

## **Form ADV Part 2A: Firm Brochure**

### **Arrow Capital Management, LLC**

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This brochure provides information about the qualifications and business practices of Arrow Capital Management, LLC. If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer at 610-828-7183 or email [aw@arrowinv.com](mailto:aw@arrowinv.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Arrow Capital Management, LLC is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

We use the terms "ACM", "we" or "us" in this brochure to refer to Arrow Capital Management, LLC.

## Item 2: Material Changes

This brochure contains information about ACM upon its initial registration as an investment adviser with the SEC. Since our last brochure dated November 30, 2021, Frederick C. Teufel, Jr. replaced Marneda M. Milhiser as Chief Compliance Officer. Other than as described above, there have been no material changes since its adoption.

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## Item 4: Advisory Business

ACM is an independent private investment firm founded in 2002 and formed under the laws of the State of Delaware as a limited liability company. ACM is principally owned and controlled by Mal Serure. As of December 31, 2021, we manage approximately on a discretionary basis.

ACM specializes in offering investment management services to private investment funds. We currently provide investment management services to the following private investment funds:

- Arrow Partners, LP (“Arrow Partners”)
- Arrow Offshore, LTD (“Arrow Offshore”)

Our firm tailors its advisory services to the specified investment mandates of the Funds as set forth in each Fund’s private placement memorandum. In providing services to the Funds, among other things, we (i) manage the Funds’ assets in accordance with the terms of the applicable governing documents; (ii) formulate investment objectives; (iii) direct and manage the investment and reinvestment of the Funds’ assets; and (iv) provide periodic reports to the Funds’ investors. We

provide investment advice directly to the Funds and not individually to a Fund's limited partners or shareholders.

Arrow Partners and Arrow Offshore are managed in a similar manner though minor differences may exist between the vehicles as a result of factors including but not limited to differing capital activity and tax considerations. Their principal investment objective is to provide investors with a superior absolute compounded rate of return over an extended period of time, while minimizing the risk of a capital loss. We attempt to achieve this objective by pursuing an opportunistic investment strategy, seeking to build a portfolio of long and short positions where we see significant public market mis-pricings, preferably with a defined catalyst or event to realize value. Arrow Partners and Arrow Offshore invest primarily in publicly-traded global equities. Investments are often established around corporate events such as: divestitures/spin-outs, demutualizations, distressed/restructuring opportunities, and generally misunderstood or under-followed companies. Arrow Partners and Arrow Offshore employ a bottom-up, fundamental, research-intensive, value-driven approach to investing. They typically invest in a portfolio with 15 to 25 positions.

The Funds generally adopt investment guidelines relating to the types and dollar amount of securities that they may purchase. We tailor our investment advice to our clients to meet any applicable investment guidelines. The Funds generally have the ability to make "Limited Participation Investments" in which some, but not all of the Funds' investors participate in profits and losses associated with a particular investment. The Funds also generally have the authority to allocate profits and losses relating to purchases of equity securities that are part of an initial public offering (sometimes referred to as an "IPO" or "new issues") away from investors that are restricted from participating in the gains and losses associated with those investments.

For further description of ACM's investment objectives and strategies and associated risks, please see Item 8, Method of Analysis, Investment Strategies and Risk of Loss. Also, all Fund investors and qualified potential investors should refer to the applicable governing documents of each Fund for detailed information

## **Item 5: Fees and Compensation**

We generally receive compensation from our Funds based on a percentage of net assets under management ("Management Fee") and on the performance achieved for the account of each of our Funds' investors ("Performance-based Fee"). Details concerning such terms are set forth in each of the Funds' confidential private placement memorandum and other governing documents.

### Arrow Partners and Arrow Offshore

**Management Fee** - Both Arrow Partners and Arrow Offshore pay ACM an annual management fee of 1.5% of the net assets in each fund. The management fee is paid quarterly in advance, based on the value of the net assets of each Fund as of the first business day of each calendar quarter. The management fee will be prorated for any period that is less than a full calendar quarter and will be adjusted for subscriptions occurring during the quarter.

**Performance-based Fee** – The General Partner of Arrow Partners may receive an annual incentive fee equal to 20% of the net profit (including realized and unrealized gains and losses), if any, during

the given fiscal year for the services it provides as General Partner. The Co-Investment Manager of Arrow Offshore, may receive an annual incentive fee equal to 20% of the net profit (including realized and unrealized gains and losses), if any, during the given fiscal year for the services it provides as Co-Investment Manager. These incentive fees are subject to a loss carry-forward provision. Under this provision, no incentive fee will be paid for any fiscal year until any prior net loss has been offset by subsequent net profits. We generally deduct the incentive fee annually in arrears.

The management and performance-based fees may be waived or modified for fund investors that are also members, employees or affiliates or relatives of such persons, and for certain large or strategic investors.

### Other Fees and Expenses

In addition to management and incentive compensation, the Funds will be responsible for the operating and administrative fees and expenses described in each Fund's confidential private placement memorandum. The types and amounts of fees may vary, but typically will include the following: costs and expenses directly related to portfolio investments or prospective investments, including brokerage commissions, clearing and settlement charges, custody fees, interest on debit balances or borrowings, fees and specific expenses incurred in obtaining, maintaining or performing systems, research and other information, liability insurance premiums covering us and our Funds, administrative services and out-of-pocket costs of the administration of our Funds and our Funds' accounts (tax preparation, accounting, audit, operational, administration, secretarial and legal expenses) costs of litigation or investigation involving our clients' activities and costs associated with reporting and providing information to our clients' investors. Please see the section entitled "Brokerage Practices" for more information regarding our brokerage practices.

Investors should review the applicable governing documents of each Fund for detailed information on the services offered and the corresponding fees that may apply.

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

We receive performance-based compensation from each of our clients. We do not manage any client accounts that do not pay performance-based compensation, although compensation rates and calculations may vary among clients. The receipt of performance-based compensation creates an incentive for us to make investments which may be riskier or more speculative than those which would be made under a different fee arrangement.

## **Item 7: Types of Clients**

All of our clients are private investment funds that operate as pooled investment vehicles. We generally require that our Funds' investors meet certain minimum investment thresholds and suitability requirements. For example, certain of our Funds generally impose minimum investment

thresholds of \$1,000,000 although we (or our affiliates) have the discretion to accept less. We also require our Funds' investors to make representations indicating that they are acquiring their interests for their own account; that they have received access to all information that they deem relevant to evaluate the merits and risks of the prospective investment in our client; and that they have the ability to bear the economic risk of an investment in our client. Details concerning applicable investor suitability requirements are included in each Fund's offering documents and subscription material which are furnished to all investors.

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

### Investment Philosophy

ACM seeks investments with exceptional risk/reward characteristics, including what is viewed as significant downside protection from permanent loss. Tenets of the ACM's investment philosophy include:

- Investment opportunities are best found through a catalyst-driven value approach, seeking misunderstood situations or companies with downside protection from substantial free cash flow generation and/or net asset value.
- Investment opportunities are best evaluated by conducting independent, rigorous fundamental research.
- Superior risk-adjusted returns are most likely to be achieved through a concentrated portfolio of high-conviction investments.
- A long-term, disciplined investment horizon is beneficial to generating superior performance.
- Limited portfolio leverage and maintaining proper liquidity are essential to risk management.

### Research Process

The majority of our investment ideas are internally generated through independent research. We seek misunderstood or out-of-favor companies undergoing transformation events. Investment ideas are generated from multiple sources including: monitoring of corporate events (e.g., divestitures/spin-offs, demutualizations, share repurchases/tender offers, insider buying, acquisitions, late-stage distressed/bankruptcy securities, IPO activity, secondary stock offerings and other transformative events), news/industry publications, sell-side research, and investor/industry conferences. The companies we monitor tend to be leaders in their markets, conservatively capitalized (limited debt), and resistant to market cycles.

As part of the diligence process, we analyze financial models, conduct comparable company analyses, assess business and industry risks and seek to develop a differentiated/unique view versus market perception. We speak or meet with senior management of the companies to discuss model

assumptions and business outlook before making an investment. Additionally, we leverage our professional network to conduct interviews with suppliers, competitors, customers, etc.

Considered investments deemed the most attractive on a risk/reward basis are purchased; we may invest in a position at once or average in over time.

Once a position is part of the portfolio, we continue to analyze and re-evaluate the company, constantly assessing the risk/reward profile versus the rest of the portfolio, potential new investments and cash. Should a material change in the investment case occur, we respond accordingly.

### Portfolio Construction

Arrow Partners and Arrow Offshore are long-biased and typically invest in a portfolio with 15 to 25 positions. We believe that there are typically a limited number of exceptional investments available in the market and superior risk-adjusted returns are most likely to be achieved through a concentrated portfolio of high-conviction investments. Arrow Partners and Arrow Offshore may sell short securities in companies that it believes are overvalued and maintain declining fundamentals. From time to time, they may also buy call or put options or other derivatives such as credit default swaps based on the return profile of the investment and market conditions.

### Risk Management

We view the main source of risk as company-specific security selection. This is mitigated by ACM's research-intensive approach and focus on purchasing undervalued companies with downside protection from substantial free cash flow generation and/or net asset value.

We are mindful of sector exposures and consider such correlations when sizing portfolio positions. Arrow Partners and Arrow Offshore have historically been diversified by sector and geography.

Our clients consist exclusively of private investment funds. Acquiring an interest in a private investment fund involves a number of risks, including complete loss of investment. An investment in the funds may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of investment. No guarantee or representation is made that a fund will achieve its investment objective or that investors in a fund will receive a return of their capital. The description contained below is a brief overview of different material risks related to our client's investment strategy:

**General Business and Management Risk** - Investments in securities are subject to the risks associated with the underlying businesses, including market conditions, changes in regulatory requirements, reliance on the company's management, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations and other factors. All investments risk the loss of capital. There can be no assurance that our investment program will be successful.

**Dependence on Key Personnel** – Our investment activities depend upon the experience and expertise of our principal. The loss of the services of our principal could have a material adverse effect on our operations.

**Limitations on Withdrawals and Transfers of Interests in our clients' Funds** – An investor's investment in the Funds is subject to the structure and terms of the fund. Although investors may request withdrawals of their interests on available withdrawal dates, the funds may impose limitations on withdrawals and may delay payment of a portion of the redemption price. Limitations on redemption may include lock-ups and redemption fees payable to the Fund. There is no public market for interests in the Funds and those interests may not be sold, assigned, or transferred without our or our client's consent. Interests in the Funds will not be registered under federal or state securities laws and may not be transferred unless registered under applicable federal and state securities laws or unless an exemption from such laws is available.

**Leverage** - We 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. Leverage strategies increase the risk of loss. To the extent that we purchase securities with borrowed funds, net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The interest costs associated with such borrowing will reduce the funds' profits. If the interest expense on borrowings were to exceed the return on the investments made with borrowed funds, the use of leverage would result in a lower rate of return than if leverage was not used.

**Short sales** - We may include short selling in the Funds' portfolios. Short selling involves selling a security that the Fund does not own. The Fund borrows the security that is sold short in hopes of purchasing the security at a later price to repay the lender of the security. If a security that is sold short rises in price, the short seller will lose money. Because there is no limit on how much a security's price may rise, securities sold short are subject to unlimited risk of loss.

**Derivative Instruments** – We may use various derivative instruments, including options, forward contracts, swaps and other derivatives which may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Derivative instruments may not be liquid in all circumstances and can result in a large amount of effective leverage.

**Illiquidity** – Subject to restrictions described in our Funds' confidential private placement memorandum, Fund assets may, at times, be invested in securities or other assets that are not readily marketable. During market dislocations, these types of investments often experience extreme price volatility, which may make it difficult for us to realize the intrinsic value of such investments if we were forced to sell them and may impact our clients' ability to make timely distributions or calculate their net asset value.

**Lack of Diversification** – Diversification is not an objective of the Funds and thus the Funds may take large positions in a small number of investments. As a consequence, the aggregate returns to Fund investors may be substantially adversely impacted by the unfavorable performance of even a single investment.

**Non-U.S. Securities** – Subject to limitations imposed by our Funds, we may invest in non-U.S. securities and other assets, which will 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 non- U.S. issuers and markets are subject. These risks include political or social instability, the seizure by foreign governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels and limitations on the use or transfer of assets. In addition, enforcing legal rights in some foreign countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against foreign governments.

**Cybersecurity** - ACM, the Funds and their respective investments generally rely on information technology systems for current and planned operations. Information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If any systems designed to manage such risks are compromised, become inoperable for extended periods of time or cease to function properly, ACM, the Funds and/or an investment in a portfolio company may have to make a significant investment to fix or replace them. Any disruption in any of these systems or the failure of any of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect the fund's investment results and its ability to make distributions to its partners. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in ACM or the Funds' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm ACM's, the Funds' or a company's reputation, subject them and their respective affiliates to legal claims and otherwise affect their business and financial performance.

**Force Majeure** - Investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including a counterparty to a Fund) to perform its obligations until it is able to remedy the force majeure event. In addition, forced events, such as the cessation of the operation of machinery for repair or upgrade, could similarly lead to the unavailability of essential machinery and technologies. These risks could, among other effects, adversely impact the cash flows available, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost to a company or a Fund of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Funds may invest specifically. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more



companies or its assets, could result in a loss to the Funds. Any of the foregoing may therefore adversely affect the performance of the Funds and its investments.

Investors should review the Funds' confidential private placement memorandum and other governing documents to understand the risks and potential conflicts of interest. This brochure is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operation of the Funds.

### **Item 9: Disciplinary Information**

ACM and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

### **Item 10: Other Financial Industry Activities and Affiliations**

ACM serves as the investment manager to Arrow Partners. An affiliate, Arrow Advisors, LLC serves as the General Partner to Arrow Partners. Arrow Offshore Advisors, LLC, a relying adviser affiliate, serves as the investment manager to Arrow Offshore. Arrow Advisors, LLC and Arrow Offshore Advisors, LLC are affiliated with ACM by common ownership. Otherwise, ACM and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a written Code of Ethics predicated on the principal that we owe a fiduciary duty to our clients. The Code of Ethics is designed to address and avoid potential conflicts of interest and is applicable to all of our firm's officers, directors, members, partners or employees (collectively referred to as "employees"). We require our employees to act in our clients' best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

Our Code of Ethics requires, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of ACM above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;

- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

Our Code of Ethics also requires employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide ACM with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

A copy of our Code of Ethics shall be provided to any investor or prospective investor upon request.

From time to time, ACM or an affiliate may determine that it is in the best interest of one or more of its funds for ACM or an affiliate to sell a security to or purchase a security from such fund. For example, ACM or an affiliate may determine that a particular security that it holds in its proprietary account would be an appropriate investment for a particular client and may determine to sell the security directly to the client so that the client's account does not incur any brokerage commissions. These principal transactions will not be effected until ACM or the affiliate has disclosed to the investors the capacity in which it is acting and has obtained consent for the transaction.

## **Item 12: Brokerage Practices**

ACM is granted the discretionary authority in the relevant Fund organizational documents and/or investment management agreements to determine which securities and the amounts of securities that are bought or sold, as well as the brokers, dealers or counterparties (collectively "Brokers") to be used and the associated commissions or other rates to be paid.

ACM will endeavor to select those Brokers which will provide the best execution at competitive rates. In placing orders to purchase and sell securities, ACM typically considers a number of factors in selecting appropriate Brokers, including: the overall costs of a trade (i.e., net price paid or received) including commissions, mark-ups, mark-downs, spreads and other current transaction costs; quality of execution including accurate and timely execution, clearance and error/dispute resolution; the Broker's ability to execute transactions of size in both liquid and illiquid markets at competitive market prices without disrupting the market for the security traded; the range of services offered by the Broker, including the quality and timeliness of market information, the range of markets and products covered, and the quality of research services provided; the Broker's provision of, and access to, companies (e.g., coverage of securities, access to public offerings and research materials); the Broker's financial responsibility, creditworthiness and responsiveness; and the Broker's reputation, financial strength and stability as compared with others.

In evaluating Brokers for transactions in various structured and derivative products, ACM may consider additional factors deemed relevant, including: the range and availability of derivative products offered by the Broker; the operational expertise of the Broker in providing confirmation, documentation, timely settlement and on-going operational support for the derivative products; and, the terms and appropriate documentation of the derivative transactions products by the Broker.

Brokers utilized by ACM for Fund transactions may suggest a level of business they would like to receive in return for the services they provide. Actual business directed to the broker may be less than the suggested allocations, but can exceed the suggestions, as ACM allocates transactions to Brokers based on all of the factors listed above. Accordingly, the commission rates charged by Brokers in the foregoing circumstances may be higher than those charged by other Brokers who may not offer such services. ACM may therefore use a Broker who provides services and products even though a lower commission may be charged by a Broker who does not offer the same level of products and services. Research services may be useful in servicing all Funds, and not all of such research may be useful for the Fund for which the particular transaction was effected.

ACM may also hire separate independent trading firms in order to obtain better prices and/or execution, and such trading firms will be paid through additional commissions to be borne by the Funds.

### Soft Dollars

At present, ACM does not have any soft dollar arrangements.

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 Fund expense or as otherwise described below, ACM 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). The use of commissions arising from the Funds' investment transactions for services other than research and brokerage will be limited to services that would otherwise be a Fund expense. The use of commissions to obtain such other services would be outside the parameters of Section 28(e).

If ACM receives 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), ACM will make a good faith effort to determine the relative proportion of the product or service used to assist ACM 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 ACM 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 the Fund from its own resources.

### Block Trading

ACM will block trades where possible and when advantageous to the Funds. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts. Block trading may permit equity trades to be executed in a timelier and more equitable

manner while allowing ACM to obtain an average share price for the Funds participating in the block.

### Trade Aggregation

ACM clients generally participate in the same investment opportunity on a pro rata basis in accordance with available capital at the time of investment, unless, in ACM's judgment, tax, regulatory, legal or other considerations warrant allocating opportunities in a different manner. When ACM determines that it would be appropriate for more than one of its clients to participate in an investment opportunity, it seeks to execute orders for all of the participating investment accounts on an equitable basis. If ACM has determined to invest at the same time for more than one of the clients, ACM generally places combined orders for all such accounts simultaneously, and if all such orders are not filled at the same price, will generally average the prices paid. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, ACM will allocate the trade among the different accounts on a basis that it considers equitable. Ultimately, clients benefit when ACM aggregates trades because they receive volume discounts on execution costs.

## **Item 13: Review of Accounts**

Positions held by the Funds are typically monitored on an on-going basis and reviewed by one of the Principals of ACM. The Funds are reviewed in the context of the investment objectives and guidelines set forth in the offering documents and the advisory agreements entered into with each Fund.

**Arrow Partners and Arrow Offshore** - At fiscal year-end, investors in these funds are provided with an annual audited financial statement prepared by the fund's independent auditor. Investors are also provided with other information necessary to prepare income tax returns (i.e., a Schedule K-1). Further, ACM provides unaudited quarterly performance reports and semiannual narrative descriptions of the fund's principal investments.

Investors are requested to refer to the applicable fund documents for complete information on the reports provided to investors in each of the funds.

## **Item 14: Client Referrals and Other Compensation**

ACM may compensate, either directly or indirectly, a person (defined as a natural person or a company) for client referrals. ACM is aware of the special considerations promulgated under Section 206(4)-3 of the Investment Advisers Act of 1940. As such, appropriate disclosure shall be made, all written instruments will be maintained by ACM and all applicable Federal and/or State laws will be observed.

Other than the previously described products and services that ACM receives from Brokers discussed in Item 12 above, ACM does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

**Item 15: Custody**

Due to our access to client funds and securities as general partner or investment manager of the Funds' accounts and our authority to deduct fees and other expenses from the Funds' accounts, we are deemed to have custody of our clients' funds and securities within the meaning of Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended. All Fund assets are held in custody by unaffiliated broker/dealers, financial institutions or other qualified custodians (as defined in Rule 206(4)-2). We do not provide the Funds or their investors with statements from the custodian. Instead, we comply with the periodic reporting requirements of the custody rule by delivering financial statements prepared in accordance with generally accepted accounting principles (GAAP) and audited by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Financial statements are delivered to our clients and their investors within 120 days of each client's fiscal year end. Investors should carefully review these statements, and should compare these statements to any account information provided by ACM.

**Item 16: Investment Discretion**

ACM has investment discretion over all of the Funds' accounts. We have the authority to determine, without obtaining specific client consent, the amount and price of securities bought and sold, the preferred broker-dealers through which they effect trades, and the commission rate charge for trades. Investors sign a subscription agreement granting us discretionary authority to manage their investments in accordance with the confidential private placement memorandum which is provided to the investor prior to their execution of the subscription agreement.

**Item 17: Voting Client Securities**

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

ACM votes the Funds' proxies in the interest of maximizing value for the Funds and the investors in the Funds. To that end, ACM endeavors to vote proxies when and in the manner that it determines in good faith that its vote will be the most likely to cause the Funds' investments to increase the most or decline the least in value. Our investors do not direct our vote. Consideration is given to both the short and long term implications of the proposal to be voted on when considering the optimal voting strategy.

**Item 18: Financial Information**

ACM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.