

Part 2A of Form ADV: Firm Brochure

Item 1 - Cover Page

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The date of this brochure is March 29, 2012.

This brochure provides information about the qualifications and business practices of Silver Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 223-2316. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Silver Capital Management, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Any reference to Silver Capital Management, LLC as a “registered investment adviser” or as being “registered,” does not imply a certain level of skill or training.

Item 2 - Material Changes

There have been no material changes to the brochure for Silver Capital Management since our brochure dated March 30, 2011.

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Item 4 - Advisory Business

- A. Silver Capital Management, LLC (“Advisor,” “we” or “us”) is a Delaware limited liability company that was formed May 18, 2000. We are principally owned by Bruce S. Silver. SCM Management, LLC (“SCM Management”), a Delaware limited liability company and an affiliate of the Advisor, is a “Relying Advisers” as that term is described in the SEC Staff No-Action Letter dated January 18, 2012, to the American Bar Association, Business Law Section. SCM Management is also principally owned and controlled by Mr. Silver. The description of the Advisor’s business and activities throughout this brochure includes the business and activities of SCM Management.
- B. We provide discretionary investment advice to private investment funds and certain separately managed accounts. We generally invest and trade on behalf of our clients in a wide variety of securities and financial instruments, domestic and foreign, of all kinds and descriptions, whether publicly traded or privately placed.
- C. We generally do not permit investors in the private investment funds we manage to impose limitations on the investment activities described in the offering documents for those funds. Under certain circumstances, we will contract with a client to adhere to limited risk and/or operating guidelines imposed by the client. We negotiate such arrangements on a case by case basis. (*See Item 16 “Investment Discretion.”*)
- D. We do not participate in wrap fee programs.
- E. As of December 31, 2011, we managed approximately \$189,274,203 on a discretionary basis. We do not manage any assets on a non-discretionary basis.

Item 5 - Fees and Compensation

- A. Our fees and compensation are described in the advisory contracts we enter into with our clients. Our fees and compensation are generally non-negotiable and will vary, but will generally consist of a percentage of assets under management, which percentage will vary depending on the type of assets managed. In addition, certain client accounts are subject to annual performance-based fees or allocations.

For Retail Accounts

Annual fees will be 2% of the market value for accounts less than \$500,000. For accounts of \$500,000 or more, the fee is 1.50% of the first \$500,000 of market value, 1.25% of the next \$2,000,000 of the market value, 1.125% of the next \$2,500,000 of the market value, and 0.875% of the balance of the account.

For Institutional Accounts

Annual fees will be 1% of the first \$10 million of market value, 0.875% of the next \$10 million of market value and 0.50% of the balance of the account.

For Private Investment Funds

Investors are charged an annual fee of 1.5% of assets under management and a performance fee of 20% of net profits, subject to a high-water mark. Once paid, such fees are non-refundable.

For Fund Index Accounts

Investors are charged an annual fee of 1% of assets under management and a performance fee of 20% of net profits if assets are under management are less than \$50 million, and a performance fee of 18% of net profits if assets under management are equal to or greater than \$50 million, subject in each case to a high-water mark and a hurdle rate of 1.5%.

For Portfolio Strategy Group Accounts

Investors are charged a fee of 0.60% per annum of market value of account. This is in addition to any fees payable by the account to Portfolio Strategy Group.

- B. We generally deduct our management fees from client accounts quarterly in advance. With respect to client accounts that are subject to performance-based fees or allocations, generally, we or our affiliates receive such performance-based fees or allocations from such client accounts on an annual basis in arrears and upon redemptions/withdrawals by investors.
- C. Clients that are private investment funds generally bear their own expenses, including the costs of the continuing offering of fund interests; investment and trading expenses, including brokerage, clearing and margin expenses and custodial fees; routine legal, tax, accounting, and auditing fees; travel expenses; and any extraordinary expenses. (*See Item 12 "Brokerage Practices" below.*)

The expenses that are charged to separately managed accounts include all commissions, custodian fees, charges, taxes and other costs related to the investment activities of the accounts.

We may also allocate a portion of certain clients' capital to money market funds, exchange-traded funds or similar products. In addition to the fees and expenses discussed above, investors will indirectly incur similar fees and expenses if we invest client's capital in such money market funds, exchange-traded funds or similar products, as these funds in turn pay similar fees to their investment managers and other service providers.

- D. Management fees are generally paid quarterly in advance. For individually managed accounts, any prepaid but unearned management fees will be refunded to the client. The management fees charged to the private investment funds are not refundable if the advisory contract is cancelled prior to the end of a payment period. Managed account advisory agreements may generally be terminated at any time by either party upon giving 10 days' prior written notice, which is subject to waiver by the Advisor. However, termination of an advisory agreement will not terminate orders to purchase or sell securities or deposit or invest each, placed before receipt of the notice of termination. Withdrawals/redemptions from the private investment funds that we manage are permitted as set forth in the governing documents of such funds.

E. *Not applicable.*

Item 6 - Performance-Based Fees and Side-By-Side Management

We or our affiliates receive annual performance-based fees or allocations from the private investment funds and certain separately managed accounts we manage (in accordance with the schedule of fees set forth in *Item 5, Section A, above*), which are based on a percentage of the capital appreciation of client assets.

The terms of the performance-based fees and allocations may differ among the various private investment funds and the separately managed accounts we manage. This may result in a conflict of interest when we allocate opportunities among these accounts because we will have an incentive to favor accounts that have higher performance-based fees and allocations. To avoid such a conflict of interest we generally follow documented procedures in allocating opportunities among such accounts, which does not take into account the performance-based fees and allocations to which such accounts are subject (*see Item 11, Section D below*).

As the management fees and performance-based fees and allocations are based directly on the net asset value of the client accounts, we have a conflict of interest in valuing the assets held in the accounts. We will follow our documented valuation policies and may consult with the third-party administrator to the accounts in order to mitigate this risk.

Item 7 - Types of Clients

We primarily provide investment advice to clients who are private investment funds, high net worth individuals, pension and profit sharing plans, individual retirement accounts and charitable organizations. The Investors in the private investment funds we manage are generally high net worth individuals and institutional investors. Investors in our private investment funds are generally required to qualify as “accredited investors” (as defined in Rule 501 under the Securities Act of 1933, as amended) and “qualified clients” (as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended). Managed account clients that are subject to performance-based fees or allocations must qualify as qualified clients. The minimum investment in the private investment funds is generally \$1,000,000, subject to our discretion to accept lesser amounts. There is no minimum dollar requirement for establishing a separately managed account, and we determine the minimum investment for a separately managed account on a case by case basis.

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

A. Methods of Analysis and Investment Strategies Generally

We seek long-term capital appreciation along with preservation of capital through various economic and market cycles. We believe that such objective can be achieved through a combination of proper asset allocation and security selection, as well as continuous monitoring of the portfolio and adjustment of positions in response to market changes.

Given the stated goal of superior appreciation through a variety of economic and market cycles, we believe that a flexible and opportunistic approach to investing must be maintained. Such a flexible style relies importantly on the general analytic skills and good judgment of the Advisor. We perform a comparison of current and historical market valuations (*e.g.*, price/earnings ratios, return on equity) of companies within

specific market sectors and across the broader market, and considers the effects of changing market and economic conditions on relative valuations, both within a specific sector and the broader market. We also use an extensive fundamental approach, including financial statement analysis, communication with management, customers and competitors, review of management plans and projections, and analysis of brokerage research and reports and other sources of industry and company information to determine which undervalued companies it believes are most suitable for investment. Factors that we consider favorable when deciding to invest in a company include a strong balance sheet, sustainable competitive advantages, the ability to generate consistent long-term free cash flows, and at least 10% annual growth in earnings over five years.

We generally invest primarily in U.S. and non-U.S. mid and small-cap stocks that meet our investment requirements. We consider mid-cap companies to be those with market capitalizations ranging from \$500 million to \$10.0 billion and smaller-cap investments to be those in the \$200-\$500 million market cap range. We attempt to be sensitive to liquidity, particularly with regard to smaller-cap positions. We may also trade in put and call options for the purpose of enhancing returns. In addition, we may allocate up to 10% of the private investment funds' capital to private placements.

We intend to use various investment techniques as such are available, necessary and practical, and to invest on a short-term and long term basis to varying degrees at most times. Along with the timely purchase of undervalued securities, for the private investment funds we manage we may also engage in the short sale of securities which we consider to be overvalued. Stocks sold short could have some identifiable catalyst that will cause its price to fall, such as a lower than expected earnings report, down beat comments by management, significant sales of stock by management and/or declining quality of earnings. We may also sell the stock of a company short when we believe that it is expensive relative to its earnings power, book value or cash flow.

Investing in securities involves risk of loss that clients and investors should be prepared to bear.

B. Certain Risks Associated with Methods of Analysis and Investment Strategies

High Risk Investing

The transactions in which the Advisor generally engages involve significant trading risks. The prices of some of the securities in which the Advisor trades are highly volatile and market movements are difficult to predict. The short-term performance of investments may fluctuate significantly despite the Advisor's risk control measures. No assurance can be given that the transactions entered into will result in profitable investments for the client accounts or that the client accounts will not incur substantial losses. Consequently, investors may lose some or all of their investment.

Risks of Value Investing

The Advisor intends to use primarily a value investing strategy, which involves investing in securities that are trading at a discount to their enterprise value as determined by the Advisor. Value investing assumes that the prices of such "undervalued" securities will eventually rise to eliminate or reduce this disparity in price. However, the Advisor may

not be correct in its evaluation of these securities and the prices of these securities may not appreciate as anticipated.

Securities Trading May be Illiquid

It may not always be possible to execute a buy or sell order at the desired price or to close out an open position, either due to market conditions, liquidity restrictions or exchange or governmental regulation, when the Advisor desires to do so. Furthermore, the Advisor may invest a portion of its clients' assets in illiquid securities. The Advisor may not be able to readily dispose of such illiquid securities and, in some cases, may be contractually prohibited from disposing of such securities for a specified period of time.

Hedging Risks

Generally, hedging strategies are intended to limit or reduce investment risk, but they can also limit or reduce the potential for profit. The Advisor intends to use hedging strategies in its private investment funds and certain separately managed accounts. If the Advisor's hedging strategies are not successful, they may increase losses.

Leverage

The Advisor may use a moderate amount of leverage in its trading program for its private investment funds and certain separately managed accounts. Trading on margin and the use of leverage in general will increase the risk of loss, as well as increasing transaction costs, interest expenses and other costs and expenses. Additionally, margin trading will require the pledge of securities as collateral, and margin calls can result in a requirement to pledge additional collateral or to liquidate the account's securities holdings at substantial losses that might not otherwise be incurred. No assurance can be given that use of margin and other leverage will not result in material losses.

Short Sales

The Advisors expects, at times, to engage in short sales (*i.e.*, the sale of a security by an account which such account does not own) for the private investment funds it manages to either take advantage of an anticipated decline in the price by purchasing the same security at a later date or to protect a profit in a long position. The private investment funds will incur a loss as a result of a short sale if the price of the security increases between the date of the short sale and the date on which such account covers its short position (*i.e.*, purchases the security to replace the borrowed security). The private investment funds will recognize a gain if the security declines in price between these dates. A short sale involves the theoretically unlimited risk of an increase in the market price of the security, and, therefore, a theoretically unlimited loss.

Although the use of short sales can substantially improve the return on invested capital, their use also may increase any losses that an investment portfolio may incur.

Concentration of Investments

Although the number of securities positions in an account will vary, the Advisor generally intends to diversify the portfolios of its client accounts by investing in between 40 and 60 different securities at any one time. However, there is no requirement that it

do so. An investment portfolio (on account of size, investment strategy and other considerations) may be confined to the securities of relatively few issuers. Therefore, if an account suffers a loss in a particular security, the overall losses of such account could be greater than would be the case if such account were adequately diversified.

New Issues

The Advisor may purchase so-called “new issue” securities. The risk of loss and volatility associated with these so-called “new issues” is greater than that for general securities trading. While the Advisor believes that “new issues” offer significant potential for gain, the prices of newly-issued securities may not increase as expected or may decline. If the Advisor is not correct in its assessment of which “new issues” will appreciate, its client accounts will suffer losses. If the Advisor is unable to liquidate such positions in a timely manner, its client accounts will be exposed to further losses, which could be considerable.

Risks of Trading Options

In seeking to hedge assets for the private investment funds managed by the Advisor, the Advisor may engage in option transactions. There are risks inherent in the sale and purchase of options.

An option on a security gives the purchaser of the option the right but not the obligation to take a position at a specified price (the “striking,” “strike” or “exercise” price) in a security. A “call” option gives the purchaser the right to buy the underlying security, and the purchaser of a “put” option acquires the right to take a sell position in the underlying security. The purchase price of an option is referred to as its “premium.” The seller (or “writer”) of an option is obligated to take a position at a specified price opposite to the option buyer if the option is exercised. Thus, in the case of a call option, the seller must be prepared to sell the underlying security at the strike price should the buyer exercise the option. A seller of a put option, on the other hand, stands ready to buy the underlying security at the strike price. Both the purchase and sale of call and put options entail risks. Although an option buyer’s risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than an investment in the underlying securities. In theory, an uncovered call writer’s loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying security may fall below the exercise price.

Investment Selection

The Advisor will select investments, in part, based on information and data filed by the issuers of securities with various government regulators or made directly available to the Advisor by the issuers. The Advisor is not in a position to confirm the completeness, genuineness or accuracy of any information or data it receives as part of the decision making process and, therefore, may rely on inaccurate and/or incomplete information to the detriment of its client accounts.

General Risks of Foreign Investments

The Advisor does not anticipate making significant investments in foreign securities, but is not prohibited from doing so. Investing in securities issued by non-U.S. companies that are generally denominated in foreign currencies involves risks not typically associated with investing in U.S. companies. These risks include, but are not limited to, less public information available about foreign issuers, limited liquidity of foreign securities, and political risks associated with the countries in which foreign securities are traded and where foreign issuers are located. Individual foreign economies may differ favorably or unfavorably from the U.S. economy in growth of gross national product, rate of inflation, rate of savings and capital reinvestment, resource self-sufficiency and balance of payments positions, and in other respects. The Advisor may invest in securities of foreign governments (or agencies or subdivisions thereof), and some or all of the foregoing considerations may apply to such investments as well.

For some foreign countries, there is the possibility of expropriation or confiscatory taxation, limitations on the removal of funds or other assets of client accounts, political or social instability, or diplomatic developments that could materially and adversely affect the value and marketability of the Advisor's investments in those countries.

C. *Not applicable.*

Item 9 - Disciplinary Information

Not applicable.

Item 10 - Other Financial Industry Activities and Affiliations

A. *Not applicable.*

B. *Not applicable.*

C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related *person* listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.

1. **broker-dealer, municipal securities dealer, or government securities dealer or broker**

Not applicable.

2. **investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)**

We and our related persons manage a number of pooled investment vehicles which are deemed to be our related persons. These vehicles include Silver Capital Fund, LLC and Silver Capital Fund (Offshore) Ltd. (collectively, the "Affiliated Funds").

The management of multiple pooled investment vehicles may result in conflicts of interests when we and our related persons allocate their time and investment opportunities among the Affiliated Funds and other clients. In addition, the compensation earned by us and our related persons from each of the Affiliated Funds may differ from one another and other clients. We and our related persons will generally follow documented procedures in allocating trades among such Affiliated Funds and other clients (*see Item 11, Section D below*).

Subject to applicable law, we may effect transactions (generally for rebalancing purposes and to correct misallocations of trades) among client accounts (including the Affiliated Funds) in which one client account will purchase securities from or sell securities to another client account (including Affiliated Funds in which we or our related persons may have a significant interest). This may result in a conflict of interest because a potential transaction may result in benefits to one transacting party that may be greater than the benefits to the other transacting party. In order to mitigate such conflicts, we effect such transactions only when we believe that such transactions are in the best interests of the applicable clients. Such transactions shall be effected for cash consideration, generally at the closing price of the particular security, and no brokerage commission or transfer fee shall be paid to us or our related persons in connection with any such transaction.

In addition, except for cross trades to correct misallocations of trades among client accounts and for cross trades that are exempt from the prohibited transaction rules under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Internal Revenue Code of 1986, as amended (the “Code”), as provided by the Pension Protection Act of 2006, we will not effect any cross trades on behalf of any client account that constitute “plan assets” under ERISA or the Code.

Mr. Silver may have a greater portion of his personal assets invested in certain of the Affiliated Funds than in the others. As a result, we may have a conflict of interest in allocating investment opportunities among the Affiliated Funds. We will generally follow documented procedures in allocating trades among Affiliated Funds. (*See Item 11, Section D below.*)

3. other investment adviser or financial planner

SCM Management serves the managing member to Silver Capital Fund, LLC. There are no material conflicts of interest resulting from the relationship between us and SCM Management other than any conflicts described in Item 10, section C.2 above.

4. futures commission merchant, commodity pool operator, or commodity trading advisor

Not applicable.

5. banking or thrift institution

Not applicable.

6. accountant or accounting firm

Not applicable.

7. lawyer or law firm

Not applicable.

8. insurance company or agency

Not applicable.

9. pension consultant

Not applicable.

10. real estate broker or dealer

Not applicable.

11. sponsor or syndicator of limited partnerships.

Not applicable.

D. *Not applicable.*

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

- A. We have adopted a Code of Ethics (the "Code of Ethics") which is designed to support our commitment to conducting our business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, we recognize that we have a fiduciary duty to the investors in the private investment funds and other accounts we manage, and that all of our employees must conduct their business on our behalf in a manner that enables us to fulfill this fiduciary duty. In this regard, we have developed policies and procedures in our Code of Ethics that are premised on fundamental principles of openness, integrity, honesty and trust. In addition, among other things, our Code of Ethics governs all personal investment transactions by our employees, compliance with applicable federal securities laws (including policies with respect to with insider trading prohibitions), the manner in which violations of our Code of Ethics are to be reported, and certain other outside activities of our employees. We will provide a copy of our Code of Ethics to any client or prospective client upon request.
- B. We recommend that prospective clients invest in the private investment funds we manage, and we recommend that certain of the owners of the separately managed accounts that we manage also invest in the private investment funds we manage. Mr. Silver has significant personal investments in these funds. In addition, we and our affiliates receive performance-based fees and allocations from these funds.

Subject to applicable law, we may effect transactions between client accounts (generally for rebalancing purposes and to correct misallocations of trades) whereby one client

account will purchase securities from or sell securities to another client account (*see Item 10, Section C.2 above*).

In the event that we effect a cross trade between an account in which we or our controlling persons own more than twenty five percent (25%) and another client account, such transaction may be deemed to be a principal transaction under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Such transactions may create a conflict of interest for us because we may put our or our control persons’ interests in such accounts before the interests of our clients in the other account. In order to mitigate this conflict of interest, we monitor the interests of our principals, their immediate family members and their affiliates in our client accounts, and we will not effect any cross trades between accounts if we believe that such trade would result in a principal transaction unless:

- 1) We believe that such transaction is in the best interest of the clients participating in the transaction; and
 - 2) We obtain the consent of the applicable clients as required by the Advisers Act.
- C. Our individual employees may buy or sell securities for their personal accounts that are also recommended to clients, subject to the policies and procedure set forth in our Code of Ethics. As set forth in our Code of Ethics, we have adopted the following principles governing personal investment activities by our employees: (i) the interests of client accounts will at all times be placed first; (ii) all personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual’s position of trust and responsibility; and (iii) employees must not take inappropriate advantage of their positions. Employees must receive the prior written approval of the Chief Compliance Officer prior to participating in any initial public offerings or private or limited offerings. Every employee shall provide initial and annual holdings reports and quarterly transaction reports to the Chief Compliance Officer.
- D. We may buy or sell securities for one client at the same time that we or our related persons buy or sell the same security for one or more other clients (including the Affiliated Funds which are our related persons). This will typically happen when more than one client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. This may create a conflict of interest if one account may benefit from making the trade before or after the other account. We will generally aggregate trades, subject to best execution to avoid any such conflict of interest (*see Item 12, Section B “Aggregation of Orders”*).

Our principals and employees may also trade securities for their own accounts that are the same securities that we are trading on behalf of our clients (*see Item 11, Section C*).

Because our clients have similar investment objectives and because we use the same strategy and methodology for each of our clients, we frequently purchase and sell the same securities simultaneously for many of our clients. It is our policy to allocate all client trades in a fair and equitable manner. As a general policy, in advance of placing an aggregated order, we will designate the number of shares to be allocated to each specific account or make a *pro rata* allocation of the shares to each account based upon account size. In some cases, it is possible that this procedure may adversely affect the price paid or received or the size of the portion purchased or sold by clients, although in many cases, such joint purchases and sales will result in savings in brokerage costs and the

ability to effect a block transaction at a better price. The Chief Compliance Officer will review each and every allocation of trades to ensure that our procedures were followed and to verify that no client account was systematically disadvantaged by the allocation.

New issues (as defined by FINRA rule 5130) are generally allocated among client accounts on a rotating basis beginning with the newest and lowest-performing accounts that have not previously received such an allocation, so that each client account is allocated an equal number of new issues throughout the year in equal dollar amount.

Exceptions to the foregoing allocation policy may be made on a limited basis at the discretion of Mr. Silver. For example, in cases where only a small portion of the total order is obtained in a given trading day, an exception may be made if the small amounts of securities that would result from a *pro-rata* allocation would not make a meaningful contribution to the client's portfolio structure or diversification. In such instances, securities are typically allocated on a rotational basis among clients or on some other reasonable basis.

Item 12 - Brokerage Practices

A. Selection of Brokers

In placing portfolio transactions for our clients, we seek to obtain the best execution for clients' accounts, taking into account various factors, including, the ability of the broker to execute trades, research capabilities and the success of prior research recommendations, nature and frequency of sales coverage, depth of services provided, including back office and processing capabilities, financial stability and responsibility, reputation, commission rate, responsiveness to the Advisor and the value of research and brokerage and research products and services provided by such brokers.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. We will not commit to provide any level of brokerage business to any broker, and actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above.

From time to time, we periodically evaluate the execution performance of the broker-dealers we use to execute client transactions, including the services provided by such broker-dealers, the quality of executions, research commission rates, and overall relationships. We also evaluate, and seek to resolve, any conflicts of interest that we may have in selecting brokers to execute client transactions.

1. Research and Other Soft Dollar Benefits

We enter into soft dollar arrangements with brokers. Soft dollar arrangements arise when an investment adviser obtains products and services, other than securities execution, from a broker in return for directing client securities transactions to the broker. Soft dollar arrangements pose a conflict of interest for us in that such arrangements allow us to pay with client commissions expenses that would otherwise be borne by us. When we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products or services.

When engaging in soft dollar transactions, we comply with the safe harbor requirements of Section 28(e) of the Securities Exchange Act of 1934, as amended. Under this provision, in exercising our discretionary authority to select or arrange for the selection of brokers for execution of transactions for our clients, and, subject to our duty to obtain best execution, we may consider the value of research and brokerage products and services (collectively, "Research") provided by such brokers. Research may include, among other things, proprietary research from brokers, which may be written or oral. Research products may include, among other things, certain software, databases and quotation services. Research services may include, among other things, research concerning market, economic and financial data, a particular aspect of economics or on the economy in general, statistical information, pricing data and availability of securities, financial publications, electronic market quotations, performance measurement services, analyses concerning specific securities, companies, industries or sectors, market, economic and financial studies and forecasts, appraisal services, and invitations to attend conferences or meetings with management or industry consultants.

We do not adhere to any rigid formulas in making the selection of brokers, but we weigh a combination of the criteria set forth above. Though we may pay commissions higher than those obtainable from other brokers who do not provide execution and research services, we attempt to place the execution of transactions with brokers that offer the best combination of price and execution (including brokerage commissions) and who are competitively priced and in line with industry practice. However, we consider the value of the research provided as well as the broker's execution capability for the particular transaction, quality of execution, reliability, experience, responsiveness to our needs, and the overall dollar value of the trade itself. In selecting brokers or dealers to execute transactions, we need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate "execution only" commission rates; thus, client accounts may be deemed to be paying for other services, including Research, provided by the broker, which are included in the commission rate.

Taking into account the provision of Research when selecting or arranging for the selection of a broker for execution of transactions may result in a conflict between our duty to act in the best interests of our clients and any benefit to us that may result from the execution of transactions by a particular broker. This conflict arises because (a) the selection of a broker that does provide Research to us may result in a higher commission than that charged by a broker that does not provide Research, (b) the transaction may benefit us because the use of the commissions may relieve us of the need to pay for those research services ourselves, and (c) some Research may not necessarily be used in servicing the client account which generated commission dollars provided for the Research. We may have an incentive to select a broker based on our interest in receiving the research or other products or services offered by such broker, rather than on our clients' interests in receiving most favorable execution.

Our selection of brokers or dealers to execute transactions is guided by (i) our responsibility to act as a fiduciary when handling client accounts and (ii) the obligation (subject to the conditions specified above) to seek best execution on

all client trades. Consequently, when selecting brokers for execution of transactions for our clients, we make a good faith determination that the amount of commission to be charged the client is reasonable in relation to the value of the brokerage and research services provided by the executing broker.

In some cases, we may receive Research that may be used for both research and non-research purposes. In those cases, we will make a good faith determination concerning the relative proportion of the Research used to assist us in carrying out our investment decision-making responsibilities and the relative proportion used for administrative or other non-research purposes. The proportion of the Research attributable to assisting us in carrying out our investment decision-making responsibilities will be paid through brokerage commissions generated by our client's transactions; the proportion attributable to administrative or other non-research purposes will be paid for by us from our own resources. The receipt of "mixed-use" Research and the determination of the appropriate allocation creates a potential conflict of interest between us and our clients.

From time to time we may use a particular broker to execute a transaction while instructing such broker to step-out all or a portion of such transaction to another broker which provides us with Research. We will give such instructions only when we feel that the executing broker will provide best execution.

Additionally, consistent with our duty to obtain best execution, when exercising authority to select or arrange for the selection of brokers for the execution of transactions for certain clients, we may allocate portfolio transactions to brokers who allocate new issues to us for certain clients. Certain clients may be affiliated or have other relationships with brokers we select to effect transactions for our clients. We seek to obtain best execution from such brokers and do not select them because of any such affiliations or relationships. Further, we will select only those brokers whose commission rates are reasonable in relation to the value of the brokerage services they provide.

Our prime broker(s) provide us with front and back office services, including trading, securities lending, clearing, reporting, and settlement for equities, fixed income, foreign currency and options, among others. Subject to applicable law, our prime brokers may also provide us with capital introduction services.

We execute securities transactions on behalf of client accounts with broker-dealers that provide us with access to proprietary research reports (such as standard investment research and credit reports). To our knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. These bundled services are made available to us on an unsolicited basis and without regard to the rates of commissions charged or paid by client accounts or the volume of business that we direct to such broker-dealers.

Our arrangements with our brokers for the provision of research in exchange for the receipt of brokerage transactions for client accounts are non-exclusive. We believe that the commissions charged by our brokers are comparable to those of other qualified brokers and are reasonable and fair to our clients. Nonetheless, to the extent practicable, we review, from time to time, the commission rates

charged by other comparable qualified brokers to determine that the brokerage commissions being paid by clients are competitive with such other rates.

During our last fiscal year, we acquired with client brokerage commissions (or markups or markdowns) (i) research, such as proprietary research from brokers, which may have been written and/or oral; (ii) research products, such as databases and quotation services; and (iii) research services, such as research concerning market, economic and financial data; a particular aspect of economics or on the economy in general; statistical information; pricing data and availability of securities; financial publications; electronic market quotations; performance measurement services; analyses concerning specific securities, companies, industries or sectors; market, economic and financial studies and forecasts; appraisal services; and invitations to attend conferences or meetings with management or industry consultants.

During our last fiscal year, we have taken into account the quality, comprehensiveness and frequency of available research services and products considered to be of value provided by brokers when directing client transactions to a particular broker. We directed transactions to such brokers only consistent with best execution. Brokers sometimes suggest a level of business they would like to receive in return for the research services and products they provide, however we have not committed to provide any level of brokerage business to any broker. We also evaluated the execution performance of the broker-dealers we use to execute client transactions, including the services provided by such broker-dealers, the quality of executions, research commission rates, and overall relationships, and resolved any conflicts of interest that we may have had in selecting brokers to execute client transactions.

2. Brokerage for Client Referrals

Subject to applicable law, we may direct some client brokerage business to brokers who refer prospective investors to the private investment funds we manage, consistent with best execution. Because such referrals, if any, are likely to benefit us but will provide an insignificant (if any) benefit to our clients, we have a conflict of interest with our clients when allocating client brokerage business to a broker who has referred investors to us. To prevent client brokerage commissions from being used to pay investor referral fees, we will not allocate client brokerage business to a referring broker unless we determine in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to the client account.

3. Directed Brokerage.

Not applicable.

4. Trade Error Policy

We attempt to detect all trade errors and take steps to correct any discovered errors on the same day as the trade in question so that the client account is made whole. We will maintain a file documenting the occurrence and correction of

trade errors. Periodically, the Chief Compliance Officer shall review the file documenting trade errors to verify that trade errors were corrected fairly and on a timely basis.

Subject to applicable law, we will reimburse the applicable client account(s) for net losses that occur as a result of trade errors to the extent that we are liable to the client under the client's investment management agreement.

We may correct misallocations of trades among client accounts by re-allocating the applicable trade using the intended allocation methodology prior to the trade's settlement date. If an erroneous allocation cannot be corrected prior to or after settlement, we may, if appropriate and subject to applicable law, correct such erroneous allocation by effecting a cross trade between client accounts at the price at which the initial trade was effected.

B. Aggregation of Orders

In an effort to obtain best execution, we will generally aggregate client trades, subject to best execution. Aggregation, or "bunching," describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for us generally arise when more than one client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. In such event, all open orders in the same direction (e.g., buy or sell) in the same security and placed at the same time will generally be bunched for execution. We will allocate executed bunched orders by the end of each trading day pro rata among the clients participating in those orders. Orders that have not been fully executed at the end of the day will be cancelled, and we will place new orders on the next trading day if we wish to fill any unexecuted portion of an order.

We may also aggregate subsequent orders for the same security entered during the same day with any previously filled orders. This determination may take into consideration changes in the market price of the security and differences in allocations among accounts.

Brokers are selected for bunched trades based upon their ability to execute the transaction and provide a commission rate competitive with those available from other brokers. Generally, commissions paid to brokers and overall execution costs for bunched trades will be equal to or lower than those that would apply had the trades been executed individually. When we bunch orders for client accounts engaged in the same transaction, billing and clearing functions, as well as a portion of the commission generated, may be allocated to a broker other than the executing broker for credit to satisfy a client account's direction request (so-called "give-ups").

Item 13 - Review of Accounts

- A. Client transactions are reviewed daily by our investment professionals, including, Mr. Silver, and account performance is reviewed and analyzed at least weekly. Client investments are evaluated based on performance, company fundamentals, news and press releases, analyst reports, general market conditions and such other considerations as we deem appropriate.

B. *Not applicable.*

- C. We furnish investors in the private investment funds we manage with periodic written unaudited performance reports on a monthly basis. On an annual basis, investors receive a copy of the relevant fund's annual audited financial statements and, where applicable, a statement of taxable income (form K-1).

We may provide certain investors access to more frequent and/or more detailed information regarding the private investment funds' securities positions, performance, finances, and management and/or other information about the private investment funds or us (including, notification of the commencement of certain disciplinary actions, legal proceedings, investigations or similar matters against a fund, us and/or our personnel, or of redemptions from a fund by us and/or our personnel), possibly enabling such investors to better assess the prospects and performance of the funds.

We provide the owners of the separately managed accounts we manage with periodic unaudited reports at such times as the owners of such accounts and we agree. The custodians of such accounts send account statements to the owners of such accounts no less frequently than monthly. In addition, since a managed account investor directly owns the positions in its separately managed account, such investor may have full, real-time transparency as to all transactions and holdings in such account, and may be better able to assess the future prospects of a portfolio that may have significant overlap with the portfolios of the private investment funds managed by us, especially with respect to long positions. The investors in such separately managed accounts may have the right to withdraw all or a portion of their capital from such managed accounts on shorter notice and/or with more frequency than the terms applicable to an investment in the private investment funds we manage.

Item 14 - Client Referrals and Other Compensation

We may enter into arrangements with one or more third parties and compensate such third parties for referring clients to us. Typically, we may pay these third parties a portion of the management fees and/or performance-based fees or allocations that we receive from the clients introduced to us by these third parties. Any such arrangements will be on a fully-disclosed basis and in accordance with all applicable laws.

We enter into soft dollar arrangements with brokers pursuant to which we obtain certain research and brokerage products and services in return for directing client securities transactions to the broker (*see Item 12, Section A "Selection of Brokers"*).

Item 15 - Custody

As noted above in Item 13, Section C, owners of the separately managed accounts we manage will receive account statements no less frequently than monthly from the custodians of such accounts. Clients should carefully review these statements that are received from the custodians of such accounts.

Item 16 - Investment Discretion

We have discretionary authority to manage securities accounts on behalf of our clients. The investors in the private investment funds managed by us generally may not place any limits on

our authority beyond the limitations set forth in the offering and governing documents of such private investment funds. On a case by case basis, owners of the separately managed accounts we manage may negotiate certain risk and/or operating guidelines that we will adhere to when exercising our discretionary authority over such accounts.

Item 17 - Voting Client Securities

We generally have voting discretion over securities held in clients' accounts. Clients are generally not able to direct their votes in a particular situation. We will exercise our discretion in the best interests of our clients. In fulfilling our obligations to our clients, we will act in a prudent and diligent manner intended to enhance the economic value of the securities. In the absence of specific voting guidelines from a client, we will vote all proxies in the manner that we determine is in the best interests of each particular client.

A client may obtain information about how we voted securities in the private investment fund or other account in which the client is invested by contacting us at the address set forth on the cover page of this brochure.

Item 18 - Financial Information

Not applicable.

Item 19 - Requirements for State-Registered Advisers

Not applicable.