

## Item 1 – Cover Page

Scopia Capital Management LLC

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March 31, 2014

This Brochure provides information about the qualifications and business practices of Scopia Capital Management LLC (hereinafter, the “Adviser”). If you have any questions about the contents of this Brochure, please contact Samantha Nasello, Chief Compliance Officer, at (212) 370-0303. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

The Adviser is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about the Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for the Adviser is 124403.

## Item 2 – Material Changes

The Adviser is updating its Brochure as of March 31, 2014, as part of its annual amendment filing for 2014. Below is a summary of certain material changes made since the Adviser last submitted its filing of its Brochure on March 28, 2013.

- On January 1, 2014, the Adviser launched Scopia LB LLC and Scopia LB International Limited (the “Long-Biased Hedge Funds”). The Long-Biased Hedge Funds are managed in parallel with the Market-Neutral Hedge Funds (defined in Item 4 below), but have greater long exposure and lesser short exposure. The Long-Biased Hedge Funds are currently open for investment only to investors who are already invested in other Funds (defined in Item 4 below) managed by the Adviser.
- In February 2014, the Adviser offered certain qualified investors the opportunity to co-invest in a private company which already had been invested in by Scopia Windmill Fund LP, a long/short hedge fund managed by the Adviser that invests primarily in publicly-traded equities but may be invested in positions that the other Funds do not invest in including private investments. The co-investment was accomplished through a special purpose vehicle, Scopia Co-Investment Partners 2 LLC, established for the purpose of making such investment.

The Adviser has no other material changes to report. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

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## **Item 4 – Advisory Business**

The Adviser is majority owned by Matthew Sirovich and Jeremy Mindich, and together with its predecessor Scopia Management, Inc., has been providing advisory services since 2001.

As of December 31, 2013, The Adviser managed \$7,107,221,067 regulatory assets under management on a discretionary basis.

The Adviser provides investment advisory services on a discretionary basis to clients that are pooled investment vehicles including (i) market-neutral hedge funds consisting of Scopia PX LLC, Scopia PX International Limited, Scopia PX International Master Fund LP, Scopia Partners LLC, Scopia Partners QP LLC, Scopia International Limited, Scopia International Master Fund LP, and Scopia Windmill Fund LP (each a "Fund" and, collectively, the "Market-Neutral Hedge Funds"), (ii) long-biased hedge funds consisting of Scopia LB LLC, Scopia LB International Limited, and Scopia LB International Master Fund LP (each a "Fund", collectively, the "Long-Biased Hedge Funds" and, collectively with the Market-Neutral Hedge Funds, the "Hedge Funds"), and (iii) a long-only fund called Scopia Long LLC (the "Long-Only Fund" and together with the Hedge Funds, the "Funds") all of which are intended for institutional investors and other sophisticated investors, and (iv) a market-neutral separately managed account (the "Separately Managed Account"). The Adviser also provides investment advisory services on a discretionary basis to Scopia Co-Investment Partners 2 LLC ( "SCIP2"), a special purpose vehicle established to provide certain qualified investors the opportunity to co-invest in a private company which already had been invested in by Scopia Windmill Fund LP, a long/short hedge fund managed by the Adviser that invests primarily in publicly-traded equities but may be invested in positions that the other Funds do not invest in including private investments. The Adviser has broad and flexible investment authority.

The Market-Neutral Hedge Funds and Separately Managed Account are long/short investment vehicles that invest primarily in publicly-traded equities (on both U.S. and foreign exchanges) including initial public offerings, but may also include options, derivatives and bonds. The Market-Neutral Hedge Funds and Separately Managed Account are generally managed in parallel except in the case of (i) Scopia Partners QP LLC and Scopia International Limited, which are ERISA-compliant funds and may operate with less leverage and, consequently, may have a lower concentration in individual positions than the other Funds, (ii) Scopia Windmill

Fund LP, which may be invested in positions that the other Funds do not invest in due to concentrations, market capitalization, trading volume or liquidity including private investments, and (iii) the Separately Managed Account for which advisory services are tailored to the requirements set forth in its investment management agreement. The Long-Biased Hedge Funds are managed in parallel with the Market-Neutral Hedge Funds, but have greater long exposure and lesser short exposure, and Scotia LB International Limited is an ERISA-compliant fund and may operate with less leverage and consequently, may have a lower concentration in individual positions than the other Funds. The Long-Only Fund is a long-only investment vehicle that invests primarily in publicly-traded equities on U.S. exchanges including initial public offerings, and may also include options, derivatives and bonds. The Long-Only Fund is an ERISA compliant Fund.

The Adviser or its affiliates may establish “feeder funds” to address certain tax or regulatory requirements. Each feeder fund would be a limited partner of a master fund and interests in such feeder fund would be held by the investors who elect to participate in the fund through such feeder fund. Prospective investors are requested to refer to the offering and other governing documents of the applicable fund for complete details on any feeder fund established by such fund.

The Adviser does not generally tailor its advisory services to the individual needs of investors in the Funds, nor accepts investor-imposed investment restrictions. However, the Adviser has entered into agreements with certain investors granting these investors specific rights including, but not limited to, investment terms that differ from those described in the relevant Fund’s offering documents.

## **Item 5 – Fees and Compensation**

As a general matter, the Adviser or its affiliate, Scotia Capital GP LLC (the “Affiliate”) is paid an annual asset-based management fee and receives performance compensation (detailed in Item 6 below). The Adviser deducts fees from each Fund’s assets. Funds do not have the ability to choose to be billed directly for fees incurred.

Asset-based management fees are generally charged quarterly in advance at the annual rate of 1.5% based on the value of the relevant assets as of the first day of the calendar quarter for the Hedge Funds, except in the case of Class C and Class D subscribers in Scotia PX International Limited and Class E and F subscribers in Scotia International Limited which are charged at a rate of 2.0%. The Long-Only

Fund is charged an asset-based management fee at the annual rate of 1.0%, paid quarterly in advance, based on the value of the relevant assets as of the first day of the calendar quarter in each fund. Scotia Windmill Fund LP is charged an asset-based management fee at an annual rate of 1.25% for NAV equal to or less than \$200MM and 1.0% for NAV greater than \$200MM paid quarterly in advance. For any quarter during which the aggregate value of the net assets of the Hedge Funds and the Long-Only Fund is greater than \$1 billion (measured as of the beginning of each quarter), the Management Fee will be reduced to 0.3125% (1.25% annually) (the "Reduced Management Fee") for that particular quarter and only for Eligible Shareholders and their Affiliates. In respect of Class C and Class D subscribers in Scotia PX International Limited and Class E and F subscribers in Scotia International Limited, Eligible Shareholders of such Shares will pay a reduced rate of 1.75% as applicable. For purposes of the Reduced Management Fee, an "Eligible Shareholder" shall be any Shareholder (i) with greater than \$100 million invested in the aggregate in the Hedge Funds (including any amounts invested by Affiliated Investors) and (ii) who has been invested in the Hedge Funds for greater than two years. An "Affiliated Investor" shall be any other investor that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the Eligible Shareholder. The Adviser shall have complete authority to determine, in each case, whether an investor is an Eligible Shareholder or an Affiliated Investor thereof and the Adviser's decision in that regard shall be final and binding on the Shareholder. If the Adviser does not manage a Fund or the Separately Managed Account for a full quarter, the asset based management fee charged to such Fund or to the Separately Managed Account will be pro-rated for such period.

To the extent that fees are negotiable, the Separately Managed Account or investors in a Fund may pay more or less than other investors for the same management services, depending, for example, on the relationship to Adviser, nature of advisory services, account composition, the total client assets under management and anticipated future additional assets under management. The Adviser may waive or modify fees for certain accounts or investors. As of January 1, 2011, the Management Fee has been waived for Early Investors. An "Early Investor" is any Shareholder who invested in the Hedge Funds or the Long Only Fund in 2001 or 2002 and continues to be invested.

Generally, the Separately Managed Account is able to terminate the relationship with the Adviser without penalty on specified written notice as contracted for. Investors in the Funds, however, may have infrequent opportunities to redeem from the particular vehicle in which they invested. Redemption rights applicable to

investors in the Funds are governed by the limited liability company agreement, offering memorandum or other organizational document applicable to each particular entity. Generally, subject to certain restrictions, there are limitations or penalty fees for an investor redeeming its interest(s) in the Funds prior to having held an interest for a full twelve months, except in the case of a Key Man Event. An investor in the Hedge Funds may redeem all or any part of his interests, subject to the restrictions stated above and as governed by the limited liability company agreement, offering memorandum or other organizational document applicable to each particular entity, as of the last business day of each calendar quarter upon at least 60 days' prior written notice, and as of the last business day of each calendar month upon at least 125 days' prior written notice, in each case subject to a 20% gate. An investor in Class C and Class D of Scotia PX International Limited or Class E and Class F of Scotia International Limited may redeem all or part of his interests as of the last day of each calendar month upon at least 60 days' notice subject to additional redemption penalties ranging from 0.5% over standard redemption fees during the first calendar year following share purchase for redemptions made on month ends that are not quarter ends to a discretionary 2.0% of redemption proceeds fee after the first calendar year following share purchase. An investor in the Long-Only Fund may redeem all or part of his interests as of the last business day of each calendar month upon at least 30 days' prior written notice. An investor in Scotia Windmill Fund LP may redeem all or part of his interests as of the last business day of each calendar month upon at least 90 days' prior written notice subject to certain limitations. An investor in SCIP2 generally has no right to withdraw, with liquidity to occur generally upon exit of the underlying private company investment. The Adviser, Affiliate or Fund has the discretion to waive any of the termination and redemption terms, including the notice period.

Fund expenses may include, but are not limited to: transaction costs and investment related expenses incurred in connection with the Fund's trading activities, including brokerage, research (effective January 1, 2014, excluding research-related travel), clearing, margin interest (if any), and custodial expenses; routine legal, accounting, auditing, tax preparation, administrator and related fees and expenses; fees and expenses related to risk-monitoring systems and applications; regulatory compliance-related monitoring and filing fees and expenses (including, without limitation, the preparation and filing of Form PF); expenses associated with the continued offering of Interests, which include but are not limited to travel, printing and other solicitation expenses (other than finder's fees); operational and overhead expenses of the Fund including but not limited to, photocopying, facsimile, postage, and telephone expenses; extraordinary expenses

(e.g., litigation costs and indemnification obligations), if any; and the management fees described above. The Adviser and/or Affiliate will bear all direct and indirect general overhead expenses of operating the Fund which otherwise would be allocable to the Fund such as office rent and salaries, as well as all referral payments to finders. Fund expenses for Scopia Windmill Fund LP may also include commercial travel in connection with investigating existing or potential investment opportunities for the Fund.

Disclosure regarding fees, investment strategy and other information applicable to a Fund are set forth in each Fund's offering and other governing documents.

The Separately Managed Account may be subject to different fees and expenses, which are set forth in its investment management agreement.

Investors in SCIP2 are not charged asset-based management fees. Each capital contribution was charged an Initial Expense Assessment equal to 1% of such capital contribution. Expenses relating to the investment may be charged against the capital contributions in the sole discretion of the Adviser in a manner determined to be reasonable.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

Consistent with the Investment Advisers Act of 1940 ("Advisers Act") and Rule 205-3 thereunder to the extent applicable, the Adviser or its Affiliate receives performance allocations or performance fees generally based upon net profits allocable to the Separately Managed Account or, with respect to the Funds, each investor. The performance allocation or performance fee typically payable to the Affiliate is generally equal to 20% of the net profits, subject to a hurdle rate and high water mark provision, allocable to each investor in the Hedge Funds. For the Long-Only Fund the Affiliate receives a performance allocation out of net profits equal to 15% of the amount an investor's capital account outperforms the S&P 500 (including dividends reinvested in the S&P 500 monthly) payable annually in arrears. For Scopia Windmill Fund LP the Affiliate receives a performance allocation out of net profits equal to 20% of the amount an investor's basic capital account outperforms the aggregate amount of 1% per annum plus one-third of the average 1-month LIBOR rate.

The performance-based fee of the Separately Managed Account is individually negotiated and is generally payable annually.



Performance-based compensation may create an incentive for the Adviser to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. The Adviser recognizes that it is a fiduciary and as such must act in the best interests of the Funds and the Separately Managed Account. Although it is the Adviser's basic policy that no client will receive preferential treatment over another, there could be an incentive for the Adviser to favor certain clients over others. The Adviser addresses this potential conflict by observing trade allocation policies and procedures described in Adviser's Compliance Manual. The Adviser regularly assesses the allocation of its resources, including investment personnel, among the Funds and the Separately Managed Account to ensure adherence to its fiduciary duties.

The performance allocation payable to the Affiliate by SCIP2 is generally equal to 10% of the cash flow allocable to each investor subject to a hurdle rate and high water mark provision. The Adviser has waived the performance allocation for certain accounts or investors who were already invested in other Funds managed by the Adviser or affiliated with the Adviser or its Affiliate.

The client, prior to entering into the contract should refer to the offering and other governing documents applicable to each particular entity for additional information regarding risk factors.

## **Item 7 – Types of Clients**

The Adviser provides investment advisory services on a discretionary basis to clients that are pooled investment vehicles including the Hedge Funds, the Long-Only Fund and SCIP2 which are intended for institutional investors and other sophisticated investors. The Adviser also provides investment advisory services to the Separately Managed Account.

The Adviser requires that clients (and investors in the Funds and SCIP2) meet the requirements to be charged performance-based compensation under Rule 205-3 under the Investment Advisers Act of 1940. Rule 205-3, in general, requires clients to have at least \$1,000,000 under the management of Adviser or a net worth of more than \$2,000,000 (excluding the value of a natural person's primary residence), or that the client be a qualified purchaser under Section 2(a)(51)(A) of the Investment Company Act of 1940. The Adviser, in its discretion, may accept accounts from clients that do not meet these standards and not receive any performance-based compensation. Clients should refer to the offering and other governing documents for information regarding minimum investment requirements or any other

conditions for participation in the Funds. Generally investors are required to invest a minimum of \$1,000,000 in a given Fund and \$100,000 in SCIP2.

The minimum investment in the Separately Managed Account is individually negotiated with the client.

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

The goal of the Hedge Funds and the Separately Managed Account is to identify and purchase stocks that the Adviser believes will increase in value (or at least maintain their value) even in a falling market, and conversely to identify and sell short stocks that the Adviser believes will drop in value (or at least under-perform) regardless of the market's overall direction. There is no guarantee that each Fund will be able to achieve its objective, but the Adviser believes that a hedged portfolio is the optimal long-term investment strategy given the inherent unpredictability of the stock market. The long portfolio focuses on dynamic companies protected by low valuations relative to free cash flow, strong cash positions or valuable intellectual property and sensible business models. The short portfolio selects companies that the Adviser determines are not only overvalued, but also fundamentally flawed because of the poor prospects of their products or services.

The investment strategy of the Long-Only Fund mirrors the long portfolio approach as detailed in the preceding paragraph, however, the portfolio may consist of a more concentrated subset of the long positions in the Hedge Funds.

The Adviser may enter into derivative transactions for its clients. A derivative is a financial arrangement between two parties whose payments or values are based on or derived from the performance of some agreed upon benchmark.

In the case of Scopia Windmill Fund LP, the Adviser may be invested in positions that the Hedge Funds do not invest in due to concentrations, market capitalization, trading volume or liquidity, including private investments.

SCIP2 is a special purpose vehicle established to provide certain qualified investors the opportunity to co-invest in a private company.

The limited liability company agreement, offering or other governing documents applicable to each client describes its investment objectives and the strategies employed to achieve its investment objectives.

## **Risk of Loss**

Investments in the Funds, Separately Managed Account and SCIP2 involve significant risks and are suitable only for those persons who can bear the economic risk of the loss of their entire investment and who have limited need for liquidity in their investment. There can be no assurance that the Funds, Separately Managed Account, or SCIP2 will achieve their investment objectives. An investment in the Funds, Separately Managed Account, or SCIP2 carries with it the inherent risks associated with investments in global securities and private investments, as well as the use of leverage and short sales.

### *The Funds and the Separately Managed Account*

Investors in the Funds and the Separately Managed Account should carefully consider, among other factors, the following material risks involved with the Adviser's investment strategies.

## **Use of Leverage**

Certain clients may utilize leverage that results in the clients controlling substantially more assets than the client has equity. Leverage increases the client's returns if the clients earn a greater return on investments purchased with borrowed funds than the client's cost of borrowing such funds. However, the use of leverage exposes the clients to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the clients not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the client's cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the client's assets, the clients might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses

To the extent that options, futures, options on futures, swaps, and other synthetic or derivative financial instruments are used, it should be noted that they inherently contain much greater leverage than a non-margined purchase of the underlying security, commodity or instruments. This is due to the fact that generally only a small portion (and in some cases none) of the value of the underlying security, commodity or instrument is required to be paid in order to make such investments.

In addition, many of these products are subject to variation or other interim margin requirements, which may force premature liquidation of investment positions.

### **Margin Borrowing**

The use of margin borrowing can substantially improve or impair the return on invested capital. Borrowings will usually be effected through the client's prime broker and will typically be secured by the client's securities and other assets. During extreme adverse market conditions, losses of as much as 100% of invested capital of the clients could be sustained. Under certain circumstances, the prime broker may unilaterally demand an increase in the collateral that secures the client's obligations and if the clients were unable to provide additional collateral, the prime broker could liquidate assets held in the account to satisfy the client's obligations to the prime broker. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings, which will fluctuate, may have a significant effect on each client's return.

### **Short Sales**

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on each client's portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase. There is also the risk that the securities borrowed by the clients in connection with a short sale must be returned to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the clients may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. The client's inability to continue to borrow securities previously sold short may also force the clients to unwind other elements of an investment position, possibly at a loss. From time to time regulatory or legislative action taken by regulators around the world may restrict the ability of the client to enter into short sales.

## **Non-U.S. Securities**

Investing in securities of non-U.S. governments and companies that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States Government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

### *SCIP2*

Investors in SCIP2 should carefully consider, among other factors, the following material risks involved with the Adviser's investment strategies.

## **Nature of Investments**

Investments are expected to generally consist of securities issued by privately-held companies and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on the investments.

## **Lack of Investment Diversification**

SCIP2 is invested in the securities of a single issuer. As a result, SCIP2 is subject to more rapid changes in value than would be the case if the Adviser were required to maintain diversification among issuers, industries, geographic areas, capitalizations or types of securities.

## **Illiquidity of Company Interests**

There is no market for interests in SCIP2 and none is expected to develop.

Investors in the Funds, the Separately Managed Account and SCIP2 are requested to refer to the offering and other governing documents of the applicable client for complete information on investment strategies employed and the corresponding risks associated with such investment strategies.

## **Item 9 – Disciplinary Information**

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 executive officers of the Adviser are also the managing members of Scopia Capital GP LLC. Scopia Capital GP LLC is the managing member of certain funds including Scopia PX LLC, Scopia Partners LLC, Scopia Partners QP LLC, Scopia LB LLC, Scopia Long LLC, and SCIP2. Scopia Capital GP LLC is the general partner of Scopia PX International Master Fund LP, Scopia International Master Fund LP, Scopia LB International Master Fund LP and Scopia Windmill Fund LP.

Scopia Capital GP LLC is responsible for the administration and operations of the general business affairs of the Funds and SCIP2. In its capacity as the managing member or general partner of the Funds and SCIP2, Scopia Capital GP LLC has retained the Adviser to serve as the Investment Manager to each of the Funds and SCIP2.

Matthew Sirovich, a principal executive officer of the Adviser, also serves as a Director on the Board of Directors of Scopia PX International Limited, Scopia International Limited and Scopia LB International Limited (collectively, the "Offshore Funds"). The Board of Directors exercise ultimate management authority over the Offshore Funds, but have delegated the day-to-day management of the Offshore Funds to the Adviser.

During periods when benefit plan investors in the Funds exceed the 25% threshold and assets of the Funds are deemed to be "plan assets" within the meaning of ERISA, the Adviser will serve as a fiduciary to each Plan. The Adviser will be prohibited from causing the Funds to engage in prohibited transactions, except in the case of Scopia Partners QP LLC, Scopia International Limited, Scopia LB International

Limited and Scopia Long LLC which provide an exemption for Qualified Professional Asset Managers ("QPAMs").

The Adviser does not act as a broker-dealer nor is any of its employees registered representatives of a broker-dealer. In addition, no employees are registered with the CFTC or the NFA since the Adviser and the General Partner are currently exempt commodity pool operators.

Additional disclosure information concerning the Adviser and its associated persons, including their participation in such LLCs and/or LPs, is available on the Internet at [www.adviserinfo.sec.gov/IAPD/](http://www.adviserinfo.sec.gov/IAPD/).

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

The Adviser has adopted a Code of Ethics (the "Code") that obligates all principals, officers or employees (collectively "Covered Persons") to put the interests of the Adviser's clients before their own personal interests and to act honestly and fairly in all respects in their dealings with clients. All of the Adviser's personnel are also required to comply with all applicable Federal Securities Laws.

In addition, the Adviser requires its Covered Persons to pre-clear all transactions in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. As of May 1, 2011, the Adviser and its personnel are no longer permitted to initiate transactions for their own accounts in the same securities purchased and sold for the Funds and the Separately Managed Account except to close positions established before this restriction went into effect. All of Adviser's Covered Persons are required to direct their brokers or custodians to submit monthly and quarterly brokerage statements to the Adviser via Financial Tracking, a web-based compliance module. Trading in employee accounts are reviewed by the Chief Compliance Officer or her designee and compared with transactions for the Funds and Separately Managed Account.

Covered Persons periodically make investments in private companies and pooled investment vehicles for their personal accounts where it has been determined that such investments are not applicable to or appropriate for the Funds and Separately Managed Account. The principals have set up certain private investment vehicles to facilitate these private investments, and investments through such vehicles are subject to the Code's personal trading policy.

The Adviser requires all Covered Persons to disclose any outside employment to the Adviser who will identify any potential conflicts. In the event that a resolution to the conflict cannot be reached, the employee may be asked to terminate either their outside employment or their position with the Adviser.

Principals and employees of the Adviser, through their position with the Adviser, potentially could learn material non-public information before it is made public. While the Adviser does not believe that it has any particular access to non-public information, all employees participate in annual training and are reminded periodically that such information may not be used in a personal or professional capacity. The Adviser also maintains a policy on Insider Trading and requires all employees to certify, at least annually, their acceptance and agreement with such policy.

The Adviser, its employees, affiliates or their related persons have financial ownership interests in the Funds and SCIP2 and, in most cases, receive a Management Fee and performance allocations for their services. The Adviser and its principals, employees, and affiliates, and their respective family members, may invest directly in the Funds and SCIP2, which investments generally are not subject to Management Fees or performance allocations. The Adviser recognizes the potential conflicts of interest that arise when its related persons invest in the Funds but not the Separately Managed Account, which such principals, employees, and affiliates, and respective family members are unable to invest in. The Adviser addresses such potential conflicts through its allocation policies which can be found in the Adviser's compliance manual. Further, the Code sets forth a fiduciary standard that requires Covered Persons to act in the best interests of the Funds and the Separately Managed Account and place the interests of the Funds and the Separately Managed Account ahead of their own and those of the Adviser. Covered Persons are required to acknowledge receipt of the Code and agree to abide by its terms.

The Adviser's principals and employees have a duty to advance clients' interests. Adviser's principals and employees, however, potentially are in a position to take investment opportunities for themselves before such opportunities are executed on behalf of clients. The Adviser addresses this potential conflict of interest by maintaining the personal trading policy discussed above.

Clients or prospective clients may obtain a copy of the Adviser's Code by contacting the Chief Compliance Officer, Samantha Nasello, by email at [snasello@scopiacapital.com](mailto:snasello@scopiacapital.com) or by telephone at (212) 370-0303.



## **Item 12 – Brokerage Practices**

Except for the general investment guidelines set forth in each client's respective offering and other governing documents, there are no limitations on the Adviser's discretionary authority. The Adviser is authorized to determine the broker or dealer to be used for each securities transaction for a client account. In selecting brokers or dealers to execute transactions, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate. The Adviser does not maintain, nor intend to maintain, any "soft dollar" arrangements.

In selecting brokers and negotiating commission rates, the Adviser takes into account registration status with FINRA, the financial stability and reputation of brokerage firms, the size and type of the transaction, the difficulty of execution, the ability to handle a block order and the research, brokerage or other services provided by such brokers. The Adviser may place transactions with a broker or dealer that (i) provides the Adviser (or an affiliate) with access to research-based events or conferences sponsored by the broker-dealer or company management or (ii) provides the Adviser (or an affiliate) with the opportunity to participate in capital introduction events or refer clients to the Adviser (or an affiliate), if otherwise consistent with seeking best execution; provided the Adviser is not selecting the broker-dealer solely in recognition of the opportunity to participate in such events or the referral of investors. Adviser conducts "best execution" quarterly reviews to systematically evaluate the execution performance of its brokers. The Adviser does not engage in client directed brokerage.

When appropriate, the Adviser may, but is not required to, aggregate client orders to achieve more efficient execution or to provide for equitable treatment among client accounts. The Adviser has established guidelines for aggregating client orders for securities, including any orders placed for private securities. Generally, no investment advisory client will be systematically advantaged or disadvantaged over any other investment advisory client. Each client that participates in an aggregated order will participate at the average share price for all the Adviser's transactions in that security on a given business day and transaction costs will be shared pro rata based on each client's participation in the transaction. The Adviser has established

trade allocation policies that no clients shall receive preferential treatment over any other client. Aggregated trades executed in all Funds and the Separately Managed Account are generally allocated among clients pro rata determined by the relative size of each participating client account as of the end of the previous week, appropriate leverage and in accordance with applicable investment guidelines. Brokerage commission rates are not reduced as a result of such aggregation. In some instances, average pricing may result in higher or lower execution prices than otherwise obtainable by a single client.

Adviser may effect "cross transactions" between clients if client accounts are not in balance for a given security and the Adviser believes it is in the best interest of each selling fund to reduce its position and each purchasing fund to increase its position in a given security. The Adviser endeavors to ensure that all parties to the transaction receive at least as favorable a price as would be received if the transaction were executed on the market and no commission will ever be received by the Adviser or its affiliate for executing a cross transaction. Cross transactions will not be conducted with an ERISA account. In addition, such trades are not permitted if they would constitute principal trades.

The Adviser will use best efforts to assure that orders are entered correctly. To the extent that an error occurs, the Adviser has established trade error policies. Trade errors are reported to the Chief Compliance Officer who will investigate the matter and determine an appropriate resolution which may include reimbursing clients for trade errors that were detrimental to the clients.

A third-party administrator to the Funds calculates advisory fees. To avoid any incentive to over-value such accounts to increase fees payable by clients, or conceal poor performance, the Adviser maintains a policy regarding valuation of securities and uses independent third party services to price the securities in the accounts of the Funds it manages, when applicable. In addition, performance results for the Funds and SCIP2 are audited at least annually by an independent auditor.

The Adviser periodically reviews and revises, as appropriate, the criteria it considers when allocating investment opportunities amongst its clients in order to ensure investment opportunities are allocated in a fair and reasonable manner and that the Adviser's practices are in conformity with applicable laws and regulations.

Notwithstanding any of the foregoing, the Adviser, to the extent within its control, will not favor itself in any way to a client's detriment and will act in a manner that it believes over the long term is fair and equitable to all its clients.

## **Item 13 – Review of Accounts**

### **Reviews:**

Positions held by the clients are continuously monitored by one or both of the principals of the Adviser. Each client is reviewed in the context of its stated objectives and guidelines including without limitation a review of a client's portfolio positions, the extent to which the client holds securities of an individual issuer or in a specific market or country, trading procedures, and overall best execution. Client performance is generally reviewed on a daily basis.

### **Reports:**

Investors in the Funds and SCIP2 receive an annual report containing audited financial information, as well as annual tax information needed to prepare income tax returns. Investors in the Funds receive a monthly report containing beginning and ending capital balances. Investors in SCIP2 receive a quarterly report containing beginning and ending balances. During the year, clients will receive monthly and quarterly performance and market commentary letters. Additional reports are available upon request.

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

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

The Adviser has entered into an agreement with a marketing agent for the purpose of introducing prospective investors to the Adviser (the "Marketing Agent"). The Marketing Agent does not manage client portfolios, which is only done by the Adviser. The Adviser pays the Marketing Agent a negotiated fee for referrals. Generally this fee will not exceed 20% of the fees earned by Adviser or its Affiliate on the referred account. These arrangements do not result in a higher fee than would customarily be charged to clients. Payment in accordance with the agreement will terminate no later than January 31, 2015.

## **Item 15 – Custody**

The Adviser does not maintain custody of the Separately Managed Account assets. The Separately Managed Account clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. The Adviser urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

As a result of its affiliation with the managing member or general partner to the Funds and SCIP2, the Affiliate is deemed to have custody of the Funds' and SCIP2's assets. The Adviser's general policy is to ensure that client funds and securities are maintained with "qualified custodians." Pursuant to Rule 206(4)-2 of the Investment Advisers Act of 1940, the Adviser maintains compliance by ensuring that:

- Each Fund and SCIP2 is audited on an annual basis by an independent accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board in accordance with its rules.
- It distributes audited financial statements prepared in accordance with generally accepted accounting principles to all members, limited partners or other beneficial owners within 120 days of the end of its fiscal year of the applicable Funds.

## **Item 16 – Investment Discretion**

The Adviser has full discretionary authority and is authorized to determine how much and which securities are to be bought or sold, broker or dealers to be used and commission rates to be paid. In exercising discretion, the Adviser follows the general investment guidelines set forth in each client's respective offering and other governing documents.

Prospective clients are provided with offering and other governing documents prior to their investment and are encouraged to carefully review such documents and to be sure that the proposed investment is consistent with their investment goals and tolerance for risk. Prospective clients should also consult with their legal, tax, or other advisors prior to making any investment. Prospective clients must also

execute certain governing documents such as a subscription agreement and in some cases an operating agreement, in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool.

## **Item 17 – Voting Client Securities**

The Adviser has adopted Proxy Voting Policies and Procedures (the "Procedures") that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of its clients. The Procedures also require that the Adviser identify and address conflicts of interest between the Adviser and its clients. If a material conflict of interest exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the Procedures is in the best interests of the client or take some other appropriate action. In voting proxies, the Adviser generally votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors and increases in or reclassification in common stock. Generally, the Adviser will vote against proposals that make it more difficult to replace members of a board of directors. For all other proposals, the Adviser will determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others: (i) whether the proposal was recommended by management and Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance. It is the Adviser's general policy not to vote proxies for securities which: (i) are not held in a client's account at the time such proxy is received by the Adviser; or (ii) are not held in a client's account at the time such proxy vote is required or (iii) client holds a "net" short position in that same security. The Adviser has entered into an agreement with ProxyEdge, an independent third party, to facilitate the electronic voting of proxies and to provide one central source for the documentation and maintenance of the Adviser's proxy voting records.

Clients may contact the Chief Compliance Officer in order to obtain a copy of the Adviser's Proxy Voting Policies and Procedures as well as information about how the Adviser voted a client's proxies by contacting Samantha Nasello by email at [snasello@scopiacapital.com](mailto:snasello@scopiacapital.com) or by telephone at (212) 370-0303.

## **Item 18 – Financial Information**

The Adviser has no financial commitment that it is currently aware of that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.