

LOEB

CAPITAL MANAGEMENT

Item1 – Cover Page

LOEB ARBITRAGE MANAGEMENT LP and AFFILIATES

doing business as

LOEB CAPITAL MANAGEMENT

Form ADV Part 2A

FIRM BROCHURE

December 31, 2012

This brochure provides information about the qualifications and business practices of Loeb Arbitrage Management LP, Loeb Offshore Management LP and Carl M Loeb Advisory Partners, L.P., collectively doing business as Loeb Capital Management (“LCM” or “the Adviser”). If you have any questions about the contents of this brochure, please contact us at 212-483-7000 and/or rschwartz@loebcap.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.

Loeb Arbitrage Management LP is a registered investment adviser. Registration of an investment adviser does not imply any certain level of skill or training. The oral and written communications of an adviser are meant to provide you with information useful in determining whether to hire or retain an adviser.

Additional information about the Adviser is available on the SEC’s website at www.adviserinfo.sec.gov. The SEC’s web site also provides information about persons affiliated with an adviser who are registered as investment adviser representatives.

A copy of this brochure may be obtained by contacting Sean Flynn, Director of Investor Relations at 212-483-7000 or investorrelations@loebcap.com. The brochure is also available on our web site www.loebcap.com, free of charge.

Item 2 – Material Changes

There have been no material changes to our business since the last annual Brochure, dated December 23, 2011. We have, however, changed the form of our filing. Last year, we filed a separate Form ADV Part 1 and 2 for Loeb Arbitrage Management LP, Loeb Offshore Management LP (“LOM”) and Carl M. Loeb Advisory Partners, L.P. (“CMLAP”). This year we are filing this consolidated Form ADV Part 1 and 2 for all three entities. Additionally, Section 4, *Advisory Business*, and Section 8, *Methods of Analysis, Investment Strategies and Risk of Loss* have been expanded.

Beginning August 27, 2012, Robert S. Schwartz has assumed the responsibilities of General Counsel and Chief Compliance Officer (“CCO”). The firm’s Chief Financial Officer (“CFO”), Edward J. Campbell, is retiring as of December 31, 2012. Beginning January 1, 2013, David S. Hampson is assuming the responsibilities of CFO for LAM, LOM and CMLAP.

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Item 4 – Advisory Business

Loeb Capital Management and its predecessors ("LCM"), has provided investment advice and investment management services to private funds, institutions and high net worth individuals ("Clients") for over 25 years. LCM is made up of Loeb Arbitrage Management LP, ("LAM" or the "Registrant"), and its affiliates, Loeb Offshore Management LP ("LOM") and Carl M. Loeb Advisory Partners, L.P. ("CMLAP"), all Delaware limited partnerships. LOM and CMLAP are included in the Registrant's Form ADV as Relying Advisers in accordance with the position expressed by the staff of the Securities Exchange Commission in a letter dated January 18, 2012 to the American Bar Association.

LCM has been in the business of advising private funds since 1988. LCM provides investment advice to Loeb Arbitrage Offshore Partners, Ltd., a Cayman Islands exempted company which serves as a master fund for its two feeder funds, Loeb Offshore Fund, Ltd. and Loeb Arbitrage Fund, a New York limited partnership (together the "Arbitrage Fund"). LCM also provides investment advice to Loeb Asia Fund, LP, a Delaware limited partnership (the "Asia Fund" and together with the Arbitrage Fund, the "Funds"). Loeb Arbitrage Fund serves as the onshore feeder of the Arbitrage Fund for investment primarily by US investors and Loeb Offshore Fund serves as the offshore feeder for investment primarily by non-US investors and US Tax Exempt investors. Loeb Asia Fund is not part of a master fund structure and only offers an on shore vehicle to investors. Both the Arbitrage Fund and the Asia Fund are private funds and have not been registered under the Investment Company Act of 1940. The Adviser also advises separate institutional accounts and acts as sub-adviser to private funds sponsored by others managed in the same or similar styles as the Funds (collectively referred to as "Clients").

LCM has been appointed as investment manager and/or general partner to the Arbitrage Fund and the Asia Fund with complete discretionary authority with respect to investment decisions on behalf of and trading in, the Funds' accounts. LCM has also been appointed investment adviser or sub-adviser for the separate accounts of institutional investors and other private funds. LCM exercises investment discretion in accordance with the investment objectives and guidelines set forth in the respective offering memoranda for each Fund or in the investment management agreement for each separate account. Pursuant to their respective offering memoranda or investment management agreements, the Adviser may permit Clients to impose limitations on investing in certain securities or types of securities.

The Adviser, on behalf of its Clients, engages in a mix of investment styles including, but not limited to, arbitrage, distressed instruments (including purchasing securities, trade claims and debt instruments of distressed companies which are the subject of bankruptcy proceedings or in various stages of liquidation or operational and financial restructuring), special situations and event-driven, value and certain kinds of derivatives and commodities transactions.

Where appropriate, the Adviser, on behalf of its clients, may use various forms of leverage in an attempt to achieve a broader and/or more diversified investment portfolio or to augment returns. Use of leverage may amplify the effect of profit or loss.

The Adviser utilizes a multi-strategy approach to investing. It engages in a mix of arbitrage (including mergers and acquisition arbitrage, exchange offer arbitrage, tender offer and cash merger arbitrage and balance sheet arbitrage), distressed instrument investing (including purchasing securities, trade claims and debt instruments of distressed companies which are the subject of bankruptcy proceedings or in various stages of liquidation or operational and financial restructuring), special situations and event-driven investing and value driven investing. Adviser will utilize a variety of instruments and trading strategies to effectuate its investment style including long and short positions in public and private common stock, government and corporate bonds, bank debt, preferred

and convertible instruments, DIP loans, exchange traded funds, trade claims, tax liens, options, commodities and derivatives including swaps, contracts for differences, credit default swaps, caps, floors, collars and other forms of custom derivative transactions. At any given time, the Adviser may emphasize one or more of these strategies and/or instruments over others in response to both macro and micro considerations.

The principal owners of LAM and LOM are Loeb Holding Corporation and LB Partners, which are controlled, respectively, by Thomas L. Kempner and Gideon J. King.

The firm does not participate in wrap fee programs.

The Adviser's discretionary Regulatory Assets under Management (RAUM) as of September 30, 2012 were approximately \$883,000,000.

Item 5 – Fees and Compensation

Compensation received by the Adviser for its advisory services is comprised of fees based on a percentage of assets under management ("Management Fee") and annual performance fees/allocations ("Performance Compensation"). Performance Compensation is discussed in Item 6. Funds may offer multiple classes, each with varying fee arrangements and redemption terms as stated in the Offering Memorandum of each Fund. Separate Account Management Fees are negotiable.

Clients pay the Adviser the Management Fee annually, generally at an annual rate of 1.5%. Management Fees for all investors range from 0.75% - 3%, as outlined in the Offering Memorandum of each Fund or the Investment Management Agreement for each separate account. Generally, lower Management Fees are offered to Clients that commit a minimum of \$45 million to \$90 million to the Funds or agree to commit capital for a specified period of time. The Management Fees are charged in arrears and accrued monthly.

Fees are calculated based on the net assets at the close of the preceding month or as otherwise stated in the Funds' respective Offering Memoranda. Certain share classes are adjusted at the end of each calendar year if there is a performance shortfall based on a predetermined formula. The fees the Adviser charges to Clients are for advisory services only. The Funds and separate account clients themselves pay for administration, audit, custodial and brokerage expenses, as applicable. [See Item 12 for more information re: Brokerage Practices.]

The Adviser reserves the right to reduce, waive or calculate differently the Management Fee with respect to investors in the Funds that are strategic investors, affiliates, employees, partners or former partners of the Adviser, members of the immediate families of such persons and trusts or other entities established for their benefit.

Item 6 – Performance-Based Fees and Side-By-Side ManagementPerformance-Based Fees

The Funds each pay the Adviser or an affiliate of the Adviser an annual performance-based fee ("Performance Compensation") generally equal to 10 - 25% of the increase in total net assets, exclusive of additions and withdrawals of capital during any calendar year for each Client or class, payable at the end of the calendar year and upon interim year withdrawals. Generally, lower Performance Compensation is offered to Clients that commit a minimum of \$45 million to \$90 million to the Funds or agree to commit capital for a specified period of time. Where a high water mark is in effect, capital appreciation will be measured after making up any losses carried forward from prior years. Net assets are determined in accordance with LCM's Valuation Policy (available to clients or prospective clients upon request.) Both realized and unrealized gains and losses are included. All Performance Compensation will be charged in accordance with Section 205 of the Investment Advisers Act of 1940, as amended, (the "Advisers Act") and Rule 205-3 thereunder. The Adviser reserves the right to reduce, waive or calculate differently the Performance Compensation with respect to investors in the Funds that are strategic investors, affiliates, employees, partners or former partners of the Adviser, members of the immediate families of such persons and trusts or other entities established for their benefit.

The Adviser's accounts all are performance-fee based accounts. Performance-based fee arrangements may create an incentive for the Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Varying performance fee arrangements also could create an incentive to favor higher performance fee-paying accounts in the allocation of investment opportunities. The Adviser has policies and procedures in place, such as a Code of Ethics and compliance procedures which include surveillance and monitoring that are designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Side-By-Side Management

The Adviser may manage funds contributed by its principals and employees in certain proprietary funds or accounts ("Proprietary Funds"). Affiliates, employees, partners or former partners of the Adviser, members of the immediate families of such persons and trusts or other entities established for their benefit may invest in the eligible private investment pools or other products managed by the Adviser as they choose, but are not required to invest in such pools. It is expected that the size and nature of these investments will change over time. We believe this approach best aligns the interests of our related persons with those of our clients.

In general, when the Adviser determines that it would be appropriate for both Proprietary Funds and Clients to participate in an investment opportunity, the Adviser will seek to aggregate orders for all of the participating entities. The Adviser will strive to allocate such opportunities between Proprietary Funds and Client funds on a *pro rata* basis whenever feasible but considerations such as differing investment guidelines, contributions or redemptions or other factors may make such *pro rata* allocations not practicable. In such cases, the Adviser will allocate investment opportunities on a fair and equitable basis between Clients and Proprietary Funds in all instances.

The Adviser may trade securities for certain Clients prior to, simultaneously with or subsequent to such recommendation on behalf of other Clients or Proprietary Funds ("parallel trading"). When parallel trading occurs, securities transactions executed during the same day at various prices are allocated on an average price per share basis, where appropriate, and transaction costs are shared *pro rata* according to each Client's participation in the transaction. From time to time, subject to applicable restrictions under the Clients' respective investment

guidelines, the Adviser may direct one of its Clients to sell securities to, or buy securities from, another Client through a cross transaction in which neither the Adviser nor a related person will receive compensation other than the Adviser's Management Fee or Performance Compensation. Any such transaction will be effected based on the then-current independent market price and consistent with valuation procedures set forth in the Adviser's Valuation Policy. To the extent that any cross transaction may be viewed as a principal transaction due to the ownership interest in the Client by the Adviser and its personnel or affiliates, the Adviser will comply with the requirements of Section 206(3) of the Advisers Act, including that the Adviser will notify the relevant Fund (or an independent representative of the Private Fund) or representative of the Separate Account in writing of the transaction and obtain the prior consent of the Client.

Situations may occur where a Client could be disadvantaged because of the activities conducted by the Adviser for other Clients. Such situations may be due to legal restrictions on the combined size of positions which may be taken for all Clients managed by the Adviser, or the difficulty of liquidating an investment for more than one Client where the market cannot absorb the sale of the combined positions, or the determination that a particular investment is warranted only if hedged with an option and there is limited availability of such options. Instances also may arise where the Adviser determines an investment opportunity to be suitable for more than one Client but the market is too illiquid to enable each to participate to the extent advisable. Specialized accounts may receive priority. For example, an Asia-focused fund managed by the Adviser may receive first right to an opportunity to purchase a limited number of shares of a Japanese company. In the above situations, or in others in which conflicts arise, the Adviser will endeavor to allocate investment opportunities fairly; nevertheless, from time to time as any given conflict situation arises, such conflict may be resolved in a manner detrimental to a particular Client. Such situations will be reviewed by the CCO to ensure that no Client is systematically disadvantaged.

In addition, the Adviser may give advice or take action with respect to the investments of one or more Clients that may not be given or taken with respect to other Clients with similar investment programs, objectives and strategies. Although decisions are generally made based on information and analysis shared by all portfolio managers in the firm, in some cases a portfolio manager may purchase or sell a security for Clients managed according to a particular strategy prior to the assessment of the suitability of a transaction in the same security for other Clients of the Adviser. Accordingly, Client accounts with similar strategies may not hold the same securities or instruments or achieve the same performance. The Adviser also may advise Clients with conflicting programs, objectives or strategies. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Clients. Finally, the Adviser and its personnel may have conflicts in allocating their time and services among the Clients. The Adviser will devote as much time to each Client as the Adviser deems appropriate to perform its duties in accordance with its management agreements.

The Adviser currently does not purchase securities offered in initial public offerings in U.S. equity securities.

Item 7 – Types of Clients

The Adviser provides advice (portfolio management services) to private investment funds -- pooled investment vehicles that are organized as domestic limited partnerships or offshore corporations (e.g., hedge funds) -- and to separate institutional accounts. Investors in the Funds may include high net worth individuals, banks or thrift institutions, investment companies, pension and profit sharing plans, trusts, estates or charitable organizations, corporations or other business entities.

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

The Adviser utilizes a multi-strategy approach to investing. It engages in a mix of arbitrage (including mergers and acquisition arbitrage, exchange offer arbitrage, tender offer and cash merger arbitrage and balance sheet arbitrage), distressed instrument investing (including purchasing securities, trade claims and debt instruments of distressed companies which are the subject of bankruptcy proceedings or in various stages of liquidation or operational and financial restructuring), special situations and event-driven investing and value driven investing. Adviser will utilize a variety of instruments and trading strategies to effectuate its investment style including long and short positions in public and private common stock, government and corporate bonds, bank debt, preferred and convertible instruments, DIP loans, exchange traded funds, trade claims, tax liens, options, commodities and derivatives including swaps, contracts for differences, credit default swaps, caps, floors, collars and other forms of custom derivative transactions. At any given time, the Adviser may emphasize one or more of these strategies and/or instruments over others in response to both macro and micro considerations.

Investment ideas are shaped through detailed screening, use of public information and proprietary research. At research meetings conducted multiple times per week prior to the opening of the U.S. equity markets, analysts/portfolio managers share their ideas for current and prospective investments. Regular communication with the analysts/portfolio managers and traders throughout the trading day allows for real-time monitoring of all positions.

Where appropriate, the Adviser uses various forms of leverage in an attempt to achieve a broader and/or more diversified portfolio or to augment returns. Use of leverage may amplify the effect of profit or loss. The Adviser may engage in frequent trading which will result in higher portfolio turnover and higher overall brokerage and other transaction costs.

The Adviser also takes positions in illiquid investments which may impede its ability to exit these investments at certain times. The Adviser often seeks to hedge its positions, but there can be no assurance that any specific position will be hedged or that any hedges employed will protect the Client from loss. The above is not an exhaustive list of all types of securities or transactions in which the Adviser may engage. Investing in securities involves risk of substantial loss that investors should be prepared to bear.

Set forth below is a general description of the types of transactions in which the Adviser may from time to time engage.

Risk Arbitrage

Risk Arbitrage involves the purchase of a security at one price and the simultaneous or nearly simultaneous selling of its equivalent at a higher price. The Adviser's securities positions may never be hedged and, when the Adviser attempts to hedge its positions, it may buy and sell the same or substantially related securities at different times, thereby exposing its positions to market risk. Mergers and acquisitions ("risk") arbitrage involves purchasing securities which are the subject of an acquisition attempt, exchange offer, cash tender offer or corporate reorganization (such as a merger or a liquidation). The Client derives its profit by realizing the price differential between equivalent or nearly-equivalent securities or between the market price of securities and the value ultimately realized from their disposition. The Adviser uses different arbitrage techniques with respect to the various kinds of transactions being arbitrated, and the Adviser considers various factors, such as market and industry considerations, in determining whether to buy or sell.

The Adviser sells securities short and uses listed stock options, or other hedging techniques when appropriate, to hedge long and short positions. These hedging transactions can increase the risk of loss to the Client in certain exchange offers and mergers. The Adviser engages in capital structure arbitrage including convertible securities arbitrage transactions. An example would be the purchase of a convertible security and an offsetting short sale of the underlying security to take advantage of a price differential in the two securities.

Transactions may not proceed in accordance with the Adviser's expectations, however, and the Client could sustain substantial losses. Furthermore, short-selling always involves substantial risk.

Liquidations; Distressed Credits; Bankruptcy Situations; and Recapitalizations

In the case of liquidation proposals, the Adviser will generally attempt to evaluate the market value of the assets of the company to be liquidated, and to determine the likelihood that the requisite approvals for the transaction will be obtained. If the Adviser believes that the assets of the entity to be liquidated are worth more than the market price of the entity's publicly-traded securities and that there is a substantial likelihood that the liquidation proposal will receive the requisite approvals, the Adviser may acquire the securities of the entity to be liquidated in the expectation of profiting from the differential between the cost of the securities purchased and the amount of the liquidating distributions. This strategy is subject to substantial market risk.

The Adviser may also purchase and sell, either directly or indirectly, securities and other financial instruments of companies involved in various stages of bankruptcy or operational and financial restructuring. Such investment may be in public securities or various forms of private investment. Such private investments may be highly illiquid and impede the Adviser's ability to sell under certain circumstances. The filing of a Plan of Reorganization, approval of the Plan, solicitation of votes, confirmation date and consummation date are important steps in the bankruptcy process. The value of positions in bankrupt companies or in work-out situations generally depends on numerous and often unascertainable factors, such as the sale price of an asset, the length of the bankruptcy proceeding or negotiations or the resolution of a dispute between classes of creditors. Bankruptcy situations may be particularly complicated and may involve a high degree of uncertainty and market risk. Securities and other interests in such companies might have to be held for long periods of time.

The Adviser may also purchase and sell, directly or indirectly, securities and other financial instruments of companies which have announced plans to undergo or are undergoing a recapitalization. Such situations may or may not involve financially distressed companies. These recapitalizations often involve actual or proposed exchange offers allowing the Adviser to seek to arbitrage the values of outstanding instruments and those anticipated to be issued in an exchange. Such situations involve a high degree of uncertainty and such companies are often unsuccessful in completing an exchange offer or other recapitalization. Significant additional risks to the Client(s) are consequently involved.

The Adviser may also purchase and sell securities where there is no bankruptcy or other extraordinary event or condition where the Adviser believes that the security is undervalued by the marketplace relative to the security's intrinsic value. Conversely, the Adviser may also sell short securities which it perceives to be overvalued.

Investments Outside of the United States

The Adviser invests to a substantial degree in foreign securities and other financial instruments, including foreign distressed securities and instruments. The Company's foreign investments involve certain risk factors not typically associated with investing in U.S. securities and instruments, including risks relating to (i) currency exchange matters, including government suspension of currency fluctuations, fluctuations in the rate of exchange between

the U.S. dollar (the currency in which the books of the Company are maintained) and the various foreign currencies in which the Company's portfolio securities and other instruments may be denominated and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the nature of the markets for U.S. and for foreign securities and other instruments, including greater price volatility in and relative illiquidity of some non-U.S. markets, the absence of uniform accounting, auditing and financial reporting standards, principles, practices and disclosure requirements, and less government supervision and regulation; (iii) certain economic and political risks, including instability, exchange-control regulations, expropriation or nationalization of assets, restrictions on foreign investment and repatriation of investment income and capital, and labor and facility shortages; (iv) the extension of credit, especially in the case of sovereign debt; (v) tax consequences of investing in non-US markets.

Special Situations, Event Driven and Value Investing

The Adviser will invest in certain situations where the success or failure of the transaction depends on specific factors including, but not limited to, regulatory issues, litigation, political developments, corporate restructurings and capital market movements and other catalytic events. The Adviser will utilize various different investment techniques including long and short positions in public or private equities, debt including government or corporate bonds and bank debt, preferred and convertible instruments, exchange traded funds, trade claims, tax liens, options, commodities and derivatives including swaps, contracts for differences, credit default swaps and other forms of custom derivative transactions. The Adviser may also engage in "pairs trading" which involves the sale or short sale of securities or instruments against the purchase of other securities or instruments with the hope of profiting on the narrowing of the spread between the purchase price and the sale price. Pairs trades are not always dollar hedged and often involve market risk.

Value investing involves the purchase or sale of securities or instruments based upon fundamental securities, capital market and macro-analysis. The results of value investing are directly impacted by capital market movements. Value investing involves market risk.

Investments in Special Situations, Event Driven and Value strategies may have limited liquidity and impede the Adviser's ability to exit investments under certain circumstances.

Derivatives, Commodities Trading and Exchange Traded Funds

The Adviser engages in derivatives transactions. Derivative instruments utilized by the Adviser may include options, swaps, structured securities and other instruments and contracts that are derived from, or related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivative transactions include swaps, credit default swaps, contracts for differences, caps, floors, collars and other custom derivative contracts.

The Adviser engages in various types of securities options transactions including, without limitation, index option transactions and also engages in hedging and arbitrage in options on securities. This activity reduces the risks attendant in short-selling and in taking long positions in certain transactions, and involves the purchase or sale of a stock option on a registered options exchange and an offsetting transaction in the underlying stock, or offsetting transactions in one or more options for stock.

When the Adviser purchases an option it must pay the price of the option in addition to the transaction charges to the broker effecting the transaction. If the option is exercised, the total cost of the option may be more than the amount of the brokerage costs which would be payable if the security were to be purchased directly. If the option expires unexercised, the costs of the option will be lost.

The Adviser at times engages in bona fide options arbitrage transactions, and may also take options into its portfolio the underlying stock of which may, in the judgment of the Adviser, be a potential target security in a merger, exchange offer or cash tender offer.

The Adviser may, at times, write uncovered or “naked” options. This can be a risky trading tactic, as the Client is exposed to potentially large losses.

Options on foreign currencies are traded on a national securities exchange. While an option purchaser can lose the entire purchase price (and the costs) of an option, the Adviser may use options as a means of limiting its risk and, perhaps, as a vehicle for hedging or arbitrage.

Among the other trading vehicles the Adviser may use are spot contracts, off-exchange options, currency options and swap agreements. Swap agreements are off-exchange contracts with dealers and banks. Such contracts are generally privately negotiated and thus are not subject to the same restrictions as, but also do not have the regulatory and exchange protections and clearing mechanism available for, exchange-traded contracts and options.

The prices of commodities and all derivative instruments, including futures and options prices, are highly volatile. Price movements of commodities, futures and options contracts are influenced by, among other things, changing supply and demand relationships, domestic and foreign governmental programs and policies, national and international political and economic events, interest rates and governmental monetary and exchange control programs and policies. Moreover, commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” During a single trading day, no trades may be executed at prices beyond the daily limit. Commodity futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Adviser from promptly liquidating unfavorable positions and subject it to substantial losses.

The Adviser also invests in Exchange Traded Funds in order to gain long or short exposure to various sectors or indices.

Other Trading

The Adviser may engage in various other transactions in securities and financial instruments. These may include, for example, acquisitions of preferred stock in private companies, purchases of tax liens on distressed properties, and purchases of bank debt and trade claims and various other securities and financial instruments.

The descriptions contained herein of specific activities which may be engaged in by the Adviser on behalf of its Clients should not be understood as in any way limiting the Adviser’s trading activities. The Adviser may engage in activities not described herein which it considers appropriate.

Prospective investors should consider the following factors in evaluating the merits and suitability of the investment strategies employed by the Adviser. These include:

Investment Risk

All investments in securities and other financial instruments risk the loss of invested capital and are subject to market fluctuations. The Adviser’s investment program and research techniques are intended to moderate this risk

through the careful selection of securities and other financial instruments. However, there can be no assurance that the Adviser's assessments of the short-term or long-term prospects of specific investments will prove accurate. If the evaluation of the anticipated outcome of an investment situation should prove incorrect, the Client could experience losses as a result of a decline in the market value of securities in which the Client holds a long position or an increase in the value of securities in which the Client holds a short position. The investment program may utilize such investment techniques including, but not limited to, leverage, illiquid securities, option transactions, margin transactions, short sales, forward contracts, foreign exchanges, and over-the-counter derivative transactions, including swaps, caps, floors and collars. These techniques can, in certain circumstances, increase significantly the adverse consequences to which the Client's investment strategy may be subject. In addition, the risk management techniques which shall be utilized by the Adviser will not provide assurance that the Client will not be exposed to risks of investment losses.

Conflicts of Interest

The Adviser and its affiliates are and shall continue to be affiliated with other investment entities or accounts, including without limitation the Arbitrage Fund and the Asia Fund and therefore there will be a need to allocate time, as well as trading and investment opportunities, between Clients and such other entities or accounts. The Adviser will devote only such time to each Client as they, in their sole discretion, determine and also may devote their time and attention to other positions and activities.

Incentive Allocation

The Performance Compensation to be made to an affiliate of the Adviser may create an incentive for the Adviser (which is controlled by the same entities as the Affiliate receiving the Performance Compensation) to cause the Client to make investments which are riskier or more speculative than would be the case if this Incentive Allocation were not made.

Limited Transferability

Clients investing in Private Funds advised by the Adviser will be required to represent that it is purchasing all of its Shares or unites for its own account and not with a view toward resale or distribution. The Shares are generally not registered under the Securities Act and, therefore, cannot be resold unless they are subsequently registered under the Securities Act or unless an exemption from such registration is available. Further, information may not be readily available about the Fund. Consequently, a Shareholder cannot expect to liquidate its investment readily and must bear the economic risk of this investment for an indefinite period of time. The Shares are generally not transferable without the consent of the Fund.

Limited Liquidity

Investments in private funds advised by the Adviser, or separate accounts in similar strategies, are suitable only for sophisticated investors who have no current need for liquidity. In addition, the Adviser may invest part or all of its assets in illiquid securities and instruments. The Adviser may not be able to readily dispose of such illiquid instruments and, in some cases, may be contractually prohibited from disposing of such instruments for a specified period of time. If a Private Fund advised by the Adviser incurs substantial losses as a result of its trading and investing activities, the Fund may have insufficient assets from which to pay the requested redemption payment or may be restricted otherwise by Cayman Islands law from completing a redemption. Sizeable redemptions of Shares or units of the Fund may have an adverse impact on the ability of the Fund to successfully conduct its business and activities. Redemptions may be suspended by the Fund in certain circumstances.

Valuation

To the extent that the Adviser invests in securities or instruments on behalf of Clients for which market quotations are not readily available, the valuation of such securities and instruments will be finally and conclusively determined by the Adviser, generally based upon independent pricing sources if available, and may be subjective. The valuations determined by the Adviser will be final and conclusive as to all parties to Private Funds. Separate Accounts may have the right to their own independent valuation of portfolio positions.

Special Risks of Arbitrage Transactions

In this activity, when the Adviser determines that it is probable that a transaction will be consummated, the Adviser will purchase securities on behalf of the Client at prices often only slightly below the anticipated value to be paid or exchanged for such securities in the merger, exchange offer or cash tender offer (and substantially above the prices at which such securities traded immediately prior to the announcement of the merger, exchange offer or cash tender offer). If the proposed merger, exchange offer or cash tender offer appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the security to be tendered or exchanged will usually decline sharply, by more than the difference between the Client's purchase price and the consideration which had been anticipated to be received by the Client (the Client's anticipated profit). In addition, where a security to be issued in a merger or exchange offer has been sold short in the expectation that the short position will be covered by delivery of such security when issued, failure of the merger or exchange offer to be consummated may force the Adviser to cover its short position in the market at a higher price than his short sale, with a resulting loss.

Defensive actions taken by the target company, which may include a "defensive" merger with, or tender offer by, a "friendly" acquirer, or a refusal to redeem "poison pill" shareholder rights, are often opposed by the bidder or target shareholders desirous of accepting the bidder's offer.

In addition, the Adviser may determine that the offer price for a security which is the subject of a tender offer is likely to be increased, either by the original bidder or by another party. In those circumstances, the Adviser may purchase securities above the offer price, and such purchases are subject to a high degree of risk.

Where the Adviser determines that it is probable that a transaction will not be consummated, the Adviser may sell, on behalf of the Client, the securities of the target company short, at times significantly below the announced price for the securities in the transaction. If the transaction (or another transaction, such as a "defensive" merger or a friendly tender offer) is consummated at the announced price or a higher price, the Adviser may be forced to cover the short position in the market at a higher price than the short sale price, with a resulting loss.

The consummation of mergers and tender and exchange offers involving acquisitions can be prevented or delayed by a variety of factors including litigation, adverse developments at the target company or acquiring company, adverse developments in the capital markets or the economy, breaches of contract, antitrust considerations or other factors. Management of the target company may oppose a tender or exchange offer on the grounds that the consideration offered is inadequate or for a variety of other reasons; in each case, such opposition will often result in lengthy litigation. Similarly, actions may be brought by United States federal or state regulatory agencies or authorities (including, among others, the SEC, the Antitrust Division of the Department of Justice or the Federal Trade Commission), and/or foreign regulatory agencies or authorities, to prevent or delay the proposed acquisition. Depending on the industry involved in a particular transaction, the consummation of the transaction may require the approval or non-action of other U.S. regulatory bodies, such as the United States Interstate Commerce Commission, one of the United States federal regulators of financial institutions or the United States

Federal Communications Commission and/or may be subject to the approval or non-action of foreign regulators and/or compliance with U.S. or foreign securities and insolvency laws.

Offerors in tender or exchange offers customarily reserve the right to cancel such offers in the foregoing and a variety of other circumstances, including an insufficient response from shareholders of the target company. Even if the defensive activities of a target company or the actions of regulatory authorities fail to defeat an acquisition, they may result in significant delays, during which the Client's capital will be committed to the transaction. Moreover, interest charges on funds borrowed to finance the Client's arbitrage activities in connection with the transaction may be incurred.

Where a merger or tender or exchange offer has been agreed upon by the management of the two companies involved, its consummation may be prevented by (i) intervention of a government regulatory agency (as described above); (ii) a shareholder's suit to enjoin the proposed transaction; (iii) in the case of a merger, the failure of the shareholders of the company to be acquired (and, when necessary, the acquiring company) to approve the merger; (iv) market conditions resulting in material changes in securities prices; and (v) a variety of other circumstances, including, but not limited to, conditions specified in customary acquisition agreements.

The consummation of a transaction may be delayed for various reasons, including (A) compliance with the United States Hart-Scott Rodino Antitrust Improvements Act of 1976 which requires certain waiting periods before the transaction may be completed, and/or foreign antitrust laws, (B) waiting periods required under United States state takeover laws, and (C) with respect to exchange offers and mergers in which securities are to be offered, the need to register the offered securities under the Securities Act or equivalent foreign securities laws.

Tender offers by corporations, or their controlling shareholders or their management or other affiliates, for the shares of such corporations, made with the intent of "going private," are often opposed by minority shareholders alleging that the proposed transaction is financially inadequate or inherently unlawful, and such transactions have on occasion been enjoined. There are also separate SEC regulations governing "going private" transactions which must be complied with.

Occasionally, a tender or exchange offer will be made for less than all of the outstanding securities of an issuer, with the provision that, if a greater number is tendered, securities will be accepted pro rata. Thus, after the completion of a tender offer and at a time when the market price of the securities has declined below its cost, a tendering Client may have returned to it a portion of the securities it tendered, which, if sold, would be sold at a loss.

The Adviser may make certain speculative purchases of securities on behalf of a Client (for example, purchases prior to a publicly-announced tender offer). Such purchases may also include securities which the Adviser believes to be undervalued by the marketplace, where a significant position in the securities of the particular company has been taken by one or more other persons, where other companies in the same or a related industry have been the subject of acquisitions or acquisition attempts, or where a spin-off has been announced or is anticipated. If the Adviser purchases securities on behalf of the Client in anticipation of an acquisition attempt, reorganization or spin-off, and an acquisition attempt, reorganization or spin-off does not in fact occur, the Adviser may sell the securities at a material loss. Further, when securities are purchased in anticipation of an acquisition attempt, reorganization or spin-off, a substantial period of time may elapse between the Adviser's purchase of the securities and the acquisition attempt, reorganization or spin-off. During this period, a portion of the Client's funds would be committed to the securities purchased, and thus subject to market risk. The Adviser will generally finance such purchases with borrowed funds on which it must pay interest.

The Adviser may purchase shares of SPAC's or blank check companies on behalf of the Client. These companies are formed with the purpose of effecting a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business. These investments have a limited life span and assets are generally held in custodial accounts until and if a business combination is effected thereby mitigating most market risk (prior to the acquisition). However, there is still risk that management will not achieve their stated goals or that the Client's funds would be at risk due to litigation.

The Adviser attempts to assess all of the foregoing risk factors, and others, in determining the extent of the position it will take in the relevant securities and the price it is willing to pay for such securities. However, many risks, such as the outcome of pending or threatened litigation, cannot be quantified and, in any event, the Adviser's evaluation of such risks may prove incorrect.

Special Risks of Liquidations; Distressed Credits; Bankruptcy Situations; and Recapitalizations

The Adviser may invest in companies involved in various stages of workouts, liquidations, reorganizations, bankruptcies and similar situations. Such investments may take the form of purchases of common or preferred stock, senior or subordinated debentures, trade claims or bank debt, or other obligations. In such investments, there exists the risk that the transaction or proceeding in which such company is involved will be unsuccessful (for example, for 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 Client of the security in respect of which such distribution was made. In liquidation situations, the Adviser may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated. In addition, if the Adviser, on behalf of the Client, acquires debt instruments which are convertible into equity pursuant to a bankruptcy plan, it may hold such securities for an extended period of time, depending on the circumstances, and such position will be at the risk of market fluctuation. Moreover, there is additional risk that courts will treat investors in bankruptcy situations differently than the original holders of claims. Because there is substantial uncertainty concerning the outcome in liquidation and bankruptcy situations, there is a high degree of risk of loss by the Client of its entire investment in such situations.

Concentration of Investments

The Adviser is not limited in the amount of Client capital which may be committed to any one investment. Although it is the intent of the Adviser to follow a general policy of seeking to spread the Client's capital at risk among a number of investments deemed attractive, the Adviser may at certain times hold a few, relatively large (in relation to committed capital) positions, with the result that a loss in any such position could have a material adverse impact on the Client's capital.

Borrowings; Leverage; Interest Rate Risk

The Adviser, on behalf of the Client, may borrow substantial amounts of money, using as collateral the securities that the Client owns from time to time. It is uncertain whether banks or others will be willing to loan to the Client the maximum amount permitted by the margin rules. The profitability of the Client will depend in part upon its ability to obtain such loans at reasonable interest rates. To the extent that the margin rules become more restrictive or banks or others become less willing to lend on securities positions, the potential profit (or loss) of the Client may be affected. The Adviser's anticipated use, for the Client, of short-term margin borrowings may result in certain additional risks to the Client. For example, should the securities pledged to brokers to secure the Client's margin accounts decline in value, the Client could be subject to a "margin call" pursuant to which the Client would

either have to deposit additional funds with the broker or suffer mandatory liquidation of some or all of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the Client's assets, the Adviser might not be able to liquidate assets quickly enough to pay off its margin debt and may therefore also suffer additional significant losses as a result of its default.

Leverage may also be obtained through other means including the use of options, forwards and other derivative instruments and, in effect, through the entry into repurchase agreements. Thus, the Client may be in a highly leveraged position and the amount of borrowing that the Client may have outstanding at any one time may be large in relation to its capital. Consequently, the level of interest rates generally, and the rates at which the Adviser, on behalf of the Client is able to borrow, may strongly affect the Client's investment results.

Options

Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (sold) uncovered, the seller may be liable to pay substantial additional margin costs, and as to a call the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which, upon exercise of the option, may be significantly different from the market value.

Over-the-counter options generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for options is relatively illiquid, particularly for relatively small transactions, which the Adviser may use in its investment strategies.

Trading Risks

For all securities traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it impossible for the Adviser to liquidate its Clients' positions, and thereby could expose Clients to losses. In addition, there is no guarantee that non-exchange markets will remain liquid enough for the Adviser to close out positions.

Hedging Risk

A hedge may produce a net loss. In addition, hedges are more difficult to implement than many other transactions, and possibilities for errors may be greater than for other transactions. The hedging techniques used by the Adviser may not be successful and thereby may cause the Client to incur losses.

Derivatives

Derivative instruments include options, swaps, credit default swaps, contracts for differences, caps, floors, collars, exchange traded funds, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, currency or index at a fraction of the cost of investing in the underlying asset.

The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset also are applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are “leveraged,” and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement not only can result in the loss of the entire investment, but also may expose the Client to the possibility of a loss exceeding the original amount invested. Derivatives also may expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to additional credit risks with respect to the creditworthiness of the counterparty to the derivatives transactions.

Item 9 – Disciplinary Information

To the best of the Adviser’s knowledge, there are no legal or disciplinary events that the Adviser believes would be material to the Clients’ or prospective Clients’ evaluation of the Adviser’s advisory business or the integrity of its management.

Item 10 – Other Financial Industry Activities and Affiliations

The principal business of the Adviser is managing the assets of private funds and institutional accounts.

LPC, which is owned by Loeb Holding Corporation (the majority owner of the Adviser), is a registered broker/dealer and investment adviser. LPC is an introducing broker and does not hold Client funds or securities. The Adviser does not execute trades through LPC and, to the extent possible, the investment activities of these businesses are kept apart through the use of information walls and other safeguards. Nevertheless, certain management persons of the Adviser are registered representatives of the broker-dealer. These persons include Thomas L. Kempner and Robert S. Schwartz. In addition, other registered employees of LPC may receive compensation for referring clients to the Private Funds managed by the Adviser.

Thomas L. Kempner is the Chairman of all of the Loeb entities and is not involved in the day-to-day investment decisions of the Adviser. In addition, Mr. Kempner serves on the board of a number of private companies and two public companies, Dyax Corp. and Intersections, Inc. Bruce L. Lev is primarily engaged in management of all of the Loeb entities at a senior level and is additionally involved in private equity financing at the Loeb Holding Corporation level. He is not involved in the day-to-day investment decisions of the Adviser. Mr. Lev serves on the board of Integral Systems Inc. as well as on the boards of several private companies. Robert S. Schwartz is the Chief Compliance Officer and has responsibility for maintaining the information wall. David S. Hampson is the CFO for the Adviser.

The General Partner of LAM is Loeb Management Holding LLC ("LMH"), a Delaware limited liability company. The members of LMH are Loeb Holding Corporation ("LHC") and LB Partners LP ("LBP"). Thomas L. Kempner is the Chairman of LHC as well as its majority shareholder. Gideon J. King is the General Partner of LB Partners LP.

Mr. Kempner and Mr. King control LOM and CMLAP, relying advisers and affiliates that share management and back-office operations with LAM. Since its inception in 2002, LOM has been engaged in investment activities substantially similar to those engaged in by LAM.

Certain affiliates of LAM are general or managing partners of limited partnerships which invest in a variety of assets, including publicly traded securities, debt, private equity and any other permitted investment pursuant to the governing documents of each entity. These partnerships do not create a material conflict of interest for the Funds or Clients with portfolios managed by LCM.

Item 11 – Code of Ethics

The Adviser strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, the Adviser has adopted a Code of Ethics (the "Code") pursuant to SEC Rule 204A-1. The Code incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of Clients first; all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions at the firm; information concerning the identity of securities and financial circumstances of the Clients, including the Clients' investors, must be kept confidential; and independence in the investment decision-making process must be maintained at all times. The Code and Policies and Procedures for the Prevention of Insider Trading contain prohibitions on insider trading and rumor mongering, as well as restrictions and reporting requirements with respect to certain gifts, business entertainment and political donations. An information wall and restricted list are used to minimize and manage potential conflicts of interest. All supervised persons at the Adviser and its affiliates must acknowledge the terms of the Code of Ethics annually, or as amended.

With respect to restrictions on personal securities transactions, limited trading by certain employees is permitted, however the Adviser addresses potential conflicts in the following ways. Employees involved in the portfolio management process are generally prohibited from transacting in corporate debt, common and preferred stock, warrants, convertibles, options on securities, futures interests in investment clubs or IPOs. All employees are generally prohibited from transacting in securities if the Adviser holds a position in the issuer and must obtain pre-approval for transactions in the types of securities listed above. Employees must also provide duplicate confirms or statements to Compliance, regardless of where the account is maintained. Upon hire, employees are required to submit to Compliance a report disclosing all personal accounts over which they exercise influence, control or discretion. On a quarterly and annual basis, all employees must submit reports disclosing all personal investment transactions. The Chief Compliance Officer may, in his judgment, allow limited exceptions where requests are made in advance and the proposed transaction does not present a material conflict of interest. Further detail regarding these policies is included in the Code.

Clients and prospective clients may obtain a copy of the Code by contacting the Adviser at the address or telephone number listed on the first page of this document.

Potential Conflicts of Interests in Trading and Management

In making investment decisions for multiple client accounts, the Adviser may be faced with conflicts of interest. Below are descriptions of some of these potential conflicts.

Affiliated Accounts

The Adviser manages accounts for itself and for affiliates. Employees and affiliates of the Adviser may also invest in fund vehicles that are offered to Clients. The Adviser, its affiliates and its employees will benefit from the investment performance of these accounts and funds ("affiliated accounts"). Affiliated accounts will often invest in the same securities, at or around the same time, as Clients. Although the Adviser may have an incentive to favor affiliated accounts, its policy is to allocate trades to affiliated accounts in the same manner as client accounts. Affiliated accounts are normally included in the Adviser's daily block trades to the same extent as Client accounts.

Incentives to Favor Certain Accounts

The management of accounts with different management fee rates and/or fee structures, including accounts with performance fees, may raise potential conflicts of interest by creating an incentive to favor higher-fee or performance fee accounts. In addition, we have an incentive to favor the affiliated accounts we manage. The Adviser attempts to address these potential conflicts of interest through various compliance policies generally intended to treat all clients fairly and equitably over time.

Allocation of Investment Opportunities

Other potential conflicts of interest may arise in purchasing and selling securities for multiple Clients. The Adviser will use its best judgment to act in a manner it considers fair and reasonable in allocating investment opportunities among Clients particularly when there is limited availability of an investment. In buying or selling the same securities for multiple client accounts contemporaneously, trade aggregation may create the potential for unfairness to client accounts if one account is favored over one another, particularly where there is a limited availability or limited liquidity for an investment. Because Clients have different mandates or investment restrictions, the Adviser may make different investment decisions for different Clients. As a result, the Adviser may buy or sell a security for some Clients even though it could have been bought or sold for other Clients. Such trading activity may disadvantage some clients, while benefiting others, including affiliated accounts. The Adviser has implemented trade oversight and review procedures to avoid systematically advantaging certain clients over others. For example, trade allocations are sampled on a regular basis as part of our trade oversight procedures, which includes the monitoring of conflicting positions.

Item 12 – Brokerage Practices

The Adviser generally has full discretionary authority to manage the investments of the Clients, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction and commissions or markups and markdowns.

Brokerage transactions for the Clients shall be executed by brokers and dealers generally selected by the Adviser on the basis of obtaining the best overall terms available based on a variety of factors, including the following: the ability to achieve prompt and reliable executions at favorable prices, the operational efficiency with which transactions are effected, the financial strength, integrity and stability of the broker, the quality and comprehensiveness of related services considered to be of value, and the competitiveness of commission rates in comparison with other brokers satisfying the Adviser's other selection criteria. The Adviser maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

LCM does not execute trades through LPC.

The Adviser does not make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, and does not commit to informal targets. The Adviser believes it is important to its investment decision-making process to have access to independent research. The Adviser considers the amount and nature of research and research services that may be provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of the Clients on the basis of that consideration. A broker is not precluded from receiving business because it has not been identified as providing research services. The investment information received from other brokers may be used by the Adviser in servicing any and all Clients and not all such information may be used by the Adviser in connection with any particular Client. Broker-dealers may suggest a level of business they would like to receive in return for the various products and services they provide; the Adviser will not guarantee any certain level of business.

Research services sometimes received are received primarily in the form of written reports, telephone contacts and personal meetings with securities analysts and may include information on the economy, industries and/or individual companies as well as other trends and developments that may affect investment decisions. Sometimes, the Adviser may pay a broker a commission in excess of that which another broker might have charged for effecting the same transaction in recognition of the value of the brokerage and related services provided by the broker. The Adviser will effect such transactions, and will receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e).

Currently, the Adviser does not have, and does not anticipate having, any formal third-party soft dollar arrangements.

Item 13 – Review of Accounts

Gideon J. King, Loeb Capital Management’s Chief Investment Officer, and his team of portfolio managers review all accounts on a regular basis, generally each week. They are assisted by the traders as well as by David Hampson, Senior Vice President and Chief Financial Officer and by Robert S. Schwartz, General Counsel and Chief Compliance Officer, to ensure that the investment objectives of each account are being met in light of its financial status, characteristics and goals.

Limited partners/shareholders of the Arbitrage Fund receive regular performance reports from the administrator and limited partners in the Asia Fund receive regular performance reports from the Adviser. All investors in the Arbitrage Fund and the Asia Fund receive annual financial statements that are audited by the Funds’ independent auditors. All Clients receive regular reports from the Adviser.

Item 14 – Client Referrals and Other Compensation

Other than the fully disclosed fee arrangements, the Adviser does not obtain any additional economic benefit for the advisory services it provides to its Clients.

Solicitation arrangements can arise in several situations, including where an adviser or an affiliate were to i) agree to split a portion of its fees with another adviser who refers customers/investors; ii) use a placement agent to distribute private fund interests; or iii) make fixed cash payments to employees who introduce customers/investors.

The Adviser has entered into agreements with parties to raise capital by finding investors for the Funds or Clients for the Adviser. Such parties receive a portion of the Management Fee and/or Performance Compensation paid to the Adviser (or to the General Partner of a Fund) for each Limited Partner, Shareholder or Client introduced as a result of the agreement. An investor who is introduced pursuant to such an agreement would not incur any charges as a result of this arrangement in excess of the usual Management and Performance fees.

Rule 206(4)-3 of the Investment Advisers Act (generally referred to as the “cash solicitation rule”) requires that an adviser enter into a written agreement with anyone other than an officer, director or employee, who solicits prospective investment advisory clients on behalf of the adviser. This agreement would set forth, among other things, the terms and conditions of the solicitation activities and the compensation to be received. The SEC released an interpretive letter on July 15, 2008 clarifying that the cash solicitation rule does not apply to solicitation of investors in an investment pool such as a hedge fund.

Item 15 – Custody

The SEC deems an investment adviser to have custody of client assets any time an adviser has access to a client's funds or securities, including when an adviser directly or indirectly holds client assets, has the authority to obtain possession of client assets, or has the ability to appropriate client assets.

The Adviser may be deemed to have custody of private investment pools that it manages by virtue of the fact that LAM or a related entity serves as general partner or managing member to one or more of the Private Funds. Client assets are held in accounts at qualified custodians. The Adviser avails itself of the exception to the SEC's Custody Rule 206(4)-2 granted to pooled investment vehicles that are subject to an annual audit prepared in accordance with generally accepted accounting principles by an independent public accountant registered with and subject to inspection by the Public Company Accounting Oversight Board (PCAOB) and that distribute such audited financial statements to all limited partners (or members or beneficial owners) within 120 days of the end of its fiscal year (or, if a pooled investment vehicle is being liquidated, promptly upon completion of a final audit).

Item 16 – Investment Discretion

The Adviser usually accepts discretionary authority from the Client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client account.

When selecting securities and determining amounts, the Adviser observes the investment policies, limitations and restrictions of the Clients for which it advises, such as geographical and risk preferences. If Clients are registered investment companies, the Adviser's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and limitations must be provided to the Adviser in writing.

Item 17 – Voting Client Securities

Rule 206(4)-6 of the Investment Advisers Act requires registered investment advisers that exercise voting authority over Client securities to implement proxy-voting policies. In compliance with this rule, the Adviser has adopted proxy voting policies and procedures (the “Policies”).

The Adviser’s general policy is to vote proxy proposals, amendments, consents or resolutions relating to securities, including interests in pooled investment vehicles, if any (collectively, “proxies”), in a manner that serves the best interests of its Clients, as determined by the Adviser in its discretion, taking into account the following factors: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices.

The Adviser will refrain from voting proxies where it believes that voting would be inappropriate.

If a material conflict of interest exists between the interests of the Adviser and those of the relevant Client with respect to any issue to be voted on, the Adviser will base its voting decision exclusively on its judgment of what will best serve the financial interests of the Client that beneficially owns the securities that are the subject of the vote.

Investors may obtain a copy of the Policies or the proxy voting record relating to their private Fund by contacting the Adviser.

Certain Clients may retain the responsibility for receiving and voting proxies for any and all securities maintained in their portfolios and these Clients will receive proxies or other solicitations directly from their custodian or transfer agent. The Adviser may provide advice to such Clients regarding the voting of proxies.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide certain financial information or disclosures about the Adviser's financial condition. The Adviser has no financial commitment that impairs its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.