

Item 1. Cover Page

Ayrton Capital LLC

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**Part 2A of Form ADV
(the “Brochure”)**

March 27, 2024

This Brochure provides information about the qualifications and business practices of Ayrton Capital LLC (the “Adviser”). You should have received a copy of the Brochure, if you have not received the Brochure or if you have any questions about the contents of this Brochure, please contact Daniel Altman, Chief Compliance Officer (“CCO”), at 475-228-9454 or daltman@ayrtonllc.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional Information about the Adviser also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

There have been no material changes since the last filing of the Brochure, dated January 08, 2024 other than the amount of assets under management and expenses charged by pooled investment vehicles managed by the Adviser.

Our current and future investors are encouraged to read this Brochure, as well as all of the governing documents applicable to their current and prospective investment, in their entirety. To receive an additional current copy of this Brochure free of charge, please contact Daniel Altman at 475-228-9454 or daltman@ayrtonllc.com.

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Item 4. Advisory Business

Ayrton Capital LLC (“Ayrton,” the “Adviser” or the “Management Company”), is an investment advisory firm with its principal place of business in Westport, Connecticut. The Adviser was founded and commenced operations as an investment adviser in September of 2016. Waqas Khatri is the managing member (the “Managing Member”) and owner of the Adviser.

The Adviser provides investment advisory services to its clients, which are private pooled investment vehicles. Specifically, the Adviser’s Clients are Alto Opportunity Fund, L.P. (the “U.S. Fund”) and Alto Opportunity Fund, SPC (the “Offshore Fund”), each of which is a “feeder” fund which invests all or substantially all of its assets through a common master fund, Alto Opportunity Master Fund, SPC (the “Master Fund”), which is also managed by the Adviser (each a “Client” or “Fund,” and collectively, the “Clients” or the “Funds”). The Adviser generally has broad and flexible investment authority with respect to the Clients’ investment portfolios. It provides investment advisory services to the Clients based on each Client’s specific investment objective and strategy as described in the respective Client’s private placement memorandum, limited partnership agreement, management agreement, and/or subscription agreement (individually and collectively, the “Offering Documents”). The Adviser does not tailor its advisory services to the individual needs of investors in the Funds.

As of December 31, 2023, Ayrton has approximately \$296,931,597 in regulatory assets under management on a discretionary basis.

The Adviser does not participate in wrap fee programs.

This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Clients are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended, (the “Securities Act”), and other exemptions of similar import under the U.S. state laws and laws of other jurisdictions where an offering may be made. Fund investors based in the United States generally must be both “accredited investors” as defined in Regulation D, and “qualified clients,” as defined in the Investment Advisers Act of 1940, as amended, (the “Advisers Act”), or otherwise qualified.

Item 5. Fees and Compensation

The Adviser charges the Clients a fixed asset-based investment management fee (the “Management Fee”). The Adviser, or Ayrton Capital GP LLC, (the “General Partner”),¹ the affiliate of the Adviser that serves as the general partner of the U.S. Fund, is also eligible to receive from the Clients an incentive allocation (the “Incentive Allocation”), which is compensation based on a share of realized and unrealized appreciation of the Clients’ net assets. Fund investors are subject to the Management Fee and Incentive Allocation indirectly through their investment in the Funds.

Depending on the Client, the Management Fee is payable quarterly in advance and at an annual rate of 2.35%. The Management Fee will be prorated for any period that is less than a full fiscal quarter, and will be adjusted for subscriptions and withdrawals. Depending on the Client, the Adviser instructs the Client’s custodian to deduct the Management Fee from the Client’s account.

The Incentive Allocation charged to certain Clients is 20% of the Clients’ net profits (including any realized and unrealized gains and losses) and is subject to a loss carry-forward provision. The Incentive Allocation,

¹ The General Partner also acts as the management company of the Offshore Fund and the Master Fund.

if any, will be reallocated to the Adviser or its affiliate at the end of each fiscal year, or at the time of full or partial withdrawal from a Client, if other than year end.

In addition to paying the Management Fee and allocating the Incentive Allocation, the Funds will bear their own expenses and their pro rata share of the Master Fund's expenses related to the Fund's and the Master Fund's operations, respectively, including, without limitation, the following: investment-related expenses (such as brokerage commissions) (see Item 12 for more information on brokerage activity), research expenses (such as Bloomberg, Kynex and other research portals), expenses related to expert networks, travel expenses (including, without limitation, those related to attending research/idea sourcing conferences or meetings with management teams), due diligence or investment research-related endeavors that may have a direct or indirect connection with the investments in or of the Master Fund, costs and expenses associated with monitoring and administration of the Funds' investments, expenses incurred in connection with transactions not consummated, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, fees in connection with the administration of the Funds (including fees to the Administrator), custodial fees, bank service fees, withholding and transfer fees, taxes, clearing and settlement charges, professional fees relating to investments (including, without limitation, expenses of consultants and experts, legal, accounting, asset valuation, audit and tax advisors), expenses related to the purchase, sale or transmittal of Master Funds' investments, costs of providing news, data and quotation services, costs of computer equipment, data feeds, databases and software (including, without limitation, portfolio and risk management systems, accounting systems, profit and loss calculation systems, costs of reporting positions to risk measurement and aggregation reporting services—in each case, except to the extent provided through soft dollars generated by a Master Fund Portfolio), accounting, audit and tax expenses, expenses for tax services, licensing fees, advisory fees and compensation paid to sub-advisors (if any), fees and expenses of the Offshore Fund's AML Officers (as defined herein) and other anti-money laundering compliance expenses, registered office expenses, fees payable to the Offshore Fund and Master Fund Directors, the Management Fee, organizational expenses and offering and governing document update expenses (to the extent applicable and which may be amortized), legal expenses and costs of legal services (including, without limitation, the costs of legal and regulatory advice by outside counsel and costs related to in-house legal counsel as such internal counsel performs services that would be paid by the Funds if outside counsel provided the same or similar legal or regulatory service), compensation for investment professionals of the Adviser or its affiliates (including salaries and bonuses), costs and expenses of compensatory arrangements for any outside consultants/advisors (i.e., legal or financial) and/or idea-sourcing and transaction sourcing professionals, expenses of preferred service providers specifically requested by investors of a particular Portfolio, compliance consulting expenses (including, without limitation, mock audit expenses and any third-party expenses related to an evaluation or exam), expenses in connection with regulatory and middle office providers (if any), regulatory compliance fees and filing fees and expenses directly attributable to the Funds (as well as fees and expenses associated with the completion of regulatory filings that are attributable to the Funds (including, without limitation, Form PF filings and/or Form ADV filings)), expenses related to blue sky filings, technology-related costs and expenses (including, but not limited to, software licenses, data feeds and colocation expenses, as well as cybersecurity expenses, cybersecurity consulting and cybersecurity insurance premiums), director and officer liability insurance or other insurance premiums for any principal or employee of the Funds, the Adviser or any affiliate thereof (including, without limitation, errors and omissions insurance, fiduciary liability insurance and ransomware insurance), expenses relating to the offering and sale of interests in the Funds, marketing fees, expenses of communications to the Funds' investors, including, but not limited to, preparing and distributing any statements, reports and notices to them, all fees and other expenses incurred in connection with the investigation, prosecution or defense of any claims, assertion of rights or pursuit of remedies, by or against the Funds (including, without limitation, professional and other advisory and consulting expenses), expenses related to tax audits and controversies, expenses related to regulatory inquiries with respect to existing or prior investments or of the Adviser with respect to actions performed in connection with managing the Funds, expenses related

to restructuring the Funds, all costs and expenses associated with preparing, negotiating and entering into contracts and arrangements in the ordinary course of the Funds' business, including services agreements with counterparties (e.g., broker-dealers and placement agents), indemnifications, costs of litigation, other similar expenses related to the Funds, and any extraordinary expenses, as will be determined by the Adviser, in its sole and absolute discretion.

If any of the expenses above are incurred jointly for the account of any Fund and any other accounts to which the Management Company or any of its affiliates provides investment services ("Other Accounts"), such expenses will be allocated among the Funds and such Other Accounts in proportion to the size of the investment made by each to which such expense relates, or in such other manner as the Management Company, in its sole and absolute discretion, considers fair and equitable. To the extent that any Fund expense is paid by the Adviser, the General Partner and/or their respective affiliates (in excess of its proportionate share), it will be reimbursed by the Fund or the Master Fund, as the case may be.

The Adviser or General Partner, in its sole discretion, may waive or reduce the Management Fee or the Incentive Allocation for Clients or limited partners that are principals, employees or affiliates of the General Partner or the Adviser, relatives of such persons, and for certain large or strategic investors.

It is important that each investor who is considering an investment in a Client review the relevant Offering Documents applicable to the Client for a detailed description of the fees and expenses applicable to such investment.

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

As discussed in Item 5 above, the Adviser or the General Partner is paid or allocated performance-based compensation by the Clients in the form of the Incentive Allocation. Performance-based compensation may create an incentive for the Adviser to make investments on behalf of Clients that are riskier and more speculative than would otherwise be the case. It may also create an incentive for the Adviser to direct investments in favor of Clients that pay a higher performance-based fee relative to other Clients.

To mitigate these conflicts, the Adviser has implemented controls to review investments for compliance with account guidelines and restrictions and to review the performance of accounts with similar investment objectives. If it is determined by the General Partner, the Adviser, or their respective affiliates that it would be appropriate for any Fund and one or more other investment accounts managed by them to participate in an investment opportunity, the General Partner and the Adviser will seek to execute orders for all of the participating investment accounts, including a Fund, on an equitable basis, potentially taking into account such factors as the relative amounts of capital available for new investments and the investment programs and portfolio positions of the Funds for which participation is appropriate.

Item 7. Types of Clients

The Adviser currently provides investment advisory services only to pooled investment vehicles but may in the future provide investment advisory services to separately managed accounts. The Fund investors participating in the Clients may include, but not be limited to, high net worth individuals, banks, insurance companies, pension and profit-sharing plans, trusts, estates or charitable organizations, educational and research institutions, corporations or other business or investment entities, and, directly or indirectly, the Adviser, the General Partners, and their Supervised Persons and other affiliates.

Interests in the Clients are offered pursuant to applicable exemptions from registration under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and the 1940 Act. Fund Investors are required

to be “accredited investors” and “qualified clients” as defined in the Securities Act and the 1940 Act, respectively.

The securities of the Clients are offered and sold on a private placement basis under exemptions promulgated under the Securities Act, 1940 Act, and other exemptions of similar import under the U.S. state laws and laws of other jurisdictions where an offering may be made. Fund investors generally must be both “accredited investors” as defined in Regulation D, and “qualified clients,” as defined in the Advisers Act, or otherwise qualified.

Generally, the Clients have a stated minimum investment amount as described in the relevant Offering Documents. The Adviser or a Fund’s Board of Directors has the discretion to waive minimum investment requirements for investment in the Clients.

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

Investment Objective and Strategy

The investment objective of the Funds is to generate attractive risk-adjusted returns utilizing a variety of strategies, including, but not limited to, the following: credit relative value, volatility relative value and volatility arbitrage, equity relative value, convertible arbitrage, capital structure arbitrage, and special situation investment strategies.

Risk Factors

An investment in the Funds involves a high degree of risk, including the risk of loss of the entire amount invested. The Funds directly, or indirectly through the Master Fund, invest in and actively trade securities and other financial instruments using a variety of strategies and investment techniques with significant risk characteristics, including risks arising from the use of short sales, leverage, options, swaps, futures and other derivatives investments. The Incentive Allocation as described above may create an incentive for the Adviser (an affiliate of the General Partner) to cause the Master Fund or the Funds to make investments that are riskier than it would otherwise make. Moreover, an investment in the Funds provides limited liquidity since the Interests are not freely transferable, and the limited partners will have limited withdrawal rights. A description of risks relevant to a Client can be found in the Offering Documents. Investors should consult their own legal, tax and financial advisors, prior to making an investment in a Client, or engaging the Adviser as a manager.

Some material risks specifically applicable to the Adviser’s investment strategy and securities its Clients invest in include, but are not limited to:

Investment Strategy Risk Factors

Healthcare and Life Science Companies. Investing in securities and other instruments of healthcare companies involves substantial risks, including, but not limited to, the following: certain companies in the portfolio of the Funds may have limited operating histories; rapidly changing technologies and the obsolescence of products; change in government policies; changing investors' sentiments and preferences with regard to healthcare sector investments (some of which are generally perceived as risky) may have an adverse effect on the price of underlying securities; volatility in the U.S. and non-U.S. stock markets affecting the prices of healthcare company securities may cause the performance of the Funds to experience substantial volatility; and most pharmaceutical and biotechnology companies, and many other companies in the healthcare sector, are subject to extensive government regulation. In addition, obtaining governmental approval for new products from governmental agencies can be lengthy, expensive and

uncertain and such governmental agencies may change their view on the drug approval process in a manner adverse to such healthcare companies.

Investing in Technology Companies. Investing in securities and other instruments of technology companies involves substantial risks. These risks include, among others, the following: the fact that certain companies in the portfolios of the Funds may have limited operating histories; rapidly changing technologies and products which may quickly become obsolete; cyclical patterns in information technology spending which may result in inventory write-offs, cancellation of orders and operating losses; scarcity of management, engineering and marketing personnel with appropriate technological training; the possibility of lawsuits related to technological patents; changing investors' sentiments and preferences with regard to technology sector investments (which are generally perceived as risky) with their resultant effect on the price of underlying securities; and volatility in the U.S. stock markets affecting the prices of technology company securities, which may cause the performance of the Funds to experience substantial volatility.

Investing in Natural Resource Sector Companies. Operating results of companies engaged in the natural resource sector are likely to be highly dependent upon the prices received for the natural resources concerned. Commodity prices are highly cyclical, and volumes of current and expected supply and demand for the commodities in which the Funds are likely to invest vary over time, leading to global price fluctuations which may be significant in the short term. In the past, natural resources have been subject to substantial price fluctuations over short periods of time. Such prices are affected by various factors, including economic conditions, political events, natural disasters, exploration and development success or failure, and technological changes. In addition, certain natural resources are geographically concentrated, and events in those parts of the world in which such concentration exists may affect their values. There are numerous uncertainties inherent in estimating reserves and resources, including many factors beyond the control of natural resource companies. Such estimation is a subjective process, and the accuracy of any reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors may cause reserves to be unprofitable in any particular accounting period. In addition, there can be no assurance that recoveries derived from small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Cannabis-Related Investments. The Management Company has not, but may invest a portion of the Funds' assets in cannabis-related businesses that are permitted under applicable state law. The cannabis industry is a relatively new industry, and consequently, it may be difficult for the Management Company to ascertain the profitability and reliability of certain investments that may have little or no history of financial success. The cannabis industry is also currently subject to various evolving rules and regulations at federal, state, and local levels. The Funds and their cannabis-related investments, to the extent there are any, may be adversely affected by disparities between federal, state and local law and regulations and the lack of clarity with respect to issues of jurisdiction, preemption or other issues. It remains illegal under United States federal law to grow, cultivate, sell or possess cannabis, other than federally legal hemp, for any purpose or to assist or conspire with those who do so. Additionally, federal law makes it illegal to "knowingly open, lease, rent, use, or maintain any place, whether permanently or temporarily, for the purpose of manufacturing, distributing, or using any controlled substance." Due to this illegality and others, the assets of the Funds and any distributions provided to the limited partners could also be forfeited through civil or criminal forfeiture proceedings and the Funds and their cannabis-related investments could be subject to civil or criminal liability under federal law including substantial fines and imprisonment.

With the exception of federally legal hemp products, cannabis is a Schedule I substance under the Controlled Substances Act ("CSA") and is illegal under federal law. Even in those states in which the use of cannabis has been legalized, its use remains a violation of federal laws. The illegality of cannabis under federal law preempts state laws that legalize its use. Therefore, strict enforcement of federal law regarding

cannabis would likely result in the Funds' or their cannabis-related investments' inability to proceed with its business plan. Additionally, except with respect to federally legal hemp products, direct consumer marketing of cannabis to consumers is impermissible under federal law. Further, certain state laws limit advertising and marketing of cannabis-related products. Many states permit cannabis and cannabis-related products to be made available only through physician prescription. Cannabis-related companies and businesses may therefore seek to develop programs targeted to medical professionals. Should the Funds' investments be limited in or unable to successfully advertise or market their products in such a regulated environment, the Funds' investments may be materially and adversely affected.

Prior to 2018, the U.S. Department of Justice ("DOJ") published a memo on August 29, 2013 ("Cole Memo"), which, among other things instructed DOJ's prosecutorial and law enforcement components to focus marijuana enforcement efforts on priorities that it stated were particularly important to the federal government, such as preventing revenue from the sale of marijuana from going to criminal enterprises, preventing violence and the use of firearms in the cultivation and distribution of marijuana, and preventing the distribution of marijuana to minors. The Cole Memo was guidance only and did not prohibit federal enforcement. On January 4, 2018, the DOJ rescinded the Cole Memo in a memo from Attorney General Jeff Sessions ("Sessions Memo"). Under the Sessions Memo, however, prosecutorial decision-making authority is still vested in certain DOJ officials and/or the U.S. Attorneys in the 94 federal judicial districts who may choose to initiate prosecution under the CSA at any time. Further, on January 15, 2019, Attorney General William Barr stated in his testimony to the Senate Judiciary Committee that he does not plan to prosecute companies that have relied on the Cole Memo.

In the event that federal enforcement action is taken against the Funds, the Funds could incur total losses on any or all of their investments. Additionally, future regulatory change is impossible to predict, and any trend in the legalization of medical or recreational cannabis use is not necessarily indicative of the future legal landscape. The regulation of the cannabis industry both inside and outside the United States is a changing area of law and is subject to modification by government and judicial action. The effect of any future regulatory or judicial change on the Funds could be substantial and adverse. The ability of state legal cannabis businesses (and businesses working directly with cannabis businesses) to seek bankruptcy protection in federal court due to the illegality of the business is currently unclear. This makes it difficult to determine how the Funds' liabilities or underlying cannabis-related investments' liabilities would be treated in the event of a bankruptcy.

Some courts have determined that contracts relating to state legal cultivation and sale of marijuana are unenforceable on the grounds that they are illegal under federal law and therefore void as a matter of public policy. This could substantially impact the rights of parties making or defending claims involving the Funds or their underlying cannabis-related investments. In addition, many cannabis-related companies are subject to strict product liability laws where a cannabis-related retailer who sells a defective product to a consumer is subject to liability for any harm that befalls that consumer due to the defect.

The National Institute on Drug Abuse, among others, identifies several potentially dangerous side effects from the use of cannabis, including: distorted perceptions, impaired coordination, difficulty in thinking, problem solving, memory, and learning, potential for long-term effects in the brain; potential for addiction; increased rates of anxiety, depression, suicide ideation and schizophrenia; and adverse effects on the heart and lungs. These risks, and/or the perception of such risks, may adversely affect the market for cannabis use, and may therefore have the potential to adversely affect the Funds and their investments in the private fund investments or underlying cannabis-related businesses.

Further, of concern in investing in cannabis-related investments is the possibility of material misrepresentation or omission on the part of the underlying company. Such inaccuracy or incompleteness may adversely affect the valuation of the asset. The Funds rely to some extent upon the accuracy and

completeness of representations made to the Funds, but cannot guarantee that such representations are accurate or complete.

Finally, cannabis products are subject to substantial and increasing legislation, regulation, judicial interpretations, and taxation on a municipal, state, federal and international level. Such regulatory environment could have an adverse effect on the results of operations, cash flows, and financial position of the Funds, and could result in a total loss of one or more underlying cannabis-related businesses in which the Funds invest. For instance, Congress recently renewed certain protections that prevented tax dollars from being deployed to the DOJ for cannabis enforcement purposes in states with legalized medical marijuana.

Event-Driven Investments. The success of the Funds' event-driven investment strategy depends upon the Management Company's ability to make predictions about: (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's securities. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as the Management Company had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value, but fail to implement it, which can result in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Funds of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a U.S. federal or state regulatory agency or a foreign government regulatory agency; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable U.S. federal or state securities laws; and (vii) inability to obtain adequate financing. Because of the inherently speculative nature of event-driven investing, the results of the Funds' operations may be expected to fluctuate from period to period. Accordingly, limited partners should understand that the results of a particular period will not necessarily be indicative of results that may be expected in a future period.

Small- and Medium-Capitalization Companies. Investments in securities of small- and medium-capitalization companies involve higher risks in some respects than do investments in securities of larger "blue-chip" companies. For example, prices of securities of small-capitalization and even medium-capitalization companies are often more volatile than prices of securities of large-capitalization companies and may not be based on standard pricing models that are applicable to securities of large-capitalization companies. Furthermore, the risk of limited access to capital markets, bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) may be higher than for larger, "blue-chip" companies. In addition, due to thin trading in the securities of some small- and medium-capitalization companies, an investment in those companies may be illiquid. The risk of delisting from major exchanges, such as NYSE or NASDAQ, is higher. Finally, the trading volume of small- and mid-cap companies is highly volatile, thereby making the time horizon of exiting positions and/or realizing returns inherently unpredictable.

Concentration of Holdings. Except as may be set forth in the applicable Offering Documents, there are no restrictions on the amount of the Funds' assets that may be invested in a particular sector of the market or in a type of security. The concentration of the Funds' investments in the securities of certain companies, and in companies engaged in specific economic sectors and related industries, may expose the Funds to

greater risk of loss with respect to their portfolio securities. From time to time, the Funds may invest a greater proportion of their assets in the securities of companies that are part of specific sectors and related industries of the economy. The Funds are therefore subject to greater risk of loss with respect to their portfolio securities as a result of their concentration in such sectors and related industries.

Investment Technique Risk Factors

Short-Term Market Considerations. The Management Company's trading decisions may be made on the basis of short-term market considerations. Therefore, the portfolio turnover rate could result in significant trading related expenses.

Diversification Policies. The Funds and the Master Fund do not have any formal limits for diversification and may concentrate investments in particular industries or companies. While the General Partner and the Management Company will generally seek portfolio diversification, the Funds and the Master Fund may incur substantial losses from single issuers or a group of issuers. The investment risk of a portfolio that is concentrated in particular industries or companies is greater than if the portfolio is invested in a more diversified manner among various industries or companies.

Leverage; Interest Rates; Margin. The Funds may utilize substantial leverage in their investment program, thereby maximizing their investment positions by borrowing funds to the fullest possible extent permitted by applicable regulations. As a result, the possibilities of profit and loss are increased. Borrowing money to take positions provides the Funds with the advantages of leverage, but exposes them to greater market risks and higher current expenses. Any gain in the value of positions taken with borrowed money or income earned from these positions that exceeds interest paid on the amount borrowed would cause the Funds' net asset value to increase faster than would otherwise be the case. Conversely, any decline in the value of the positions taken would cause the Funds' net asset value to decrease faster than would otherwise be the case.

Leverage may take the form of trading on margin, investing in derivative instruments that are inherently leveraged, and entering into other forms of direct or indirect borrowings. The amount of leverage or borrowings which the Funds may have outstanding at any time may therefore be large in relation to its capital. Consequently, the level of interest rates generally, and the rates at which the Funds can borrow in particular, will affect the operating results of the Funds.

In general, the Funds' use of short-term margin borrowings may result in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure the Funds' margin accounts decline in value, the Funds could be subject to a "margin call," pursuant to which the Funds must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to pay off its margin debt.

In the futures markets, margin deposits typically range between 1% and 15% of the value of the futures contracts purchased or sold. In the forward, equity, currency and certain other derivative markets, margin deposits may be even lower or may not be required at all. Such low margin deposits are indicative of the fact that any trading in these markets typically is accompanied by a high degree of leverage. Low margin deposits mean that a relatively small adverse price movement in a futures or forward contract may result in immediate and substantial losses to the investor. For example, if, at the time of purchase, 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for the brokerage commission. Thus, like other leveraged investments, any purchase or sale of a futures, forward or other commodity contract may result in losses in excess of the amount invested.

When the Funds purchase an option in the United States, there is no margin requirement because the option premium is paid for in full. The premiums for certain options traded on foreign exchanges may be paid for on margin. When the Funds sell an option on a futures contract, they may be required to deposit margin in an amount that may be determined by the margin requirement established for the futures contract underlying the option and, in addition, an amount substantially equal to the current premium for the option. The margin requirements imposed on the writing of options, although adjusted to reflect the probability that out-of-the-money options will not be exercised, can in fact be higher than those imposed in dealing in the futures markets directly. Whether any margin deposit will be required for OTC options and other OTC instruments, such as equity or currency forwards, swaps and certain other derivative instruments, will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

There may be no restriction on the amount of leverage that the Funds or a Master Fund segregated portfolio may utilize; provided that in no event will the Management Company incur leverage, on behalf of any class or Master Fund segregated portfolio, that provides for cross-collateralization among classes or Master Fund segregated portfolios, as applicable. The cumulative effect of the use of leverage with respect to any investment in a market that moves adversely to such investments could result in a substantial loss which would be greater than if the investments were not leveraged.

Short Selling. The success of the Funds' short selling investment strategy depends upon the Management Company's ability to identify and sell short securities that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). In addition, the Funds are active in trading small-cap securities, which are typically "low priced securities" where borrowing availability and pricing are particularly volatile. There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Funds may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Further, even though the Funds secure a "good borrow" of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the Funds to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by the Funds. Finally, the Funds may be exposed to interest rate risk in connection with its short positions—i.e., the borrowing rate may increase significantly.

Lack of Control. The Funds may invest in debt instruments and equity securities of companies that it does not control, which the Funds may acquire through market transactions or through purchases of securities directly from the issuer or other shareholders. Such securities will be subject to the risk that the issuer may make business, financial or management decisions with which the Funds do not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve the Funds' interests. In addition, the Funds may share control over certain investments with co-investors, which may make it more difficult for the Funds to implement their investment approach or exit

the investment when they otherwise would. The occurrence of any of the foregoing could have a material adverse effect on the Funds and the limited partners' indirect investments therein.

Lending of Portfolio Securities. The Funds may lend securities on a collateralized and an uncollateralized basis from their portfolio to creditworthy securities firms and financial institutions. While a securities loan is outstanding, the Funds will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially.

Hedging Transactions. The Funds may utilize a variety of securities for risk management purposes in order to: (i) protect against possible changes in the market value of the Funds' investment portfolios resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Funds' unrealized gains in the value of their investment portfolios; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Funds' portfolios; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Funds' securities; (vii) protect against any increase in the price of any securities the Funds anticipate purchasing at a later date; or (viii) act for any other reason that the Management Company deems appropriate. The Funds will not be required to hedge any particular risk in connection with a particular transaction or their portfolios generally. The Management Company may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. 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 transaction. Moreover, a portfolio will always be exposed to certain risks that cannot be hedged.

Significant Positions in Securities; Position Limits. In the event that the Funds acquire a significant stake in certain issuers of securities and such stake exceeds certain percentage or value limits, the Funds may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on the Funds, the General Partner and the Management Company. Any such requirements may impose additional costs on the Funds and may delay the acquisition or disposition of the securities or the Funds' ability to respond in a timely manner to changes in the markets with respect to such securities.

In addition, "position limits" may be imposed by various regulators that may limit the Funds' ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular issuer's securities. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. To the extent that the Funds' position limits were aggregated with an affiliate's position limits, the effect on the Funds and resulting restriction on their investment activities may be significant. If, at any time, positions managed by the Management Company were to exceed applicable position limits, then the Management Company would be required to liquidate positions, which might include positions of the Funds, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, the Funds might have to forego or modify certain of its contemplated trades.

Highly Volatile Markets. The prices of commodities contracts and all derivative instruments, including futures and options prices, can be highly volatile. Price movements of forward, futures and other derivative contracts in which the Funds' assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In

addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instrument futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Funds are also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses.

Exposure to Material Non-Public Information. From time to time, the Management Company may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Funds may be prohibited, by law, policy or contract, for a period of time from: (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

Competition. The relative value and arbitrage markets in which the Funds may invest are extremely competitive. Furthermore, these markets have experienced unprecedented inflows of capital in recent years, which should be expected to increase competition for attractive investment opportunities and to reduce expected investment returns. There can be no assurance that the Funds will be able to identify or successfully pursue attractive investment opportunities in this environment. The Funds may compete with many firms that have substantially greater financial resources, more favorable financing arrangements, larger research staffs and more securities traders than are available to the Funds.

Risk of Default or Bankruptcy of Third Parties. The Funds may engage in transactions in securities, commodities, other financial instruments and other assets that involve counterparties. Under certain conditions, a Fund could suffer losses if a counterparty to a transaction were to default or if the market for certain securities, commodities, other financial instruments and/or other assets were to become illiquid. In addition, the Fund could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Fund does business, or to which securities, commodities, other financial instruments and/or other assets have been entrusted for custodial purposes. For example, if the Funds' prime broker and custodian were to become insolvent or file for bankruptcy, the Funds could suffer significant losses with respect to any securities held by such firm.

Investment Instrument Risk Factors

Investments in Unlisted Securities. The Funds may invest in unlisted securities. Because of the absence of any trading market for these investments, it may take longer to liquidate, or it may not be possible to liquidate, these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized on these sales could be less than those originally paid by the Funds. Further, companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities. In the event that there is no trading market for these investments, the Funds value such investments based either on consistently applied objective standards, such as indications from unaffiliated brokers, an independent appraisal or in accordance with other procedures they deem reasonable.

Collateralized Debt Obligations Generally. There are a variety of different types of collateralized debt obligations ("CDOs"), including CDOs collateralized by trust preferred securities and asset-backed securities and CDOs collateralized by corporate loans and debt securities called collateralized loan obligations ("CLOs"). CDOs may issue several types of securities, including, without limitation, CDO and CLO equity, multi-sector CDO equity, trust preferred CDO equity and CLO debt. CDOs are subject to credit, liquidity and interest rate risks, which are each discussed in greater detail above. The CDO equity may be unrated or non-investment grade. As a holder of CDO equity, the Funds will have limited remedies available upon the default of the CDO. The Funds may be unable to find a sufficient number of attractive

opportunities to meet their investment objectives or fully invest their committed capital. For example, from time to time, the market for CDO transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions. CDOs often invest in concentrated portfolios of assets. The concentration of an underlying portfolio in any one obligor would subject the related CDOs to a greater degree of risk with respect to defaults by such obligor and the concentration of a portfolio in any one industry would subject the related CDOs to a greater degree of risk with respect to economic downturns relating to such industry.

The value of CDOs generally fluctuates with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CDO (“CDO Collateral”), general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Consequently, holders of CDOs must rely solely on distributions on the CDO Collateral or proceeds thereof for payment in respect thereof. If distributions on the CDO Collateral are insufficient to make payments on the CDOs, no other assets will be available for payment of the deficiency and following realization of the CDOs, the obligations of such issuer to pay such deficiency generally will be extinguished. CDO Collateral may consist of high-yield debt securities, loans, asset-backed securities and other securities, which often are rated below investment grade (or of equivalent credit quality). High-yield debt securities generally are unsecured (and loans may be unsecured) and may be subordinated to certain other obligations of the issuer thereof. The lower ratings of high-yield securities and below investment grade loans reflect a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. Such investments may be speculative.

Zero-Coupon and Deferred Interest Bonds. Zero-coupon bonds and deferred interest bonds are debt obligations issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero-coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in interest rates than debt obligations that provide for regular payments of interest.

High-Yield Financial Instruments. Bonds or other fixed-income securities that are “higher yielding” (including non-investment grade) debt securities are generally not exchange-traded and, as a result, these securities trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer’s inability to meet timely interest and principal payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer’s assets. High-yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities may be highly leveraged and may not have available to them more traditional methods of financing. In addition, the Funds may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments.

The Funds may invest in obligations of issuers that are generally trading at significantly higher yields than had been historically typical of the applicable issuer’s obligations. Such investments may include debt

obligations that have a heightened probability of being in covenant or payment default in the future or that are currently in default and are generally considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically, such workout or bankruptcy proceedings result only in partial recovery of cash payments or an exchange of the defaulted security for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

Corporate Debt. The Funds invest in bonds, notes and debentures issued by corporations. Bonds, notes and debentures issued by corporations may pay fixed, variable or floating rates of interest, and may include zero-coupon obligations. Corporate debt instruments may be subject to credit ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. In addition, the Funds may be paid interest in-kind in connection with their investments in corporate debt and related financial instruments (e.g., the principal owed to the Funds in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, the Funds may experience substantial losses.

Mezzanine Debt. Mezzanine debt is typically junior to the obligations of a company to senior creditors, trade creditors and employees. The ability of the Funds to influence a company's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors. Mezzanine debt instruments are often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. Default rates for mezzanine debt instruments have historically been higher than for investment-grade instruments. In the event of the insolvency of a portfolio company of the Funds or similar event, the Funds' debt investment therein will be subject to fraudulent conveyance, subordination and preference laws.

Stressed Debt. Stressed issuers are issuers that are not yet deemed distressed or bankrupt and whose debt securities are trading at a discount to par, but not yet at distressed levels. An example would be an issuer that is in technical default of its credit agreement, or undergoing strategic or operational changes, which results in market pricing uncertainty. The market prices of stressed and distressed instruments are highly volatile, and the spread between the bid and the ask prices of such instruments is often unusually wide.

Distressed Obligations. The obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems (including companies involved in bankruptcy or other reorganization and liquidation proceedings) are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the risk that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, recharacterize debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the Funds' investments in any security. Obligations in which the Funds invest may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that value of the assets collateralizing the Funds' investments will be sufficient or that prospects for a successful

reorganization or similar action will become available. In any reorganization or liquidation proceeding relating to a company in which the Funds invest, the Funds may lose their entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Funds' investments may not compensate the investors adequately for the risks assumed. In addition, under certain circumstances, payments and distributions may be disgorged if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Funds of the security in respect to which such distribution was made.

Illiquid Securities. Certain securities may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such securities. Valuation of such securities may be difficult or uncertain because there may be limited information available about the issuers of such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and the Funds may not be able to sell them when they desire to do so or to realize what they perceive to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Funds may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, the Funds may be required to hold such securities despite adverse price movements. Even those markets which the Management Company expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid. The foregoing is particularly relevant with regard to the Funds' restricted investments.

Fixed Income Securities; Market or Interest Rate Risk. The Funds invest in bonds or other fixed income securities, including, without limitation, bonds, notes and debentures issued by corporations; debt securities and commercial paper. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Funds invest will change in response to fluctuations in interest rates. Also, if the Funds hold a fixed income security to maturity, the change in its price before maturity may have little impact on the Funds' performance. However, if the Funds have to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to the Funds. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

Callable Securities. Many bonds, including agency, corporate and municipal bonds, and mortgage-backed securities, sometimes contain a provision that allows the issuer to "call" (i.e., redeem) all or part of the issue before the bond's maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate on the outstanding debt security. From the investor's perspective, there are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, the Funds are exposed to reinvestment rate risk—the Funds will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond

will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

Maturity Risk. In certain situations, the Funds may purchase a bond of a given maturity as an alternative to another bond of a different maturity. Ordinarily, under these circumstances, the Funds will make an adjustment to account for the interest rate risk differential in the two bonds. This adjustment, however, makes an assumption about how the interest rates at different maturities will move. To the extent that the yield movements deviate from this assumption, there is a yield-curve or maturity risk. Another situation where yield-curve risk should be considered is in the analysis of bond swap transactions where the potential incremental returns are dependent entirely on the parallel shift assumption for the yield curve.

Inflation Risk. Inflation risk results from the variation in the value of cash flows from a fixed income security or instrument due to inflation, as measured in terms of purchasing power. For example, if the Funds purchase a 5-year bond with a coupon rate of 5%, but the rate of inflation is 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 are 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.

Downgrades in Fixed Income Debt Securities. Unless required by applicable law, the Funds are not required to sell or dispose of any debt security that either loses its rating or has its rating reduced after the Funds purchase such security.

Bank Loans. The Funds may invest in bank loans and participations. These obligations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the Funds to directly enforce their rights with respect to participations. In analyzing each bank loan or participation, the Management Company intends to compare the relative significance of the risks against the expected benefits of the investment.

PIPE Transactions. Private investments in public companies whose stocks are quoted on stock exchanges or which trade in the over-the-counter securities market, a type of investment commonly referred to as a "PIPE" transaction, may be entered into with smaller capitalization public companies, which will entail business and financial risks comparable to those of investments in the publicly-issued securities of smaller capitalization companies, which may be less likely to be able to weather business or cyclical downturns than larger companies and are more likely to be substantially hurt by the loss of a few key personnel. In addition, PIPE transactions will generally result in the Funds acquiring either restricted stock or an instrument convertible into restricted stock. As with investments in other types of restricted securities, such an investment may be illiquid. The Funds' ability to dispose of securities acquired in PIPE transactions may depend on the registration of such securities for resale. Any number of factors may prevent or delay a proposed registration. Alternatively, it may be possible for securities acquired in a PIPE transaction to be resold in transactions exempt from registration in accordance with Rule 144 under the Securities Act, or otherwise under the U.S. federal securities laws. There can be no guarantee that there will be an active or liquid market for the stock of any small capitalization company due to the possible small number of stockholders. As a result, even if the Funds are able to have securities acquired in a PIPE transaction registered or sell such securities through an exempt transaction, the Funds may not be able to sell all the securities on short notice, and the sale of the securities could lower the market price of the securities. There is no guarantee that an active trading market for the securities will exist at the time of disposition of the securities, and the lack of such a market could hurt the market value of the Funds' investments. In addition, the convertibility of these instruments into stock may be subject to floor prices; as such, if the price of the

stock underlying the security falls below the floor price, the Funds may experience losses. Because of past abuses in PIPE transactions by market participants there are many people in the securities industry and business in general who view PIPE transactions with suspicion. As a result, there may be increased scrutiny of PIPE transactions by the SEC, other government agencies and/or national exchanges. Furthermore, there is a risk that prime brokers may be unable, or unwilling, to clear securities from PIPE issuers for a number of reasons, including, without limitation, the aforementioned suspicion and regulatory scrutiny. Finally, the Funds may be subject to additional regulatory scrutiny and even possible enforcement actions as a result of their investments in PIPE transactions.

Convertible Securities Generally. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Funds is called for redemption, the Funds would be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Funds' ability to achieve its investment objective.

Convertible Arbitrage. The Funds may engage in convertible arbitrage. Convertible arbitrage strategies involve investing in convertibles that appear incorrectly valued relative to their theoretical value. The strategy consists of the purchase (or short sale) of a convertible security coupled with the short sale (or purchase) of the underlying security for which the convertible-security can be exchanged to exploit price differentials. The Management Company typically will seek to hedge out the risk inherent in the stock; the remaining interest rate risk may or may not be hedged. Convertible arbitrage strategies generally involve spreads between two or more positions. To the extent that the price relationships between such positions remain constant, no gain or loss on the position will occur (other than the cost of maintaining the position in certain cases, such as the price of acquiring and maintaining option positions). Such positions do, however, entail a substantial risk that the price differential could change unfavorably, causing a loss to the spread position. Substantial risks also are involved in borrowing and lending against such investments. The prices of these investments can be volatile, market movements are difficult to predict, and financing sources and related interest and exchange rates are subject to rapid change. Certain corporate securities may be subordinated (and thus exposed to the first level of default risk) or otherwise subject to substantial credit risks. Government policies, especially those of the FRB and foreign central banks, have profound effects on interest and exchange rates that, in turn, affect prices in areas of the investment and trading activities of convertible arbitrage strategies. Many other unforeseeable events, including actions by various government agencies and domestic and international political events, may cause sharp market fluctuations.

Reverse Mergers. The Funds may make certain private investments with the expectation that they will be taken public through a "reverse merger." In general, the shares issued in connection with a reverse merger are restricted shares. Companies that become public through a reverse merger are not permitted to list their securities on a securities exchange until certain conditions are met. As a result, any such shares would continue to be thinly traded after the reverse merger, until a considerable number of such shares are registered in an effective registration statement or become sellable under Rule 144 of the Securities Act.

Securities analysts of major brokerage firms may not provide coverage of such investments since there is little incentive to brokerage firms to recommend the purchase of the shares following a reverse merger. No assurance can be given that brokerage firms will want to conduct any secondary offerings on behalf of such investments in the future. Without brokerage firm and analyst coverage, there may be a lack of awareness of the investments, resulting in fewer potential buyers of such securities, less liquidity and depressed stock prices. Accordingly, the Funds may not be able to realize the full value of their investment.

Because of past abuses and fraud concerns stemming primarily from a lack of public information about newly public businesses, there are many people in the securities industry and business in general who view

transactions involving reverse merger into public shell with suspicion. There may be increased scrutiny by the SEC and other government agencies prior to the reverse merger due to the nature of the transaction.

There is a risk that, as a result of the reverse merger, the Funds' investment in a private company will be exposed to the liability of the public entity into which the private company merges. While this risk may be mitigated in the due diligence process prior to merger, there is no guaranty that the Funds will be able to adequately protect their investment in each case.

Litigation Risk. The Funds may be subject to potential litigation claims by investors, regulators and/or portfolio companies in which they may invest and by their respective management teams. For example, in the event of a dispute regarding investments in their portfolio companies, the Funds may either be a plaintiff or a defendant in one or several lawsuits involving the aforementioned portfolio companies, their management teams, their investors and/or their financial advisors. In addition, as a result of heightened regulatory scrutiny within the small and mid-cap segment of the market and also with respect to structured investments, including, but not limited to, PIPE transactions (see risk factor "PIPE Transactions" above), the Funds may become subject to regulatory scrutiny or event possible regulatory enforcement action. In the case where the Funds are defendants, even where there is no basis for allegations of breach of relevant laws or transaction documents governing an investment, the Funds could incur substantial legal costs in defending such suits. In the case where the Funds are plaintiffs, even where there is substantial basis for the Funds' allegations of breach of transaction documents governing an investment, the Funds could incur substantial legal costs in procuring a judgment and collecting damages. As these costs are a business expense of the Funds, this could adversely affect the financial performance of the Funds. The potential for such litigation risk may also result in a greater potential for reserves or holdbacks against certain structured investments. As set forth in the Offering Documents, reserves may be taken for estimated or accrued expenses, liabilities or contingencies, including, without limitation, litigation contingencies (even if not in accordance with GAAP).

Operating Deficits. The expenses of operating the Funds may exceed their income, thereby requiring that the difference be paid out of the Funds' capital, reducing the Funds' investments and potential for profitability.

Operational Risk. As set forth in the Offering Documents, the Funds expect to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Funds to trade in any variety of markets or asset classes over time. It should be noted that the prime brokers and/or other service providers may (temporarily or permanently) be impaired from or may otherwise decide to abstain from performing their duties with respect to structured investments, which could result in losses for the Funds.

Call Options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (i.e., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

Put Options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (i.e., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Stock Index Options. The Funds may also purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market. A stock index fluctuates with changes in the market values of the stocks included in the index. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Funds will realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by the Funds of options on stock indices will be subject to the Management Company's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

Highly Volatile Markets. The prices of derivative instruments, including futures and options, can be highly volatile. Price movements of forward, futures and other derivative contracts in which the Funds' assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Funds also are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses.

Commodity Futures Contracts. The value of futures contracts depends upon the price of the securities, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Funds' positions trade or of their clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Funds from promptly liquidating unfavorable positions and subject the Funds to substantial losses or prevent it from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Index Futures. The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by the Funds also is subject to the Management Company's ability to correctly predict movements in the direction of the market.

Swap Agreements. The Funds may enter into swap agreements. Whether the Funds' use of swap agreements or swaptions will be successful will depend on the Management Company's ability to select appropriate transactions for the Funds. Swap agreements and options on swap agreements ("swaptions") can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease the holder's exposure to, for example, equity securities, long-term or short-term interest rates, non-U.S. currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Funds. Moreover, the Funds bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of their counterparty. The Funds will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Funds to post or maintain required collateral. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Funds' ability to terminate swap transactions or to realize amounts to be received under such transactions.

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 that 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 market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

Equity Securities Generally. The value of equity securities of public and private, listed and unlisted companies, and equity derivatives generally, varies 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 the Management Company's expectations or if equity markets generally move in a single direction and the Funds have not hedged against such a general move. The Funds also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Non-U.S. Investments. The Funds may invest in securities of non-U.S. companies and countries and in non-U.S. currencies. Investing in the securities of such companies and countries involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain or other income or gross sale or disposition proceeds; the small size of

the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; certain government policies that may restrict the Funds' investment opportunities; and a less developed, less transparent legal regime with fewer established precedents available for its judicial system to rely on. In addition, accounting and financial reporting standards that prevail in foreign countries generally are not equivalent to United States standards and, consequently, less information is available to investors in companies located in such countries than is available to investors in companies located in the United States. Moreover, an issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other. The economies of certain non-U.S. countries may be based, predominantly, on only a few industries and may be sensitive to changes in trade conditions and may have higher overall levels of debt or inflation than is present in the United States. There is also less regulation, generally, of the securities markets in foreign countries than there is in the United States. These factors may affect the level and volatility of securities prices and the liquidity of the Funds' investments. Unexpected volatility or illiquidity could impair the Funds' profitability or result in losses.

Currency Exchange Exposure. The Funds may invest in securities denominated in currencies other than the U.S. Dollar. The Funds, however, value their securities in U.S. Dollars. The Funds may or may not seek to hedge their non-U.S. currency exposure by entering into currency hedging transactions. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when the Funds wish to use them, or that hedging techniques employed by the Funds will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of the Funds' positions denominated in currencies other than the U.S. Dollar will fluctuate with U.S. Dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies.

Bitcoin and Other Digital Currencies. Although not specifically contemplated as of the date hereof, the Funds may invest in Bitcoin and/or other digital currencies. The Bitcoin Network is a recent technological innovation, and Bitcoins have certain features associated with several types of assets, most notably commodities and currencies. Bitcoin and other digital currencies, and their respective technologies and networks, are highly experimental. Any investment in Bitcoins or other digital currency is inherently risky and may result in a complete loss of such investment. Complete losses of Bitcoins could result from errors in the Bitcoin Network, failure of a Bitcoin Exchange and/or a security breach caused by hackers gaining unauthorized access to pertinent information or systems. Bitcoin currently faces an uncertain regulatory landscape, and the effects of any future regulatory changes are impossible to predict. Such changes could be substantial and could have a materially adverse impact on the value of Bitcoins, and therefore the net asset value of the Funds. The foregoing considerations also apply to other digital currencies.

In addition, the Funds may invest in companies listed in public markets whose primary business revolves around Bitcoin and/or other digital currencies, and similar considerations will apply. Also, companies whose primary business revolves around cryptocurrencies may be subject to greater regulatory scrutiny and even possible regulatory enforcement actions, which poses additional risks to the Funds should the Funds invest in securities issued by such companies.

Forward Contracts. The Funds may enter into forward contracts which are not traded on exchanges. Banking authorities generally do not regulate trading in forward contracts. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts 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. The imposition of credit controls or price risk

limitations by governmental authorities may limit such forward trading to less than that which the Management Company would otherwise recommend, to the possible detriment of the Funds. In forward trading, the Funds will be subject to the risk of the failure of, or the inability or refusal to perform with respect to their forward contracts by, the principals with which the Funds trade. Portfolio assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Management Company may order trades for the Funds in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Funds to the risk of loss.

Item 9. Disciplinary Information

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

Item 10. Other Financial Industry Activities and Affiliations

Neither the Adviser, nor any of its management persons, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither the Adviser, nor any of its management persons, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. However, one of the Adviser's affiliates is an exempt CPO.

Neither the Adviser, nor any of its management persons, have any relationships or arrangements with related persons that are material to the Adviser's advisory business or to its Clients. The Adviser does not recommend or select other investment advisers for its Clients.

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

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser and its related persons to put the interests of the Clients before their own interests and to act honestly and fairly in all respects in their dealings with the Clients. All of the Adviser's personnel are also required to comply with applicable federal securities laws. For additional information about the Code or to request a copy, please contact Daniel Altman, the Adviser's CCO, 475-228-9454 or daltman@ayrtonllc.com. See below for further provisions of the Code as they relate to the pre-clearing and reporting of securities transactions by related persons.

In the ordinary course of conducting the Adviser's advisory activities, the interests of a Client may from time to time conflict with the Adviser's interests and those of other Clients. The Adviser will deal with all conflicts of interest using its best judgment, but in its sole discretion. In doing so, the Adviser will consider various factors, including the interests of each Client with respect to the immediate issue and/or with respect to the longer-term course of dealing among such Clients. As a fiduciary, the Adviser owes Clients a duty of loyalty. This includes the duty to address, or at minimum disclose, conflicts of interest that may exist between different Clients; between the Adviser and Clients; or between the Adviser's Supervised Persons and Clients. Where potential conflicts arise from its fiduciary activities, the Adviser will take steps to mitigate, or disclose them. Conflicts arising from fiduciary activities that the Adviser cannot avoid are mitigated through written policies that the Adviser believes protect the interests of its Clients as a whole. In these cases—which include issues such as personal trading and Client entertainment—regulators have generally prescribed detailed rules or principles for investment firms to follow. By complying with these rules, using robust compliance practices, the Adviser believes that it handles these conflicts appropriately.

Supervised Persons may come into possession, from time to time, of material non-public or other confidential information (“MNPI”) about public companies which might affect an investor’s decision to buy, sell, or hold a security. Pursuant to applicable law, the Adviser and its Supervised Persons are prohibited from improperly disclosing or using MNPI for their personal benefit or for the benefit of any other person, regardless of whether such person is an investor in a Client or a Client of the Adviser. If a Supervised Person comes into possession of MNPI, the Adviser would be prohibited from communicating such information to any Client investor or other Client. The Adviser will have no responsibility or liability for failing to disclose MNPI to any Client investor or other Client as a result of following the Adviser’s compliance policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Supervised Persons serving as directors of public companies and may restrict investing that can take place on behalf of a Client, including making an investment that a Client might otherwise make.

To the extent that the Adviser or its related persons invest in the same securities that the Adviser or a related person recommends to a Client, such practices present a conflict where, the Adviser or its related person is in a position to trade in a manner that could adversely affect a Client. In addition to affecting the Adviser’s or its related persons’ objectivity, these practices by the Adviser or its related persons may also harm a Client by adversely affecting the price at which a Client’s trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: the Adviser requires its related persons to preclear certain transactions in their personal accounts with the CCO, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on a Client. A properly identified delegate will preclear the CCO’s transactions in her personal accounts. In addition, the Code prohibits the Adviser or its related persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the CCO. All of the Adviser’s related persons are also required to provide broker confirmations of each transaction in which they engage and a quarterly certification of such transactions. Trading in Supervised Persons’ accounts will be reviewed by the CCO and compared with transactions for Client accounts and reviewed against the restricted securities list.

To the extent the Adviser buys or sells securities for a Client, at or about the same time that the Adviser or a related person buys or sells the same securities for its own account, the Adviser and the related person, if applicable, will do so in accordance with the procedures described above in order to minimize the conflicts stemming from situations where the contemporaneous trading would result in an economic benefit for the Adviser or its related person to the detriment of a Client.

Item 12. Brokerage Practices

Broker Selection:

Portfolio transactions for the Master Fund and the Funds will be allocated to brokers and dealers on the basis of best execution and in consideration of such broker’s ability to effect the transactions, the broker’s facilities, reliability, availability and financial responsibility, the broker’s capital markets services (e.g., access to transactions and deal flow), and in consideration of such broker’s provision or payment of the costs of research and brokerage services which are of benefit to the Master Fund, the Funds, the General Partner, the Management Company and related funds and accounts. The Management Company will have discretion to select brokers on behalf of the Master Fund subject to consideration of the factors described above. Accordingly, if the General Partner determines in good faith that the commissions charged by a broker are reasonable in relation to the value of the research or brokerage services provided by such broker, the Funds may pay commissions to such broker which are greater than those another might charge.

Research and Other Soft Dollar Benefits

Research or brokerage services provided by brokers through which portfolio transactions for the Funds are executed may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, on-line quotations, news and research services and providing lawful and appropriate assistance to the General Partner in the performance of its investment decision making responsibilities on behalf of the Funds and other accounts which it manages (collectively, “soft dollar items”). Soft dollar items may be provided directly by brokers, by third parties at the direction of brokers or purchased on behalf of the Funds with credits or rebates provided by brokers. Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total transaction volume is allocated on the basis of all of the considerations described above.

Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, (the “Exchange Act”), permits the use of soft dollar items in certain circumstances; provided that the Funds do not pay a rate of commissions in excess of what is competitively available from comparable brokerage firms for comparable services, taking into account various factors, including commission rates, financial responsibility and strength and ability of the broker to efficiently execute transactions. The General Partner expects that soft dollar items obtained in connection with portfolio transactions for the Funds will be within the parameters established under Section 28(e) and then, only with regard to soft dollar items which the Funds themselves would otherwise be required to pay for itself in the absence of such an arrangement. When the Adviser utilizes Client brokerage commissions to obtain soft dollar items, it obtains a benefit because it does not have to produce or pay for the research, products or services. A broker will not be excluded from executing transactions for the Funds because it has not been identified as providing soft dollar items. However, the Adviser may be incentivized to select or recommend a broker based on the Adviser’s interest in receiving research or other products or services, rather than on the Client’s interest in receiving best execution.

The Adviser has implemented the requisite policies and procedures to ensure that receipt of such soft dollar items falls within the safe harbor created by Section 28(e) of the Exchange Act.

Brokerage for Client Referrals

The Adviser does not consider, when selecting or recommending broker-dealers, whether it or a related person receives Client or investor referrals from a broker-dealer or third party. However, from time to time, the Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to the Clients. The Adviser may place portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

Directed Brokerage

The Adviser does not routinely recommend, request or require that a Client or an investor direct it to execute transactions through a specified broker-dealer.

Aggregation of Orders

The Adviser does not aggregate the purchase or sale of securities for various Client accounts.

Item 13. Review of Accounts

Members of the Adviser's investment team regularly review and monitor each Client's portfolio to determine whether positions should be maintained in view of current market conditions. The Adviser's review consider, among other things, specific securities held, adherence to investment guidelines and the Client's performance. Investors in the Funds receive written statements containing individual net asset values generally on a periodic basis (in all cases, as set forth in the terms of the relevant Offering Documents).

Item 14. Client Referrals and Other Compensation

The Adviser receives no economic benefit from non-Clients in connection with Client transactions and does not compensate any person for Client referrals.

Item 15. Custody

The Adviser complies with the requirements of Rule 206(4)-2 of the Advisers Act ("Custody Rule") with regards to custody of assets of the Clients. The Custody Rule imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any client has any beneficial interest. An investment adviser is deemed to have custody or possession of client funds or securities if the adviser directly or indirectly holds client funds or securities or has the authority to obtain possession of them (regardless of whether the exercise of that authority or ability would be lawful). An investment adviser is generally deemed to have custody if it or its affiliate serves as a General Partner to a limited partnership client of the Adviser.

Although the Adviser does not maintain physical custody of Client assets, under the Advisers Act, the Adviser is deemed to have custody of Client assets because the Adviser has the authority to access funds and securities, for example, by deducting advisory fees from Client accounts. Therefore, the Adviser must comply with certain "custody" requirements under the Advisers Act. To comply with these requirements, the Adviser will: i) ensure that the funds and securities of its Clients (except certain privately offered securities) are maintained in custodial accounts with "qualified custodians"; and ii) provide notice to Clients about the qualified custodian. This notice is incorporated into the Offering Documents. To further comply with custody requirements, the Adviser requires (1) the appointment of an independent public accounting firm that is registered with the Public Company Accounting Oversight Board (PCAOB) to conduct an annual audit of Client financial statements; (2) distribution of the audited financial statements within 120 days of the fiscal year-end to each Client investor; and (3) upon liquidation of a Client, the performance of a liquidation audit and distribution of the related financial statements to Fund investors promptly upon completion of such audit.

The Adviser urges its investors in the Funds to carefully review all statements and reports they receive and whenever possible to compare the same or similar information on different reports. Management personnel will be available to assist in reviewing and understanding any such reports.

Item 16. Investment Discretion

The Adviser and its affiliates provide investment advisory services to its Clients on a discretionary basis. Investment advice is provided directly to the Clients and not the individual Fund Investors. The Adviser has the authority to determine (i) the securities to be purchased and sold for each of the Clients, subject to each Client's investment restrictions; and (ii) the amount of securities to be purchased or sold for the Clients. The scope of such investment discretion is detailed in the relevant Fund's Offering Documents.

Item 17. Voting Client Securities

The Adviser has adopted policies and procedures to address how the Adviser will vote when provided proxies to do so by entities in which the Adviser has invested on behalf of a Client (the “Proxy Policy”). The Proxy Policy seeks to ensure that the Adviser votes proxies or similar corporate actions in the best interests of the Funds’ investors, taking into account such factors as it deems relevant in its sole discretion.

The Proxy Policy is designed to (i) identify any material conflicts of interest connected with a particular proxy vote and (ii) ensure that any vote where such conflicts are identified is not improperly influenced by the conflict. The Adviser understands the importance of proxy voting. The Adviser will vote all proxies in the best interests of its Clients and Fund Investors (as applicable) and in accordance with the procedures outlined in its Proxy Policy (as applicable), unless otherwise mandated by investment management agreements or applicable law.

For additional information about the Adviser’s proxy voting policies and procedures and information about how the Adviser voted the Clients’ proxies, please contact Daniel Altman, the Adviser’s CCO, at 475-228-9454 or daltman@ayrtonllc.com.

Item 18. Financial Information

The Adviser does not require or solicit the payment of fees six months or more in advance. The Adviser is not aware of having any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Clients. The Adviser has never been subject to any bankruptcy petition.