

**ITEM 1  
COVER PAGE**

**PART 2A OF FORM ADV: FIRM BROCHURE**

March 31, 2022

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**This brochure provides information about the qualifications and business practices of Clearline Capital LP (“Clearline”). If you have any questions about the contents of this brochure, please contact us at 212-735-5380.**

**The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about Clearline is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2**

### **MATERIAL CHANGES**

Since we last filed our last annual amendment to Part 2A Form ADV on March 31, 2021, Clearline Capital Partners L.P. (“Clearline” or the “**Adviser**”), there have been no material changes to the Adviser’s business since we last filed our Part 2A Form ADV. While there were no other material changes to the Adviser’s business since we last filed our Part 2A Form ADV, the following changes have been made to this Form ADV:

- ☐ Items 8 of this Brochure has been updated to describe instances where Clearline is involved in the investment in a SPAC.
- ☐ Item 10 has been updated to reflect Taxi Revival Alliance GP, LLC and Taxi Revival Alliance, LP and the Adviser’s managing member’s outside business activities with such entities.
- ☐ Item 11 has been updated to reflect the Adviser’s Conflict of Interest that certain investors in the Adviser’s Funds are also invested in Taxi Revival Alliance, L.P.

**ITEM 3**  
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## **ITEM 4**

### **ADVISORY BUSINESS**

Clearline is a Delaware limited partnership formed on February 5, 2013. Clearline's principal owner is Marc Majzner.

Clearline provides discretionary investment management and advisory services to Clearline Capital Partners LP, a standalone Delaware limited partnership, Clearline Capital Partners Master Fund, LP, an offshore Cayman exempt limited partnership, and Clearline Capital Partners Offshore, Ltd., a Cayman limited company (each, a "Fund" and collectively the "Funds"), pursuant to the investment objectives, strategies and restrictions as set forth in each of the relevant Fund's offering memorandum.

As of December 31, 2021, Clearline manages approximately \$864 million of regulatory assets on a discretionary basis.

## **ITEM 5**

### **FEES AND COMPENSATION**

The fees and compensation from the Funds are set forth in each Fund's offering memorandum.

The Funds pay a management fee generally in an amount equal to 1.50% per annum of net assets, payable in advance as of the beginning of each month. The Funds may also pay an annual performance-based incentive generally in an amount equal to 20% of the aggregate increase of the Fund's net worth allocated to the individual capital accounts. For our initial investors (and therefore no longer offered), Clearline offered a 10% discounted fee class on both management and performance-based incentive fees.

Clearline does not accept any other compensation in connection with the sale of securities or other investment products.

In addition to the management fee and incentive allocation described above, the Funds' investors will also be subject to additional fees and expenses such as legal, compliance, administrator, audit and accounting expenses, organizational expenses, investment expenses such as commissions, research fees and expenses (including research related travel), interest on margin accounts and other indebtedness, borrowing charges on securities sold short (if any), custodial fees, bank services fees, Fund-related insurance costs (including portion of D&O and E&O insurance for Clearline, Clearline Capital LLC (the "General Partner of Clearline"), Clearline Capital GP LLC (the "General Partner") and outside directorship liability, as applicable), directors' fees and expenses (if any), portfolio risk and performance analysis software, and other fees described in each Fund's offering memorandum.

## **ITEM 6**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

A description of the fees charged by Clearline is provided above in Item 5.

The General Partner may have a conflict of interest between its responsibility to manage the Funds' investment portfolios and its interest in maximizing the performance-based fee. For example, the performance-based fee may create an incentive for Clearline to make investments that are riskier or more speculative than would be the case if such arrangement were not in effect. In addition, the performance-based fees are not the product of an arm's length negotiation with any third party, and, because they are calculated on a basis which includes unrealized appreciation of the Funds' assets, it may be greater than if such compensation were based solely on realized gains.

## **ITEM 7**

### **TYPES OF CLIENTS**

The Funds are private investment funds that have a minimum initial capital contribution of \$1 million. Thereafter, the minimum additional capital contribution required is \$250,000. The General Partner, from time to time in its sole and absolute discretion, can accept a lesser initial or additional capital contribution amount. Investors of the funds may include high net worth individuals, pension funds, trusts, endowments, fund of hedge funds, family offices and other entities.

## **ITEM 8**

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

**Please refer to each Fund's offering memoranda for a more detailed discussion of investment strategy and related risks.**

#### **Investment Objective**

The Funds' investment objective is to achieve capital appreciation by taking long and short positions primarily in equity and fixed income securities. The Funds' aim is to achieve high absolute rates of return while minimizing the risk of capital loss. **However, no assurance can be given that the Funds' investment objective will be achieved, and investment results may vary substantially on a monthly, quarterly, annual and/or other periodic basis.**

In general, Clearline believes that the Funds' objectives can be achieved by employing a catalyst-driven, value-oriented investment strategy. Clearline generally seeks securities or other financial instruments in which (i) the issuer or other underlying reference asset is or will soon undergo change driven by a particular event, and (ii) the security's or other financial instrument's trading value materially differs from its fundamental value.

Clearline generally employs a fundamental and intensive research process that seeks to develop a thorough understanding of the fundamentals of a business and the dynamics of an investment

situation to confirm that the trading value of a security or other financial instrument is materially different from its fundamental value, that there is a catalyst that may serve to highlight this discrepancy and that there is not a risk of material capital loss. Clearline also seeks to determine if the security or other financial instrument has the appropriate liquidity, sector and other qualities that would be additive to the Fund's overall portfolio.

## **Investment Program**

Clearline seeks to identify catalyst-driven value investments. A catalyst may either be a "hard" catalyst or a "soft" catalyst. A hard catalyst is one that has a specific date where the issuer of a security or other financial instrument will be transformed – examples include, but are not limited to: merger or acquisition transactions, spin-offs, liquidations, recapitalizations, reorganizations, and management changes. A soft catalyst is one that does not have a specific date but still has the potential to transform the issuer of a security or other financial instrument – examples include, but are not limited to: compensation changes for managers of the issuer, the roll-out of a new product or service, new pricing for a product or service, and material changes in a security's or other financial instrument's price. Once Clearline identifies a catalyst, Clearline analyzes whether the security or other financial instrument is trading at a price that Clearline does not believe appropriately reflects the fundamental value of the security or other financial instrument after the occurrence of the catalyst.

Once Clearline identifies a catalyst-driven value investment, it seeks to determine if an investment can provide significant absolute upside with minimal downside. Generally, each individual investment, both long and short, is made to provide a positive return individually and not for the purpose of hedging another investment.

This research process generally is driven by a rigorous scenario analysis informed by Clearline's macroeconomic view. Clearline runs multiple operating scenarios and overlays the earnings and cash flow outputs with a historical range of valuation metrics. Clearline generally seeks to ensure that its macro view overshoots towards pessimism when evaluating long positions and optimism when evaluating short positions. Clearline generally looks for investments that provide material upside that allows a "margin-of-comfort" that Clearline believes can still result in an attractive investment return even if unanticipated negative events occur. At the same time, Clearline seeks to confirm that the investment does not have material downside and that a security's or other financial instrument's value and underlying cash flows provide a "margin-of-safety" that should minimize losses.

Clearline generally is agnostic as to what specific securities or other financial instruments it invests in as long as it believes them to provide significant upside with minimal downside. However, Clearline's investment goal and process tends to lead it to certain areas:

- Clearline prefers to be in the most secure security or other financial instrument possible. Notwithstanding, under most market conditions, only equity securities offer substantial enough upside to conform to Clearline's return objectives. However, in periods of stressed conditions, Clearline opportunistically invests in fixed income securities. Additionally, Clearline may, from time to time, invest the assets of the Funds in other types of financial instruments, including, without limitation, derivatives, futures and forwards.

- Clearline primarily invests in North America. However, Clearline may invest opportunistically, on both the long and short side, outside North America when the risk/reward is overly compelling. At most times, Clearline does maintain investments outside of North America.
- Clearline may invest in all sectors and will continue to have broad sector exposure. However, Clearline prefers to invest in sectors that (i) are secularly healthy, (ii) Clearline understands well from previous investing experience, or (iii) disclose a large amount of public information.

Clearline's investment process involves three components that generally occur at the same time: Sourcing, Research and Portfolio & Risk Management.

Sourcing Clearline generally sources ideas by identifying catalysts that are material enough to impact a security price. These catalysts may be collected from a variety of sources. One source is public news releases. Another source is investment team experience and insight. Through the combined experience of Clearline's personnel, the investment team has previously analyzed a large subset of the possible investments opportunities available. This historic work typically includes financial modeling and fundamental research. New catalysts combined with a price movement generally results in the investment team re-analyzing the opportunity. Another source from which Clearline looks to originate ideas is relationships with industry contacts and relationships within the financial community network. This includes relationships at broker dealers, research shops and other asset managers. No matter where an idea is sourced, once Clearline identifies a possible investment, it generally is entered into a central database that Clearline uses to identify those ideas with the most potential to contribute positively to the Funds' overall portfolio, and Clearline's research resources are prioritized accordingly.

Research Clearline aims to perform exhaustive and differentiated research in order to fully understand the catalyst, the security or other financial instrument and the investment opportunity. Since Clearline analyzes a large number of investment opportunities, the investment process generally is broken into steps that Clearline believes allows it to concentrate its in-depth research to those ideas which have a higher probability of ultimately becoming an investment. Step 1: The initial step is usually completed within two days. By using SEC filings and other public information, Clearline seeks to determine if the catalyst is probable and model the underlying assets to determine if Clearline believes an investment in the security or other financial instrument can provide significant absolute upside with minimal downside that it requires from potential investments. At this point, most investment opportunities do not proceed to Step 2. However, if Clearline has confirmed the catalyst and the attractive risk-reward, the investment opportunity proceeds to Step 2. Step 2: This step is usually completed within a day to two weeks. The goal is to build an operating model of the security or other financial instrument and to further confirm the catalyst and project the potential price movements driven by different fundamental developments. During this step, Clearline aims to use public filings including, without limitation, SEC filings, documents filed with other regulators, company transcripts from earnings calls, conferences and industry events, company public releases (press releases, presentations, sales materials) and any other relevant information that is publicly available. After Step 2, the majority of the remaining investment opportunities are discarded. However, if Step 2 again confirms the catalyst and the attractive risk-reward, the investment opportunity proceeds to Step 3. Step 3 is usually completed within a week to three months. This step aims to integrate data points that Clearline gathers from similar work completed in Step 2 on the issuer, but, for this step, on the issuer's competitors, customers and supply chain. After completing these three steps, Clearline

generally aims to have completed, at a minimum, a working financial model of the security or other financial instruments with a detailed proprietary operating model, as well as price targets for the security or other financial instruments under multiple scenarios.

**Portfolio & Risk Management** Positions generally are sized in the portfolio based on their relative risk/reward, utilizing metrics such as multiple-of-investment and investment-rate-of-returns (using dates of catalysts) under a number of scenarios. Clearline generally compares and resizes positions without underlying biases (e.g. legacy, initial cost, reputation, etc.). The goal is to actively resize positions within the portfolio so that at any time the largest positions are those that Clearline's research process has determined have the potential to offer the most significant absolute upside with minimal downside. The portfolio management process is a regular process of evaluating new positions, and resizing and exiting positions. The risk management process aims to manage overall portfolio levels of liquidity, gross and net exposures, sector concentration and exposure to other correlations between or among securities or other financial instruments (e.g. similar regulatory risks or similar holder overlap). Aggregate portfolio risk exposures are regularly monitored, reviewed and managed by Clearline. When measuring the exposures of securities or other financial instruments in the portfolio, Clearline typically considers the market value of such positions, but may likewise consider the beta-adjusted value, the potential absolute loss and, in the case of certain derivative instruments, the delta-adjusted value. Although the Funds have no fixed diversification requirements, Clearline employs general guidelines and seeks to mitigate selection risk by diversification, hedging, position size limits, loss limit strategies and other risk management considerations.

## **Market Risks**

1. **Risk of Loss.** An investment in the Funds is speculative and involves significant risk. The profitability of the Funds ultimately depends upon Clearline correctly assessing the future price movements of the securities, commodities and other financial instruments in which the Funds invest as well as the movement of interest rates. Such price movements may be volatile and are subject to numerous factors which are neither within the control of nor predictable by Clearline. Such factors include, without limitation, a wide range of economic, political, competitive, market, legal, operational and other conditions or events (including, without limitation, natural disasters, acts of terrorism or war) which may affect investments in general or a specific security, commodity or other financial instrument in which the Funds invest. There can be no assurance that Clearline will be successful in accurately predicting price movements. Accordingly, investors may incur substantial losses on their investments in the Funds, and it is possible that the Funds' performance will fluctuate substantially from period to period.
2. **Competition.** The securities industry, the various markets in which the Funds participate and the varied strategies and techniques engaged in by Clearline are extremely competitive and each involves a high degree of risk. The Funds, the General Partner and Clearline compete with firms, including, without limitation, many of the larger securities and investment banking firms, which have substantially greater financial resources, larger research staffs and more traders than Clearline has or expects to have in the future, which may place the Funds at a competitive disadvantage.



3. Market Volatility. As a general matter, the prices of certain of the assets in which the Funds will invest have exhibited high volatility in line with the heightened volatility and fluctuations of global capital markets. Price movements of these assets may be influenced by, among other things, interest rates, credit trends, changing supply and demand relationships, regulatory changes and fiscal and monetary programs and policies of governments. There can be no assurance that Clearline will be successful in accurately predicting price and interest rate movements despite efforts to identify and, if applicable, hedge such risks.
4. Failure of Brokerage Firms. U.S.-registered broker dealers which may carry the accounts of the Funds generally segregate all customer funds to be allocated to listed securities trading in compliance with SEC and FINRA regulations. If such assets were not so segregated, the Funds would be subject to the risk of the failure of the broker. Even given proper segregation, in the event of the insolvency of the broker, the Funds may be subject to a risk of loss of its funds and may be able to recover only a *pro rata* share (together with all other securities customers of such broker) of their assets, such as U.S. Treasury bills, specifically traceable to the Funds' accounts. In broker insolvencies, customers have, in fact, been unable to recover from the broker's estate the full amount of their "customer" funds. In addition, under certain circumstances, such as the inability of another client of the broker or the broker itself to satisfy substantial deficiencies in such other client's account, a customer (including the Funds) may be subject to a risk of loss of its funds on deposit with a broker dealer, even if such funds are properly segregated. In the case of any such bankruptcy or loss, the Funds might recover, even in respect of property specifically traceable to them, only a *pro rata* share of all property available for distribution to all of the broker's clients. The Funds may trade with or hold accounts at foreign broker dealers registered under the laws and regulations of other countries. Such brokers and/or dealers may not be subject to the same or similar customer fund regulations (including, without limitation, customer segregation requirements) as those existing in the United States. The financial failure of the parties with which the Funds trades in the over-the-counter ("OTC") markets could also result in substantial losses, as the Funds will deal with such persons as principal and there is no requirement that such parties segregate counterparty funds held by them in respect of such trading. Further, the Funds are subject to additional risks where they are a party to a securities lending arrangement and the counterparty to the arrangement becomes insolvent and/or defaults on its obligations, including, without limitation, the risk that collateral will not be returned and/or repurchased or the Funds will not be permitted to exercise its remedies in accordance with the provisions of the relevant securities lending agreement.
5. Electronic Trading Facilities. The Funds, in their trading activities, may, in the sole and absolute discretion of Clearline, make use of electronic trading and/or communication networks. Most electronic trading facilities are supported by computer- (including, without limitation, internet-) based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Trading on an electronic trading system may differ not only from trading in an open-outcry market or telephonic market but also from trading on other electronic trading systems. The Funds, in undertaking transactions on an electronic trading system, will be exposed to risk associated with the system, including, without

limitation, the failure of hardware and software. The result of any system failure may be that a trade order is either not executed according to its instructions or is not executed at all. The Funds' ability to limit or recover certain losses may be subject to limits on liability imposed contractually or by, without limitation, foreign or domestic law or regulation, the Funds' own or its brokers' internet service provider, other systems providers, market factors, foreign or domestic banking or other market regulations and/or telephonic or other communications providers.

6. Leverage. The Funds retain the right to utilize leverage, and may do so through direct borrowing, short selling, options and other instruments (including, without limitation, derivatives) and arrangements with embedded leverage. While strategies, techniques and instruments that employ leverage increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. If the Funds use leverage with respect to a position, any losses would be more pronounced than if leverage were not used, and a relatively small price movement in a security or other financial instrument may result in immediate and substantial losses to the Funds, including, without limitation, losses in excess of the amount invested. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of the Funds. In addition, the lender or counterparty, as the case may be, may have a security interest in, or otherwise acquire, all or a portion of the Funds' assets. In the event that the Funds defaults under any such arrangement, such lender or counterparty may have the right to become or remain the owner of all or that portion of the Funds' assets secured pursuant to such arrangement. If such arrangement is terminated, the Funds' ability to meet its investment objective may be adversely impaired. The Funds will bear all of the costs and expenses incurred in connection therewith, including, without limitation, any interest expense charged on funds borrowed or otherwise accessed.

In addition, certain securities, commodities and other financial instruments which the Funds acquire may incorporate a certain, and sometimes high, degree of embedded leverage. Accordingly, even if not leveraged in the sense of being acquired with borrowings, the Funds may have highly leveraged exposure to certain securities, commodities and other financial instruments it acquires.

7. Liquidity. Some of the investments that are made by the Funds may lack liquidity or be thinly traded. This could present a problem in realizing the prices quoted and in effectively trading the position(s). The Funds may invest in less liquid investments which could result in significant loss in value should the Funds be forced to sell the less liquid investments as a result of rapidly changing market conditions or as a result of margin calls or other factors. In certain circumstances, the Funds may also be contractually prohibited from disposing of investments for a specified period of time. Accordingly, the Funds may be forced to sell its more liquid positions at a disadvantageous time, resulting in a greater percentage of the portfolio consisting of less liquid investments.

The disposition of less liquid investments often requires more time and results in higher transaction costs than the sale of securities eligible for trading on national securities exchanges or in over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

8. Accuracy of Public Information. Clearline selects investments for the Funds, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to Clearline by the issuers or through sources other than the issuers. Although Clearline evaluates all such information and data and may seek independent corroboration when Clearline considers it appropriate and reasonably available, Clearline is not in a position to confirm the completeness, genuineness or accuracy of such information and data and, in some cases, complete and accurate information is not available.
9. Concentration of Holdings. At any given time, the Funds' assets may become highly concentrated within a particular company, industry, asset category, trading style or financial or economic market. In such event, the Funds' portfolio will be more susceptible to fluctuations in value resulting from adverse economic conditions affecting the performance of that particular company, industry, asset category, trading style or financial or economic market, than a less concentrated portfolio would be. As a result, if the Funds' investment portfolio becomes concentrated, its aggregate return may be volatile and may be affected substantially by the performance of only one or a few holdings. Clearline is not obligated to hedge the Funds' positions.
10. Equity Securities. The Funds will invest in equities and equity derivatives. The value of these instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if they invest in equity instruments of issuers whose performance diverges from Clearline expectations or if equity markets generally move in a single direction and the Funds have not hedged against such a general move. In its equity derivatives, the Funds are exposed to risks that issuers will not fulfill their contractual obligations to the Funds, such as, for example, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.
11. Fixed-Income Investments, High-Yield Securities. The value of the fixed-income securities in which the Funds may invest will change as the general levels of interest rates fluctuate. When interest rates decline, the value of the Funds' fixed-income securities can be expected to rise. Conversely, when interest rates rise, the value of such securities can be expected to decline. In addition, the Funds may invest in high-yield securities. High-yield securities are rated below investments grade, and are commonly known as "junk bonds". Securities which are in the lower-grade categories generally offer a higher current yield than is offered by higher-grade securities of similar maturities, but they also generally involve greater risks, such as greater credit risk, greater market risk and volatility, and greater liquidity concerns (including, without limitation, the possibility of default or bankruptcy of the issuers of such securities).
12. Preferred and Hybrid Securities. The Funds may invest in preferred stock and hybrid securities, which may have special risks. Preferred and hybrid securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If the Funds own a preferred or hybrid security that is deferring their distributions, the Funds may be required to report income for tax purposes even though it has not yet received such income. Some preferred and hybrid securities are non-cumulative, meaning that the dividends do not accumulate and need not ever be paid.

There is no assurance that dividends or distributions on non-cumulative preferred securities in which the Funds invest will be declared or otherwise made payable or paid. Preferred and hybrid securities are subordinated to bonds and other debt instruments in an issuer's capital structure in terms of priority to corporate income and liquidation payments and, therefore, will be subject to greater credit risk than more senior debt instruments. Because preferred stock and hybrids are generally junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of such instruments than senior debt securities with similarly stated yield characteristics. Preferred and hybrid securities may be substantially less liquid than many other securities, such as common stocks or U.S. government securities.

13. Convertible Securities. The Funds may invest in convertible securities. Convertible fixed income securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. As with all fixed income securities, the market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the convertible security tends to reflect the market price of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis and thus may not decline in price to the same extent as the underlying common stock. Convertible securities rank senior to common stock in an issuer's capital structure and consequently entail less risk than the issuer's common stock. The Funds may invest in convertible securities of any maturity and will determine whether to hold, sell or convert any security in which they have invested, depending upon Clearline's outlook for the market value for such security, the security into which it converts and/or other factors.
14. Short Sales. The Funds will sell securities short. Selling securities short risks losing an amount greater than the proceeds received. Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. The Funds may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if the Funds are otherwise unable to borrow securities which are necessary to cover their positions. Although the Funds may utilize short selling as a hedging technique, short selling may also be used for speculative purposes.
15. Hedging Transactions. Hedging involves special risks, including, without limitation, the possible default by the other party to the transaction, illiquidity and, to the extent Clearline's view as to certain market movements is incorrect, the risk that the use of hedging could result in losses greater than if such investment strategies had not been used. Clearline may utilize financial instruments for risk management purposes. The success of the hedging strategy of the Funds will be subject to Clearline's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Because the characteristics of many assets change as markets change or time passes, the success of the Funds' hedging strategy will also be subject to Clearline's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if they had not engaged in any such hedging transactions. For a variety of reasons, Clearline may not seek to hedge certain

portfolio holdings, or may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Moreover, the portfolio may be exposed to certain risks that cannot be hedged.

When conducted outside the United States, hedging may not be regulated as rigorously as in the United States, may not involve a clearing mechanism and related guarantees and will be subject to the risk of governmental actions affecting trading in, or the prices of, foreign securities, currencies, commodities and other financial instruments. The value of positions taken as part of non-U.S. hedging also could be adversely affected by (i) other complex foreign political, legal and economic factors, (ii) lesser availability of data on which to make trading decisions than in the United States, (iii) delays in the Funds' ability to act upon economic events occurring in foreign markets during non-business hours in the United States, (iv) the imposition of different exercise and settlement terms and procedures and margin requirements than in the United States, and (v) lower trading volume and liquidity.

16. Options. Clearline will utilize options in furtherance of its investment strategies. Option positions may include both long positions, where the Funds are the holder of put or call options, as well as short positions, where the Funds are the seller (writer) of an option. Although option techniques can increase investment return, they can also involve a higher level of risk compared with their underlying securities. For example, the expiration of unexercised long options effectively results in loss of the entire cost, or premium paid for the option. Conversely, the writing of an uncovered put or call option can involve, similar to short selling, a theoretically unlimited risk of an increase in the Funds' cost of selling or purchasing the underlying securities, commodities or other financial instruments in the event of exercise of the option.
17. Futures. The Funds may engage in the trading of futures, including, without limitation options on futures, spot instruments and over-the-counter derivatives, for speculative and proprietary purposes. These types of trades are highly specialized and have specific risks. Commodity futures trading may be less liquid due to, among other things, position limits and price limits imposed by the Commodity Futures Trading Commission ("CFTC") and certain exchanges. If prices fluctuate beyond such limits, the Funds may be prevented from immediately liquidating unfavorable positions and may be subject to substantial losses. In addition, commodity futures prices are highly volatile, and are influenced by events such as changing supply and demand relationships, government programs and policies and changes in interest rates and other national and international political and economic events. As the Funds may generally trade commodity futures using low margin deposits, the Funds may employ a high degree of leverage with respect to such positions. As a result, a small change in price in a commodity futures contract could result in substantial losses, including, without limitation, losses greater than the amount invested in such contract. The Funds may also trade over-the-counter instruments with third parties. The risk of counterparty nonperformance can be significantly greater in the case of these substantially unregulated over-the-counter instruments as opposed to exchange-traded instruments and, as a result, prices for such instruments may not be readily available.
18. Swap Agreements. The Funds may enter into swaps, total return swaps and other derivative instruments with or through third parties. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments

or market factors. Depending on their structure, swap agreements may increase or decrease the Funds' exposure to long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, corporate borrowing rates or other factors such as security prices, baskets of equity securities or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The Funds are not limited to any particular form of swap agreement if consistent with the Funds' investment objective and policies. Swap agreements tend to shift the Funds' investment exposure from one type of investment to another. For example, if the Funds agree to exchange payments in dollars for payments in non-U.S. currency, the swap agreement would tend to decrease the Funds' exposure to U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Funds' portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Funds. If a swap agreement calls for payments by the Funds, the Funds must be prepared to make such payments when due. This is only true in default and not part of mark-to-market. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Funds.

19. Forwards. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals that deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded in by the Funds due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which Clearline would otherwise recommend, to the possible detriment of the Funds. Market illiquidity or disruption could result in major losses to the Funds.
20. Credit Default Swaps. The Funds may invest in credit default swaps. Credit default swaps can be used to implement Clearline's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, the Funds may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Funds to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Funds may also buy credit default protection with respect to a referenced entity if, in the judgment of Clearline, there is a high likelihood of credit deterioration. In such instance, the Funds will pay a premium regardless of whether there is a credit event. The credit default swap market in high-yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned

and liquid investment-grade securities, creating the risk that the newer markets will be less liquid, and making it potentially more difficult to exit or enter into a particular transaction.

21. Other Derivative Instruments. The Funds may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Funds and legally permissible. Special risks may apply to instruments that are invested in by the Funds in the future that cannot be determined at this time or until such instruments are developed or invested in by the Funds. Certain swaps, options and other derivative instruments may be subject to various types of risks, including, without limitation, market risk, liquidity risk, the risk of non-performance by the counterparty, including, without limitation, risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.
22. Event-Driven Investments. The Funds will invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs or other catalytic changes or similar transactions. Investing in the securities of such companies, as well as certain distressed securities, will be subject to so-called “event risk”, i.e., the risk that the transaction in question will simply fail to conclude as contemplated or will be delayed or modified in a manner detrimental to the Funds in the transaction. Numerous factors, including, without limitation market or industry developments, economic factors, regulatory clearance requirements and management or workforce issues, can cause an announced transaction to be abandoned, delayed or modified. Where a security to be issued in a proposed merger or exchange offer has been sold short by the Funds in the expectation that the short position will be covered by delivery of such security when issued, failure of the merger or exchange offer to be consummated may force the Funds to cover their short position in the market at a higher price than its short sale, resulting in a loss. These losses can be substantial. If a transaction is delayed significantly, the Funds’ capital may be committed to the transaction during the period of the delay and interest charges on funds borrowed to finance its investment in connection with the transaction may be incurred. These interest charges may be greater than the profit realized upon the disposition of the securities, in which case the Funds would realize a loss on the transaction.
23. Small Companies. The Funds may invest a portion of their assets in securities of small and/or unseasoned companies with small market capitalization. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. Such companies may not be well-known to the investing public, may not have significant institutional ownership and may have cyclical, static or only moderate growth prospects. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, the Funds may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the lower trading volume of smaller company securities.

Smaller capitalization securities may be followed by relatively few securities analysts with the result that there tends to be less publicly available information concerning these

securities compared to what is available for exchange-listed or larger companies. The securities of these companies may have limited trading volumes and may be subject to more abrupt or erratic market movements than the securities of larger, more established companies or the market averages in general, and the Funds may be required to deal with only a few market makers when purchasing and selling these securities. Transaction costs in smaller capitalization stocks may be higher than those for larger-capitalized companies. It is anticipated that the Funds would limit investments in smaller-capitalization companies and would generally require higher risk-reward ratios.

24. Non-U.S. Investments. The Funds may invest a portion of their assets in non-U.S. securities and interests denominated in non-U.S. currencies and/or traded outside of the United States, including, without limitation, emerging market securities and interests. Such investments require consideration of certain risks not typically associated with investing in securities traded in the United States or other assets. Such risks include, among other things, unfavorable currency exchange rate developments, restrictions on repatriation of investment income and capital, imposition of exchange control regulation, confiscatory taxation and economic or political instability in foreign nations. In addition, there may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States, and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies.
25. Emerging Markets. Investment in emerging market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may carry the risks of less publicly available information, more volatile markets, less strict securities market regulation, less favorable tax provisions, a greater likelihood of severe inflation, unstable currency, war and expropriation of personal property. In addition, the Funds' investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported.
26. Special Purpose Acquisition Companies. The Fund has invested in Special Situation Investments that are stock and/or warrants of special purpose acquisition companies ("SPACs"). Clearline Capital Partners does not sponsor such SPACs, or similar special purpose entities that pool funds to seek potential acquisition opportunities for the sole purpose of pursuing a business combination.

Unless and until an acquisition is completed, a SPAC generally invests its assets (less



a portion retained to cover expenses) in U.S. Government securities, money market fund securities and cash; if an acquisition that meets the requirements for the SPAC is not completed within a pre-established period of time (typically eighteen to twenty-four months), the invested funds are returned to the entity's shareholders. Because SPACs and similar entities are in essence blank check companies without an operating history or ongoing business other than seeking acquisitions, the value of their securities is particularly dependent on the ability of the entity's management to identify and complete a profitable acquisition. Some SPACs may pursue acquisitions only within certain industries or regions, which may increase the volatility of their prices.

Furthermore, because a SPAC's acquisition opportunities are not identified or known at the time the Funds were to invest in a SPAC, an acquisition ultimately made by a SPAC may not be in the same sector that the Adviser normally focuses. In addition, these securities, which are typically traded in the OTC market, may be considered illiquid and/or be subject to restrictions on resale. Issuers of such securities may not be required to register these securities with the SEC, or to provide regular reporting to their investors. These securities typically have fewer shareholders, which makes them less liquid than stocks of larger companies, and which may result in unpredictable stock prices. These securities can also be difficult to dispose of quickly. Prospective investors should be aware that these factors and the nature of an investment in a SPAC may adversely impact the Funds and their performance.

Clearline Capital Partners does not sponsor such SPACs, or similar special purpose entities. Where Clearline is allocated Initial Public Offerings (New Issue SPACs) from its brokers, Clearline will participate utilizing its existing Funds.

For the SPAC investments, the Adviser seeks to generate attractive, risk-adjusted returns across market cycles. The Adviser invests in asymmetric risk/rewards with a potential catalyst. The Adviser aims to achieve this investment objective by investing, directly or indirectly, in: (i) securities issued by blank check special purpose acquisition companies or similar collective investment structures ("SPACs"), including any shares of class A common stock (or the equivalent), any founder v (or promote) shares, any performance shares, or any warrants to purchase any securities issued by a SPAC or any other securities of a SPAC received directly or indirectly upon the exercise, conversion or exchange of any of the foregoing; (ii) any securities issued by a SPAC pursuant to private investments in public equities ("PIPE") transactions; (iii) membership or similar interests issued by any entities that serve as sponsors of SPACs ("SPAC Sponsors"); and (iv) derivative instruments relating thereto. The SPAC investments will include common equities, derivative instruments and other securities including the selling short of such securities and the use of leverage against such long and short positions. There can be no assurance that the SPAC investments will achieve its objective or avoid significant losses.

27. Material, Nonpublic Information. From time to time, certain personnel of the General Partner, Clearline and/or their respective affiliates may come into possession of material,

nonpublic information that would limit the ability of the Funds to buy and sell investments. The Funds' investment flexibility may be constrained as a consequence of Clearline's inability to take certain actions because of such information. The Funds may experience losses if they are unable to sell an investment that they hold because certain personnel have obtained material, nonpublic information about such investment.

28. Counterparty Creditworthiness and Risk. The Funds will engage in transactions in securities, commodities and/or other financial instruments that involve counterparties, and no counterparty exposure limits have been imposed on these transactions. Under certain conditions, a counterparty to a transaction could default or the market for certain securities, commodities and/or other financial instruments may become illiquid. In addition, the Funds could suffer losses if there were a default or bankruptcy by third parties, including, without limitation, brokerage firms and banks with which the Funds do business, or to which securities have been entrusted for custodial purposes.

The loan counterparties with which the Funds may effect transactions may not be subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, will not be available in connection with Funds' lending activities. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus subjecting the Funds to suffer a possible loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds have concentrated their transactions with a single or small group of counterparties. The Funds are not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. The ability of the Funds to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds. The Funds intend to diversify and mitigate counterparty risk as appropriate.

29. Temporary Investments in Liquid Assets. The Funds may at times keep a portion of their assets in cash, cash equivalents or other liquid assets, including, without limitation, currencies, bank deposits, certificates of deposit, bankers acceptances, one or more short duration funds (including, without limitation, money market instruments or investments in shares or units of money market funds) and/or government securities (both short-term and long-term). Such investments may be financed by entering into repurchase agreements and/or reverse repurchase agreements with the Funds' brokers or by other means. Investors should be aware that such investments may produce a lower return than other investments contemplated by the Funds and, therefore, may impact the overall performance of the Funds. The fact that a portion of the Funds' assets are held in cash or cash equivalents should not be taken as an indication that the Funds have not fully invested all of their assets. Further, investors should not assume that an investment in the Funds are less risky due to the fact that the Funds may, from time to time, hold a significant portion of their assets in cash and cash equivalents.

30. Market Dislocation and Illiquidity. Relatively recent events in the sub-prime mortgage market and other areas of the fixed income markets in the United States have caused significant dislocations, illiquidity and volatility in the structured credit, leveraged loan and high-yield bond markets. These events have had repercussions on the global financial markets, including, without limitation, the markets in which the Funds trades and invests, by restricting the availability of credit generally and reducing liquidity levels across virtually all markets globally. The foregoing events could lead to an overall weakening of the U.S. and global economies. Any resulting economic downturn could adversely affect certain of the Funds' investments. Such marketplace events also may restrict the ability of the Funds to sell or liquidate investments (including, without limitation, equity investments) at favorable times and/or for favorable prices and/or cause the Funds to have limited access to credit. The Funds may be adversely affected by a decrease in market liquidity (e.g., by impairing the Funds' ability to adjust its positions and risk in response to trading losses or other adverse developments). The size of Funds positions may magnify the effect of a decrease in market liquidity for the instruments traded. Changes in the overall market leverage (e.g., deleveraging or liquidations by other market participants of the same or similar positions) also may adversely affect the Funds' positions.
31. Currency Risk. Clearline generally may or may not cause the Funds to enter into arrangements in an attempt to hedge the Funds' exposure to significant currency fluctuations between the U.S. Dollar and other currencies. Therefore, the Funds may be exposed to fluctuations in currency and interest rates to the extent the movement in such rates affect the Funds' portfolio. Price movements of currencies and interest rates are difficult to predict accurately because they are influenced by, among other things, changing supply and demand relationships, governmental, trade, fiscal, monetary and exchange control programs and policies, national and international political and economic events, and changes in interest rates. Governments from time to time intervene in certain markets in order to influence prices directly. Clearline cannot guarantee that the Funds' portfolio will not be affected substantially by currency price and interest rate movements and the Funds may suffer significant losses as a result thereof.
32. Inflation Risk. Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the Funds purchase a 5-year bond in which it can realize a coupon rate of five percent (5%), but the rate of inflation is six percent (6%), then the purchasing power of the cash flow has declined. For all but inflation linked bonds, adjustable bonds or floating rate bonds, the Funds, if it were to invest in bonds, would be exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.
33. Systemic Risk. World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in the Funds losing substantial value caused predominantly by liquidity and counterparty issues, which could result in the Funds incurring substantial losses.
34. General Economic Conditions. The success of any investment activity is affected by general economic conditions, which include the level and volatility of interest rates, credit

spreads and equity valuations and the extent and timing of investor participation in the markets for both equities and interest-sensitive instruments. Unexpected volatility or illiquidity in the markets in which the Funds hold positions could cause the Funds to incur losses.

35. Outbreaks of Infectious or Contagious Diseases. As of March 2020, there is an outbreak of a novel and highly contagious form of coronavirus (“**COVID-19**”), which the World Health Organization has declared to constitute a “Public Health Emergency of International Concern.” The outbreak of COVID-19 has resulted in numerous deaths and adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity, and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment, and other industries. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other Coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on the Funds and their investments and could adversely affect the Funds’ ability to fulfil their investment objectives.

The extent of the impact of any public health emergency on the Funds’ and their investments’ operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the value and performance of the Funds’ investments, the Funds’ ability to source, manage and divest investments and the Funds’ ability to achieve their investment objectives, all of which could result in significant losses to the Funds. In addition, the operations of the Funds, their investments, the General Partners and the investment manager may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including their potential adverse impact on the health of any such entity’s personnel.

36. Assumption of Business, Terrorism and Catastrophe Risks. The Fund may be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events. These risks of loss can be substantial and could have a material adverse effect on the Fund and the Limited Partners’ investments therein.
37. Cybersecurity Breaches and Identity Theft. With the increased use of technologies such as the Internet and the dependence on computer systems to perform business and operational functions, portfolios (such as the Fund) and their service providers (including the Investment Manager) may be prone to operational and information security risks resulting from cyber-attacks and/or technological malfunctions. In general, cyber-attacks are deliberate, but unintentional events may

have similar effects. Cyber-attacks include, among others, stealing or corrupting data maintained online or digitally, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, and causing operational disruption. Successful cyber-attacks against, or security breakdowns of, the Fund, the Investment Manager, or a custodian, or other affiliated or third-party service provider may adversely affect the Fund or the Limited Partners. For instance, cyber-attacks may interfere with the processing of transactions, affect the Fund's ability to calculate its net asset value, cause the release of private Limited Partner information or confidential Fund information, impede trading, cause reputational damage, and subject the Fund to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and additional compliance costs. Cyber-attacks may render records of Fund assets and transactions, ownership of the Interests, and other data integral to the functioning of the Fund inaccessible or inaccurate or incomplete. The Fund may also incur substantial costs for cybersecurity risk management in order to prevent cyber incidents in the future. The Fund and the Limited Partners could be negatively impacted as a result. While the Investment Manager has established business continuity plans and systems designed to minimize the risk of cyber-attacks through the use of technology, processes and controls, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified given the evolving nature of this threat. The Fund relies on third-party service providers for many of its day-to-day operations and will be subject to the risk that the protections and protocols implemented by those service providers will be ineffective to protect the Fund from cyber-attack.

## **Regulatory Risks**

1. **Strategy Restrictions.** Certain prospective investors may be restricted from directly utilizing investment strategies of the type the Funds currently engages in and may engage in. Such prospective investors should consult their own advisors, counsel and accountants.
2. **Trading Limitations.** For all securities and commodities, including, without limitation, options and regulated futures contracts listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances, including, without limitation, the right to impose position limits and price limits on persons or groups of persons. Such suspensions or limits could render certain strategies difficult to complete or continue and subject the Funds to loss.
3. **No Registration.** The Funds are not registered as an "investment company" under the Investment Company Act of 1940, as amended (the "ICA"), in reliance upon Section 3(c)(1) for Clearline Capital Partners LP and Section 3(c)(7) Clearline Capital Partners Offshore, Ltd., thereof. Further, the General Partner is exempt from registration as a commodity pool operator ("CPO") with the CFTC under CFTC Rule 4.13(a)(3), and Clearline is exempt from registration as a commodity trading advisor ("CTA") with the CFTC under CFTC Rule 4.14(a)(8).
4. **General Business and Regulatory Risks of Hedge Funds.** Legal, tax and regulatory changes could occur during the term of the Funds that may adversely affect the Funds. The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by the Funds and the ability of the Funds to pursue its investment strategies. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators, self-regulatory organizations and exchanges are authorized to take

extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the Funds could be substantial and adverse.

5. Benefit Plan Regulatory Risks. The Funds intend to limit investment in the Funds by “benefit plan investors” so that the assets of the Funds will not constitute “plan assets” of an investor which is subject to the fiduciary responsibility provisions of Title I of Employee Retirement Income Security Act of 1974, as amended (“ERISA”) or to Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”). Accordingly, the Funds do not anticipate that they, Clearline or the General Partner will be subject to the fiduciary and other requirements of ERISA, the prohibited transaction rules of ERISA or the Code or any other related requirements with respect to any benefit plan investor. However, if the Funds were at any point to be deemed to hold plan assets for purposes of ERISA and the Code, the activities of Clearline would become subject to the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of ERISA and the Code. As a result, the operations and investments of the Funds may be limited and may result in a lower return to the Funds than might otherwise be the case. Further, in the absence of compliance with ERISA and the prohibited transaction rules of the Code, Clearline or the General Partner could be exposed to litigation, penalties and liabilities which might adversely affect their ability to fully satisfy their obligations to the Funds.
6. Changes in Applicable Law. The Funds must comply with various legal requirements, including, without limitation, requirements imposed by the securities, commodities, tax, pension and other applicable laws in various jurisdictions. Should any of those laws change, the legal requirements to which the Funds and the investors may be subject could differ materially from current requirements.
7. Risk of Litigation. From time to time, the Funds may be named as a defendant in a lawsuit or regulatory action. As a result of such action, the assets of the Funds may be frozen, and the Funds may not be able to liquidate their investments. In certain cases, the Funds may be called on to testify and/or provide information in connection with such lawsuit or regulatory action. The Funds may also be named as a defendant in the lawsuit or regulatory action. Litigation and regulatory actions can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses.

## **Fund Risks**

1. Risk of Loss. An investment in the Funds is speculative. Investors may incur substantial losses on their investments in the Funds.
2. Investment Strategy Risk. Clearline has broad and flexible authority to invest the assets of the Funds in securities, commodities and other financial instruments of any type. Accordingly, an investor will not be able to fully evaluate the Funds’ investment strategies prior to making a capital contribution or while such investor holds an interest. In addition, the Funds may be subject to a variety of risks that cannot be determined at this time and which are not enumerated herein, and may not be able to be determined prior to the Funds making a particular investment.

3. Limited Liquidity. An investment in the Funds provides limited liquidity. Investors can generally only make withdrawals at certain times upon providing sufficient notice to the Funds. Further, under certain circumstances, the Funds may suspend withdrawals. The interests are not freely transferable. In connection with the purchase of its interest, each prospective investor must represent that he/she is acquiring an interest for investment purposes only and not with a view to or for resale, distribution or fractionalization of such Interest. The Interests have not been registered under the Securities Act of 1933, as amended (the “1933 Act”) or under the securities or “blue sky” laws of any state or any other jurisdiction and, therefore, are subject to transfer restrictions. A secondary market does not exist, and one is not expected to develop, for the interests.
4. Withdrawals. The withdrawal provisions of investors may differ. It is possible that one or more large withdrawals by one or more investor(s) could result in Clearline being forced to liquidate certain investments. This could result in the reduction of the diversification of the Funds’ assets. Under certain limited circumstances, the Funds may suspend withdrawals and/or the payment of withdrawal proceeds.
5. In-Kind Distributions. Withdrawal proceeds generally will be paid in U.S. Dollars, although the General Partner, in its sole and absolute discretion, may pay all or a portion of a withdrawal in-kind from the Funds’ portfolio, provided, however, that any assets distributed in-kind to an investor will be distributed *pro rata* in accordance with such investor’s interest in such assets. In the event that the General Partner determines to pay withdrawal proceeds in-kind, the General Partner shall determine the value of such in-kind payments in the manner set forth in the Funds’ offering memoranda. Furthermore, there can be no assurance that the Funds will have sufficient cash to satisfy withdrawal requests, or that the Funds will be able to liquidate its investments in order to satisfy such withdrawal requests. Under the foregoing circumstances, where the General Partner determines that certain assets held by the Funds are difficult to value and not readily marketable, the General Partner, may cause the Funds to distribute such assets directly to the investors, or may create a special purpose vehicle or liquidating trust to hold such assets until they can be sold. Such assets may have to be held by such investors (or the special purpose vehicle or liquidating trust created to hold such assets) for an indefinite period of time. The risk of loss and delay in liquidating these securities, commodities and other financial instruments (including, without limitation, any expenses involved in the organization and maintenance of a special purpose vehicle or liquidating trust) will be borne by the investor, *pro rata* in relationship to its interest in a special purpose vehicle or liquidating trust if such assets are held in a special purpose vehicle or liquidating trust, with the result that such investor may receive less cash than it would have received on the date of withdrawal. For the avoidance of doubt, in the event that the Funds creates a special purpose vehicle or liquidating trust to hold such assets until they can be sold, in lieu of distributing such assets in-kind directly to the investors, any assets held in such special purpose vehicle or liquidating trust: (i) will not be held in a special purpose vehicle or liquidating trust for longer than an initial period of eighteen (18) months, subject to the right of the General Partner to extend such period for an additional twelve (12) months with the consent of at least fifty percent (50%) of the investors voting as a Class, and (ii) will not be subject to the Class A Management Fee for so long as they are so held in such special purpose vehicle or liquidating trust. The General Partner will notify each investor in writing at least ten (10) days prior to making any distribution to such investor of non-cash assets.

6. Systems Risk. The Funds depend on Clearline and its affiliates to develop and implement appropriate systems for their respective activities. In particular, Clearline and its affiliates will rely on computer programs and systems to trade, clear and settle transactions, to evaluate certain investments based on real-time trading information, to monitor their portfolios and net capital and to generate risk management and other reports that are critical to the oversight of the Funds' investment activities. In addition, certain of Clearline's and its affiliates' operations interface with or depend on systems operated by third parties, including, without limitation, brokers and market counterparties and their sub-custodians and other service providers, and Clearline and its affiliates may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by computer "worms", viruses and power failures. Any such defect or failure could have a material adverse effect on the Funds. For example, such failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades and cause inaccurate reports, which may affect the Funds' ability to monitor its investment portfolio and its risks.
7. Less Liquid Investments. From time to time, the Funds may invest in illiquid securities, commodities and/or other financial instruments. In some cases, the Funds may be contractually prohibited from disposing of such investments for a specified period of time. Further, under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer, the Funds may find it more difficult to sell such investments when Clearline believes it advisable to do so or may be able to sell such investments only at prices lower than if the investments were more widely held. In such circumstances, it may be more difficult to determine the fair market value of such investments. There may be no market for such investments or for a substantial percentage of such investments. To the extent there is a market for such investments, the market will be limited to a narrow range of potential counterparties, such as institutions and investment banks. These investments could prevent the Funds from liquidating unfavorable positions promptly and subject it to substantial losses. Further, such investments could also impair the Funds' ability to distribute proceeds in a timely manner and/or the Funds may make in-kind distributions.
8. New Issues. The Funds may invest in "new issues" and, therefore, may have "new issue" income. Restricted persons and prospective investors that do not properly complete the "new issues" questionnaire in the subscription agreement will not be allocated increases and decreases in net worth attributable to "new issues" investments. Investors who are restricted from participating in "new issues" may have an economic disadvantage as compared to those investors who do participate in "new issues" since some of the Funds' assets will be used to fund the purchase of "new issues" as to which such restricted investors will derive no or limited benefit.
9. Frequency of Trading. Some of the strategies and techniques employed by Clearline require frequent trades to take place and, as a consequence, portfolio turnover and brokerage commissions may be greater than for other investment entities of similar size.
10. Custodial Risks of Brokers. U.S.-registered broker dealers which may carry the accounts of the Funds generally segregate all customer funds to be allocated to listed securities trading in compliance with SEC and FINRA regulations. Even given proper segregation, various brokers will trade with the relevant exchange as a principal on behalf of the Funds,



in a “debtor-creditor” relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such broker could, therefore, have title to all of the assets of the Funds (for example, the transactions which the broker has entered into on behalf of the Funds as principal, as well as the margin payments which the Funds make). In the event of such broker’s insolvency, the transactions which the broker has entered into as principal could therefore default and the Funds’ assets could become part of the insolvent broker’s estate, to the detriment of the Funds. In addition, under certain circumstances, such as the inability of another client of the broker or the broker itself to satisfy substantial deficiencies in such other client’s account, a customer (including the Funds) may be subject to a risk of loss of its funds on deposit with a broker, even if such funds are properly segregated. In the case of any such bankruptcy or loss, the Funds might recover, even in respect of property specifically traceable to the customer, only a *pro rata* share of all property available for distribution to all of the broker’s clients. The Funds may trade with or hold accounts at foreign brokers and/or dealers registered under the laws and regulations of other countries. Such brokers and/or dealers may not be subject to the same or similar customer fund regulations (including, without limitation, customer segregation requirements) as those existing in the United States. The financial failure of the parties with which the Funds trade in the over-the-counter markets could also result in substantial losses, as the Funds will deal with such persons as principals, and, furthermore, there is no requirement that such parties segregate counterparty funds held by them in respect of such trading.

11. Fees and Expenses. The operating expenses of the Funds, including, without limitation, the management fee and the fees paid to attorneys, accountants and other service providers may, in the aggregate, constitute a high percentage relative to other investment entities. Clearline or the General Partner, as the case may be, in its sole and absolute discretion, may waive, reduce, rebate and/or calculate differently the management fee and/or the performance allocation attributable to its own investments in the Funds and attributable to investments made by its affiliates, employees and others. In addition, the performance allocation may create an incentive for the General Partner to cause Clearline to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect. Further, since the performance allocation is calculated on a basis that includes unrealized appreciation of the Funds’ assets, it may be greater than if it was based solely on realized gains.
12. Concentration. While Clearline intends to allocate the Funds’ equity among a number of investments, there are no fixed allotments. Therefore, although the Funds seeks a diversified portfolio, there is a risk that one of the investments may have a disproportionate share of the Funds’ assets or that the Funds’ portfolio will be highly concentrated and more susceptible to adverse conditions, poor investment decisions or other factors which negatively affect the performance of the Funds.
13. Reserve for Contingent Liabilities. Under certain circumstances, the General Partner may find it necessary to establish a reserve for contingent liabilities or withhold a portion of an investor’s withdrawal payment at the time of withdrawal, in which case the reserved portion would remain at the risk of the Funds’ activities.
14. No Participation in Management. The management of the Funds’ operations is vested solely in the General Partner, a portion of which has been delegated to each of Clearline and the administrator, as applicable, and the investor will not have any right to take part in

the conduct or control of the business of the Funds. In connection with the management of the Funds' business, the General Partner, Clearline and the administrator, as applicable, will contribute services to the Funds and devote thereto such time in their sole and absolute discretion as they deem appropriate.

15. Lack of Separate Representation. None of the Funds' offering memoranda or any of the agreements, contracts and arrangements between the Funds, on the one hand, and the General Partner, Clearline and/or their respective affiliates, on the other hand, was or will be the result of arm's-length negotiations. The attorneys, accountants and others who have performed services for the Funds in connection with this offering of the Interests, and who will perform services for the Funds in the future, have been and will be selected by the General Partner.
16. Limitation of the General Partner's Liability and Indemnification of the General Partner. The Funds Agreement provides that the General Partner, the General Partner's initial investor and their respective affiliates, members, officers, directors, employees and agents (each, a "GP Exculpated Party") shall not be liable to the Funds or the investors for any action taken or omitted to be taken in connection with the affairs of the Funds, so long as such GP Exculpated Party is not found by a final, non-appealable order of a court of competent jurisdiction to be guilty of fraud, gross negligence or willful misconduct with respect thereto, or to have committed a material violation of the Funds' offering memorandum. In addition, no GP Exculpated Party shall be liable to the Funds or the investors for the negligence, dishonesty or bad faith of any affiliate, member, officer, director, employee or agent of the General Partner, so long as such affiliate, member, officer, director, employee or agent was selected, engaged or retained by the General Partner with reasonable care. Therefore, an investor may have a more limited right of action against the General Partner (or a GP Exculpated Party) than an investor would have had absent the relevant provisions in these agreements. In addition, the Funds have agreed to indemnify, defend and hold harmless the General Partner and each of its affiliates, members, officers, directors, employees and agents (each, a "GP Indemnified Party") from and against any and all loss or expense suffered or sustained by a GP Indemnified Party for any action taken or omitted to be taken in connection with the affairs of the Funds, including, without limitation, any judgment, settlement, reasonable attorney's fees and other costs or expenses incurred in connection with the defense of any actual or threatened action or proceeding; provided, that such acts, omissions or alleged acts or omissions upon which such actual or threatened action or proceeding is based did not constitute a material violation of the Funds' offering memorandum, fraud, gross negligence or willful misconduct by such GP Indemnified Party; and provided, further, that if such loss or expense arose from the material violation of the Funds' offering memorandum, negligence, dishonesty, willful misconduct or bad faith of any agent of the General Partner, such agent was selected, engaged or retained by the General Partner with reasonable care.
17. Limitation of Clearline's Liability and Indemnification of Clearline. The Funds' offering memorandum provides that Clearline, the General Partner's initial investor and their respective affiliates, members, officers, directors, employees and agents (each, an "IM Exculpated Party") shall not be liable to the Funds or the investors for any action taken or omitted to be taken in connection with the affairs of the Funds, so long as such IM Exculpated Party is not found by a final, non-appealable order of a court of competent jurisdiction to be guilty of fraud, gross negligence or willful misconduct with respect thereto, or to have committed a material violation of the Funds' offering memorandum. In

addition, Clearline shall not be liable to the Funds or the investors for the negligence, dishonesty or bad faith of any affiliate, member, officer, director, employee or agent of Clearline, so long as such affiliate, member, officer, director, employee or agent was selected, engaged or retained by Clearline with reasonable care. Therefore, an investor may have a more limited right of action against Clearline (or an IM Exculpated Party) than an investor would have had absent the relevant provisions in the Funds' offering memorandum. In addition, the Funds have agreed to indemnify, defend and hold harmless Clearline and each of its affiliates, members, officers, directors, employees and agents (each, an "IM Indemnified Party") from and against any and all loss or expense suffered or sustained by an IM Indemnified Party for any action taken or omitted to be taken in connection with the affairs of the Funds, including, without limitation, any judgment, settlement, reasonable attorney's fees and other costs or expenses incurred or suffered by such IM Indemnified Party in connection with the defense of any actual or threatened action or proceeding; provided, that such acts, omissions or alleged acts or omissions upon which such actual or threatened action or proceeding is based did not constitute a material violation of the Funds' offering memorandum, fraud, gross negligence or willful misconduct by such IM Indemnified Party; and provided, further, that if such loss or expense was suffered or sustained by the IM Indemnified Party by reason of the material violation of the Funds' offering memorandum, negligence, dishonesty, willful misconduct or bad faith of any agent of Clearline, such agent was selected, engaged or retained by Clearline with reasonable care.

As a result of these provisions, the Funds (and not any IM Indemnified Party) will be responsible for any losses resulting from trading errors and similar human errors, absent a material violation of the Funds' offering memorandum, bad faith, gross negligence, willful misconduct or fraud. Trading errors might include, for example, keystroke errors that occur when entering trades into an electronic system or typographical or drafting errors related to derivatives contracts or similar agreements, or other recording or communication errors. Given the large volume of transactions executed by Clearline on behalf of the Funds, investors should assume that trading errors (and similar errors) will occur and that the Funds will be responsible for any resulting losses, absent a material violation of the Funds' offering memorandum, fraud, gross negligence or willful misconduct by an IM Indemnified Party.

18. Dependence on Clearline. The success of the Funds depends upon the ability of Clearline and, in particular, Marc Majzner the portfolio manager, to develop and implement investment strategies that achieve the Funds' investment objective. Subjective decisions made by Clearline may cause the Funds to incur losses or to miss profit opportunities on which it could otherwise have capitalized. In addition, the overall performance of the Funds is dependent on the ability of Clearline to allocate the Funds' assets effectively on an ongoing basis. There can be no assurance that the allocations made by Clearline will prove as successful as other allocations that might otherwise have been made. Investors have no right to participate in the management of the Funds, and no opportunity to select or evaluate any of the Funds' investments or strategies.
19. Use of Estimates. Unaudited financial statements and estimated reports of net worth will be based solely on estimated and unaudited valuations. The estimated and unaudited financial data used to determine net worth of the Funds will be based on the information available to Clearline at the relevant time and such information may not be complete. The Funds' investments may not be listed on established exchanges, which may make a

determination of the fair value of such investments difficult to accurately determine. Third party pricing information may not be available regarding some of the Funds' investments. Valuations of the Funds' investments may involve uncertainties and judgmental determinations, and if such valuations should prove to be incorrect, the net worth of the Funds could be adversely affected. Clearline may have no ability to assess the accuracy of the valuations. Therefore, the estimated net worth of the Funds may be significantly higher or lower than the actual net worth of the Funds as determined based upon audited financial data.

20. Valuation Risks. For purposes of preparing the Funds annual audited financial statements, which are prepared in accordance with GAAP, certain of the Funds' assets and liabilities may be valued in a manner that, while consistent with GAAP, is different from the manner in which such assets and liabilities are valued as described in this Memorandum. Specifically, for purposes of GAAP-compliant financial reporting, the Funds is generally required to follow a specific framework for measuring fair value of its assets and liabilities, and is required to provide certain additional disclosures regarding fair value measurements in its audited financial statements. Many of these requirements are set forth in the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 and other applicable GAAP-related requirements may cause the Funds to determine, in certain instances, to value a particular asset or liability at a different value for financial reporting purposes than the value of that same asset or liability as determined by the General Partner or Clearline. Accordingly, to the extent that the Funds would be required to value any of its assets or liabilities in a manner that differs from the valuation policies set forth herein, such assets or liabilities will be valued in accordance with GAAP solely for purposes of preparing the Funds' audited financial statements and, for all other purposes, including, without limitation, for purposes of allocating gains and losses and determining the Funds' net worth, the management fee and the performance allocation, in accordance with the valuation policies set forth herein.
21. Additional Classes and Side Letters. The Funds shall have the power to create and establish such other Classes of Interests having such relative rights, powers and duties as may from time to time be established by the General Partner, without notice to, or the consent or other approval of, the investors. In addition, the General Partner and/or Clearline shall have the power to enter into side letters with one or more investors which provide such investors with additional and/or different rights than such investors have pursuant to the Funds' offering memorandum and/or any agreement, instrument or other document executed and/or delivered in connection herewith without notice to, or the consent or other approval of, the investors. Investors of additional classes and investors with side letters may or may not be required to invest different minimum amounts, pay (directly or indirectly) different fees and have certain other terms (including, without limitation, access to information, the ability to withdraw on shorter notice and/or at different times and/or responsibility for expenses) applicable to them that are different than those that are applicable to other investors, all as determined by the General Partner and/or Clearline. In general, subject to the voting rights of the Class A Interests as to voting events and the voting rights, if any, of any other Interests, neither the General Partner nor Clearline shall be required to notify any or all of the other investors of any such additional Classes or side letters or any of the rights and/or terms or provisions thereof, nor will the General Partner or Clearline be required to offer such additional and/or different rights and/or terms to any or all of the other investors. The other investors will have no recourse against the Funds, the General

Partner, Clearline and/or any of their respective affiliates in the event certain investors receive additional and/or different rights and/or terms as a result of any such additional Classes and/or side letters. The General Partner and/or Clearline may enter into such side letters with any party as they may determine in their sole and absolute discretion at any time.

22. Conflicts of Interest. In the conduct of the Funds' business, conflicts may arise between the interests of the General Partner, Clearline and their respective affiliates, on the one hand, and those of the Funds and the investors, on the other hand. While each of the General Partner and Clearline is accountable to the Funds as a fiduciary and, consequently, must exercise good faith and integrity in handling such business, prospective investors should be aware of the existence of such actual or potential conflicts of interest. In the event a conflict of interest arises, the General Partner and Clearline will seek to resolve such conflict in a fair and equitable manner. Among the conflicts which each prospective investor should consider are the following:

(a) None of the General Partner, Clearline and their respective affiliates is under any obligation to devote their full time to the business of the Funds. They are only required to devote such time and attention to the affairs of the Funds as they may deem appropriate, in their sole and absolute discretion. The General Partner, Clearline and certain of their affiliates may provide advice to other investment vehicles and manage other accounts for which they are compensated. Certain of such investment vehicles and/or accounts may have investment objectives and utilize strategies similar to the investment objective and strategies of the Funds'. The records of any such other investment vehicles and/or accounts will not be made available to the Limited Partners.

(b) Clearline will determine the allocation of Funds assets on whatever basis it considers appropriate or desirable in its sole and absolute discretion. In addition, the General Partner, Clearline and their respective affiliates determine the allocation of the assets of such affiliates, other investment vehicles and/or managed accounts on whatever basis the General Partner, Clearline and their respective affiliates, respectively, consider appropriate or desirable in their sole and absolute discretion.

(c) The General Partner, Clearline and/or their respective affiliates, and/or the employees of such entities or individuals, may engage in, invest in, participate in or otherwise enter into other business ventures of any kind, nature or description, alone or with others, including, without limitation, the management of or investment in other investment entities or vehicles or securities. Some of these activities may be conducted on behalf of certain clients of the General Partner, Clearline and/or their respective affiliates. No investors have any right to participate in any of these activities or to the income or profits derived from these activities.

(d) The General Partner, Clearline and/or their respective affiliates manage other accounts and provide investment advice to other parties, and may decide to invest the assets of one or more other accounts or recommend the investment of assets by other parties, rather than the Funds' assets, in a particular security, commodity or other financial instrument or vice versa. The General Partner, Funds and/or their respective affiliates will divide their time between the Funds and these other accounts and parties as they see fit

and, from time to time, such other accounts and parties may receive a disproportionate share of their attention.

(e) The Funds' assets may be concentrated in a particular company, industry, asset category, trading style or financial or economic market from time to time and for substantial periods of time. As a result of any such concentration, the Funds' assets may be subject to more rapid changes in value than would be the case if the Funds' assets were less concentrated and the economic returns of the Funds may thereby be materially adversely affected.

(f) The General Partner, Clearline and/or their respective affiliates may make trades and investments for their own accounts. In these accounts, they may use trading and investment methods that are similar to, or substantially different from, the methods used by them to direct the Funds' assets. The records of these personal accounts will not be made available to investors. Subject to applicable law, internal compliance policies and approval procedures, the principals and/or employees of the General Partner, Clearline and/or their respective affiliates may engage, from time to time, in personal trading of securities and other instruments, including, without limitation, securities and instruments in which the Funds may invest.

(g) The administrator will calculate the net worth of the Funds (based on portfolio valuations provided by Clearline) in accordance with GAAP (except that the General Partner has elected that the Funds' organizational expenses be capitalized and amortized over a period of sixty (60) months), and otherwise in compliance with the Funds' offering memorandum. Any securities, commodities and other financial instruments held by the Funds for which there is no clear valuation (e.g., no quoted prices) are assigned a value determined by Clearline. Clearline has a conflict of interest in that it will receive a higher management fee and the General Partner will receive a higher performance allocation if the securities, commodities and other financial instruments are given a favorable valuation.

(h) The General Partner and/or Clearline may enter into agreements with third parties that may introduce prospective investors to the Funds. It is expected that such parties will not be related to the operations of the Funds and any fee paid will be disclosed to the investors introduced by such third parties. The General Partner and Clearline may, in their sole and absolute discretion, pay such commissions or fees out of their own funds or directly charge investors that were introduced to the Funds through such arrangements.

(i) None of the Funds' offering memoranda or any of the agreements, contracts and arrangements between the Funds, on the one hand, and the General Partner, Clearline or their respective affiliates, on the other hand, was or will be the result of arm's-length negotiations. The attorneys, accountants and others who perform services for the Funds, and who will perform services for the Funds in the future, have been and will be selected by the General Partner. No independent counsel has been retained to represent the interests of prospective investors or the investors, and Funds' offering memoranda have not been reviewed by any attorney on their behalf. Each prospective investor should consult his, her or its own counsel as to the terms and provisions of Funds' offering memoranda and all subscription and other related documents.

(j) The performance allocation may create an incentive for the General Partner to cause Clearline to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such an arrangement.

(k) The Investment Management Agreement requires Clearline to exercise its duties with care, skill, prudence and diligence. In the event of a conflict of interest between the Funds' and any other entity managed by Clearline or any of its affiliates, Clearline or such affiliate, as the case may be, will resolve such conflict by taking into account the investment objective of each entity, any investment restrictions applicable to each entity and the other available investment options for each entity and will seek to resolve such conflict in a fair and equitable manner. There can be no assurance that the Funds' offering memorandum addresses or anticipates every possible current or future conflict of interest that may arise or that is or may be detrimental to the Funds' or the Limited Partners. Prospective investors should read this section in the Funds' offering memorandum in its entirety and consult with their own advisers regarding the possible implications on their investment in the Funds' of the conflicts of interest described in the Funds' offering memorandum.

23. Change in Investment Strategies. The investment strategies, approaches and techniques discussed herein may evolve over time due to, among other things, market developments and trends, the emergence of new or enhanced investment products, changing industry practice and/or technological innovation. As a result, these investment strategies, approaches and techniques may not reflect the investment strategies, approaches and techniques actually employed by Clearline. Nevertheless, the investments made on behalf of the Funds will be consistent with the Funds' investment objective.

## **ITEM 9 DISCIPLINARY INFORMATION**

To the best of our knowledge, there are no legal or disciplinary events involving our advisory business or our management.

## **ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

- (a) The Funds are private investment companies and partnerships. These pooled investment vehicles managed by Clearline are controlled by the General Partner, an affiliated party. Clearline or the General Partner will be responsible for all decisions regarding portfolio transactions of the Funds and have full discretion over the management of the Funds' investment activities. Neither Clearline nor any of its management persons are registered, or has an application pending to register, as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, commodity pool operator, a commodity trading adviser or an associated person of any of the foregoing entities. The Adviser's Managing Member as an outside business activity is a 50% owner in Taxi Revival Alliance

GP, LLC (“the GP”). The GP is the General Partner of Taxi Revival Alliance, L.P. (“TRA”), a private investment vehicle that purchases, manages, and sells New York City taxi medallions. TRA and the GP are collectively referred herein as “The TRA Entities”. An unrelated registered investment adviser (“Unrelated RIA”) serves as the investment manager of TRA Entities and has historically listed the TRA Entities in its regulatory filings. The Adviser does not share operations, employees, office space, or any resources with the TRA entities or the Unrelated RIA. All books and records are maintained and all assets are custodied with the unrelated RIA and/or its service providers. The Adviser does not participate in this taxi medallion sale/purchase market, and the Adviser does not maintain or share any control over the Unrelated RIA. See Item 11 Client Transactions for additional information.

- (b) The General Partner, Clearline and Marc Majzner have a strategic relationship with Talpion Fund Management, LP (“Talpion”). Talpion (directly, or through one or more affiliates) committed \$50 million as an initial aggregate investment in Clearline Capital Partners LP and Clearline Capital Partners Offshore, Ltd. Talpion’s investment is subject to the same liquidity terms, performance allocations, asset-based charges and all other terms per the Fund documents. Talpion has agreed to make its principal, Henry Swieca, available to Clearline to provide non-binding strategic advice from time to time, upon request from Clearline. Talpion has no responsibility to supervise or oversee (including with respect to any actions, omissions or decisions of) Clearline, and further Talpion has no fiduciary obligations whatsoever to any investor in the Funds.

In return for its investment, the General Partner and Clearline granted Talpion certain economic rights and other terms that differ from those applicable to the other Class A Limited Partners and the other shareholders of Clearline Capital Partners Offshore, Ltd. For example, although it does not own an equity interest in Clearline, Talpion is entitled to receive a portion of the Class A Management Fee and the Class A Performance Allocation, as well as a portion of the management fees and performance allocations payable with respect to Clearline Capital Partners Offshore, Ltd. In addition, Talpion has certain notice and consent rights in respect of certain actions that may be taken by Clearline Capital Partners LP, Clearline Capital Partners Offshore, Ltd, Clearline or the General Partner, as well as certain information rights regarding the respective portfolios of Clearline Capital Partners LP and Clearline Capital Partners Offshore, Ltd. In addition, Clearline is leasing office space from Talpion at market rates.

Pursuant to the terms of the Talpion strategic relationship agreement, Talpion has certain reporting and transparency rights and receives reports of the Funds’ investment positions and transaction records on a one day delay. In addition, Talpion has certain rights to audit and review the books and records of the Clearline Parties. Talpion has agreed to keep such information confidential. The terms of the Talpion strategic relationship agreement do not restrict Talpion from trading for its own account.

For the avoidance of doubt, Talpion has no control over investment decisions of Clearline with respect to Clearline Capital Partners LP or Clearline Capital Partners Offshore, Ltd., subject to their compliance with the investment guidelines described in this Memorandum. Neither Talpion, Henry Swieca nor any of their respective affiliates are involved in the management or day-to-day business activities of Clearline Capital Partners LP, Clearline Capital Partners Offshore, Ltd., the General Partner or Clearline (the “Clearline Parties”),



or have any involvement with or responsibility or liability for the compliance or non-compliance with applicable legal, investment, tax or regulatory requirements of the Clearline Parties, or for the performance of Clearline Capital Partners LP or Clearline Capital Partners Offshore, Ltd., and further Talpion has no responsibility to supervise or oversee (including with respect to any actions, omissions or decisions of) Clearline. The investment management agreements between Clearline and each of the Funds, as well as the Partnership Agreement, provide that Talpion shall be exculpated by each of the Partnership and the Offshore Fund, as applicable, to the same extent as Clearline and General Partner, as applicable. For the avoidance of doubt, Talpion has no role or involvement with the management or day-to-day business activities of the Clearline Parties, and further has no fiduciary obligations whatsoever to any investor in the Funds.

## **ITEM 11**

### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### **Code of Ethics**

Clearline has adopted a code of ethics (“Code of Ethics”) which is designed to foster compliance with the applicable federal statutes and regulatory requirements, prevent circumstances that may lead to or give the appearance of conflicts of interest with clients, insider trading or unethical business conduct as well as promote a culture of high ethical standards. Among other things, the Code of Ethics governs personal securities trading by our employees. Generally, no employee may personally trade or own any security (with the exception of certain securities such as U.S. government obligations, cash equivalents, money market funds, open-end mutual funds, unit investment trust, etc. (“Exempt Security” or “Exempt Transaction”)). For all of the Exempt Securities or Exempt Transactions, employees must pre-clear any trades. In limited exception situations (primarily due to economic hardship), employees may trade in other securities but only subject to compliance pre-approval. The Code of Ethics also requires employees (1) to report personal transactions on a monthly basis, (2) to file annual personal account disclosures and report monthly securities holdings, and (3) to certify their compliance with the Code of Ethics on an annual basis.

Investors may request a copy of the Code of Ethics by contacting Clearline at the address or telephone number listed on the first page of this brochure.

#### ***Client Transactions***

Each of Clearline, its employees, the General Partner or a related entity may make an investment in each Fund. As a result, Clearline, its employees or a related entity participate in transactions of the Funds.

Additionally, the Adviser’s Managing Member is a 50% owner in Taxi Revival Alliance GP, LLC, the General Partner for Taxi Revival Alliance, L.P. (“TRA”), a private investment vehicle that purchases, manages, and sells New York City taxi medallions. The Adviser does not

participate in this market. However, some clients of the Adviser have also invested in TRA. As such, this presents a conflict of interest. ***Policies and Procedures to Prevent Insider Trading*** Clearline maintains policies and procedures that are designed to prevent the misuse of material, non-public information (the “Insider Trading Policies”). Clearline’s employees are required to certify their compliance with the Code of Ethics and the Insider Trading Policies at the beginning of their employment with Clearline and on a periodic basis thereafter. Clearline’s Insider Trading Policies prohibit Clearline and its employees from (1) trading in the securities of a company (either personally or on behalf of others, including Clearline’s clients) while in possession of material, nonpublic information about such company, and (2) disclosing material, nonpublic information about any company to others in violation of applicable law. Clearline has designed and implemented policies and procedures that are designed to shield its employees from access to material, nonpublic information so that investment decisions may be made on the basis of public information only. Accordingly, Clearline may not have access to material, nonpublic information that other market participants or counterparties are eligible to receive.

Notwithstanding such policies and procedures, there may be situations in which Clearline is exposed to material, nonpublic information about a company in which the Funds are invested, which may result in restrictions on Clearline’s ability to trade such securities on behalf of the Funds. In such cases, Clearline maintains a “*Restricted List*” of companies about which a determination has been made that it is prudent to restrict trading activity. Trades will not be allowed for our Clients, or for the personal accounts of our officers or employees, in the securities of a company appearing on the Restricted List. Clearline seeks to minimize the likelihood of such a situation whenever possible, but there can be no assurance that such efforts will be successful.

## **ITEM 12 BROKERAGE PRACTICES**

Clearline has complete discretion in deciding which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. Portfolio transactions for the Fund will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to Clearline. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, Clearline may consider, among other factors that are deemed appropriate to consider under the circumstances, the following: the ability of the brokers and dealers to effect the transaction, the brokers' or dealers' facilities, reliability and financial responsibility, and the provision by the brokers of capital introduction, talent introduction, marketing assistance, consulting with respect to technology, operations and equipment, commitment of capital, access to company management and access to deal flow.

Accordingly, the commission rates charged to the Fund by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such services. Clearline need not solicit competitive bids and does not have an obligation to seek

the lowest available commission cost or spread. Generally, neither Clearline nor the Fund separately compensates any broker or dealer for any of these other services.

If Clearline decides, based on the factors set forth above, to execute over-the-counter transactions on an agency basis through electronic communications networks (“ECNs”), it will also consider the following factors when choosing to use one ECN over another: the ease of use, the flexibility of the ECN compared to other ECNs, and the level of care and attention that will be given to smaller orders. Clearline maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

### ***Soft Dollars***

From time to time, Clearline may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting Fund transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. Clearline will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Exchange Act and subject to prevailing guidance provided by the SEC regarding Section 28(e). Clearline believes it is important to its investment decision-making processes to have access to independent research. When Clearline uses brokerage commissions (or markups or markdowns) generated by the Funds to obtain research or other products or services, Clearline will receive a benefit because it does not have to produce or pay for such products or services. Clearline may have an incentive to select or recommend a broker-dealer based on Clearline’s interest in receiving research or other products or services, rather than on the Funds’ interest in receiving most favorable execution.

At least annually, Clearline will consider the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its accounts on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will Clearline make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

### ***Cross Trades***

A cross transaction between two fund clients may occur as an “internal cross,” where Clearline instructs the custodian for the funds to book the transaction at the price determined in accordance with the Valuation Policy. The internal cross will generally occur on the first day of the month as a result of capital activity and getting the Funds pro rata allocation back to pari passu. If Clearline affects an internal cross, Clearline will not receive any fee in connection with the completion of the transaction.

### ***Capital Introduction***

From time to time, brokers (including the Prime Brokers) may assist the Fund in raising additional funds from investors. Additionally, brokers may provide capital introduction and marketing assistance services, and representatives of Clearline may speak at conferences and programs sponsored by the brokers, for investors interested in investing in private investment funds. Through such events, prospective investors in the Fund may encounter representatives of Clearline. Brokers may also provide other services, including, without limitation, consulting services relating to technology. Although neither Clearline nor the Fund compensates brokers for such assistance, events or services, or for any investments ultimately made by prospective investors attending such events, such activities may influence Clearline in deciding whether to use such broker in connection with brokerage, financing and other activities of the Fund. Subject to its obligation to seek best execution, Clearline may consider referrals of investors to the Fund in determining its selection of brokers. However, Clearline will not commit to an investor or a broker to allocate a particular amount of brokerage in any such situation.

***Brokerage for Client Referrals and Directed Brokerage***

Clearline does not consider selecting broker-dealers for client referrals or direct brokerage.

**ITEM 13  
REVIEW OF ACCOUNTS**

The portfolio accounts of the Funds are reviewed on a daily basis by Clearline's (1) Portfolio Manager, (2) Chief Financial Officer, (3) Director of Operations and (4) other investment and back office employees. More detailed reviews are conducted by these personnel on a weekly and monthly basis. The Funds undergo an annual audit by Ernst & Young. Clearline's fund administrator also independently confirms pricing, valuation, and fee calculations on a monthly basis. Investors in the Funds receive (1) monthly capital account statements directly from the fund administrator, (2) monthly reports that include details regarding fund performance, number of positions, sector and geographic exposures, and equity exposures, (3) quarterly investor letters that provide a narrative description of the events of the previous quarter, and (4) annual tax reports and audited financial statements.

**ITEM 14  
CLIENT REFERRALS AND OTHER COMPENSATION**

Clearline receives certain research or other products or services from broker-dealers through "soft dollar" arrangements. These "soft dollar" arrangements create an incentive for Clearline to select or recommend broker-dealers based on Clearline's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by Clearline on behalf of its clients. Please see Item 12 for further information on Clearline's "softdollar" practices, including procedures for addressing conflicts of interest that arise from such practices.

Clearline compensates certain third parties that refer certain clients to us. Compensation is based upon a percentage of the management and/or incentive fees. Clearline does not charge any portion of the compensation paid to the third parties to clients.

## **ITEM 15 CUSTODY**

Under Rule 206(4)-2 of the Advisers Act, Clearline is deemed to have custody of the securities and other assets of each Fund even though Clearline does not physically hold the securities and other assets and even though such securities and assets are not held or registered in Clearline's name. Rule 206(4)-2 imposes certain requirements on registered investment advisers who have actual or deemed custody of client assets; however, Clearline is exempt from many of the provisions of that rule because each Fund is audited in accordance with US Generally Accepted Accounting Principles ("GAAP") on an annual basis by Ernst & Young, an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and audited financial statements are distributed to each investor in the Funds within 120 days of the end of each Funds' fiscal year.

## **ITEM 16 INVESTMENT DISCRETION**

Clearline provides investment advisory services to our clients on a discretionary basis in a manner consistent with each account's investment objectives and restrictions, as set forth in the governing agreements and documents. In providing discretionary investment advisory services, Clearline generally supervises and manages the account's portfolio and make investment decisions, without consulting the investors.

## **ITEM 17 VOTING CLIENT SECURITIES**

An investment adviser with proxy voting authority has a duty to monitor corporate events and to vote proxies, as well as a duty to cast votes in the best interest of clients and not subrogate client interests to its own interests. Rule 206(4)-6 under the Advisers Act places specific requirements on registered investment advisers with proxy voting authority. Because Clearline has discretionary authority over the securities held by its clients, Clearline is viewed as having proxy voting authority. Accordingly, Clearline is subject to Rule 206(4)-6. To meet its obligations under the rule, Clearline has adopted written proxy voting policies and procedures, which are designed to ensure that Clearline votes proxies in the best interest of its clients and addresses how Clearline will resolve any conflict of interest that may arise when voting proxies.

The general policy of Clearline is to vote proxy proposals, amendments, consents or resolutions relating to client securities, if any (collectively, "proxies"), in a manner that serves the best interests of the Funds, as determined by Clearline in its discretion, and taking into account relevant factors, including, but not limited to: (1) the impact on the value of the securities, (2) the anticipated costs

and benefits associated with the proposal, (3) the effect on liquidity, and (4) customary industry and business practices.

Conflicts of interest may arise between the interests of the Funds on the one hand and Clearline or its affiliates on the other hand. The Chief Compliance Officer (the “CCO”) will review the Proxy vote under consideration and seek to identify the perceived conflict of interest. The CCO will also determine the course of action that the CCO believes is in the relevant Funds’ best interests. If the CCO is unable to determine how Clearline should vote the Proxy, Clearline will, at its own expense, engage an outside proxy voting service or consultant to make a recommendation. The CCO will retain documentation of the proxy voting service or consultant's recommendation and will vote the proxies in accordance with that recommendation.

Investors may obtain, upon request, a copy of Clearline’s Proxy Voting Policies and/or information regarding how Clearline voted proxies for particular portfolio companies by contacting Clearline.

## **ITEM 18**

### **FINANCIAL INFORMATION**

A balance sheet is not required to be provided as Clearline (i) does not solicit prepayment of more than \$1,200 in fees per investor more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients, and (iii) has not been subject to any bankruptcy proceeding during the past 10 years.