise investment discretion in managing the Funds based on a Fund's investment objectives, policies and strategies disclosed in the applicable Fund Documentation. PPMC's investment discretion is subject to Paloma Advisors' ultimate authority. Paloma Advisors typically assumes investment authority through its agreements with a Fund.

ITEM 17 VOTING CLIENT SECURITIES

PPMC is committed to voting proxies in a manner consistent with the best interest of its clients. As a general matter, PPMC does not believe proxy voting is a significant component of any of the Fund's current investment strategies. Therefore it has formed a Proxy Voting Committee to meet on an ad hoc basis to consider: the Fund's Proxy Voting Policy and Procedures, conflicts of interest with respect to any proxy vote and conflicting advice from Trading Teams with respect to any proxy vote.

Investors in a Fund may obtain a complete copy of PPMC's Proxy Voting Policy and Procedures or information on how proxies were voted for a Fund free of charge by submitting a written request to the Chief Compliance Officer at 2 American Lane, Greenwich CT 06831 or by phone at (203) 861-8405.

ITEM 18 FINANCIAL INFORMATION

At this time, neither PPMC nor Paloma Advisors have information to report that is applicable to this ITEM 18.