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Form ADV Part 2A – Firm Brochure  
March 28, 2013



**Meridian Capital Partners, Inc.**

Meridian Diversified Fund Management, LLC  
Meridian Diversified Fund, LLC

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This brochure provides information about the qualifications and business practices of Meridian Capital Partners, Inc. and its affiliates, Meridian Diversified Fund Management, LLC and Meridian Diversified Fund, LLC. If you have any questions about the contents of this brochure, please contact us at (518) 432-1600 and/or [info@mcphedge.com](mailto:info@mcphedge.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Meridian Capital Partners, Inc., Meridian Diversified Fund Management, LLC and Meridian Diversified Fund, LLC are registered as investment advisers under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration of an investment adviser does not imply a certain level of skill or training.

Additional information about Meridian Capital Partners, Inc., Meridian Diversified Fund Management, LLC and Meridian Diversified Fund, LLC is available on the SEC’s website located at:  
[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

The following is a summary of the material changes from our last annual update of this brochure on March 29, 2012. We encourage you to review the document in its entirety.

This brochure dated March 28, 2013 contains updates relating to the composition of Meridian's Research Department and Portfolio Management Group. These updates are reflected in Item 13 of this brochure. This brochure also provides updates to assets under management (Item 4) and an updated listing of private fund clients (Item 10).

You may request a copy of our brochure at any time, free of charge, by contacting Laura Smith, Managing Director of Operations at (518) 432-1600 or [lsmith@mcphedge.com](mailto:lsmith@mcphedge.com).

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#### Item 4 – Advisory Business

Meridian Capital Partners, Inc. (“MCP”) formed in 1996 as an independent company and became registered as an investment adviser in September 2003. Meridian Diversified Fund Management, LLC (“MDFM”), an affiliate of MCP, formed as an independent company in 2001 and became registered as an investment adviser in August 2004. Meridian Diversified Fund, LLC (“MDF”) is an affiliate of MCP and MDFM. MDF formed as an independent company in 2001 and became registered as an investment adviser in March 2012. MCP, MDFM and MDF (collectively, “Meridian”) are principally owned by William H. Lawrence, Chief Executive Officer and Chief Investment Officer. Mr. Lawrence is also the managing member of MDFM and MDF. All remaining equity ownership of Meridian is held by certain of its full time employees.

Meridian manages the assets of various private investment funds (the “Funds”) and to a lesser extent; investor accounts (the “Managed Accounts”). The Funds include private limited partnerships, limited liability companies and offshore corporations. Meridian’s clients (the “Clients”) are the Funds and the holders of the Managed Accounts. The investment advisory role of MDF is currently limited to serving as the general partner or managing member of Funds managed by MDFM. The services Meridian provides to the Managed Accounts consist of non-discretionary consulting services provided by MCP with respect to hedge fund investments.

The Funds Meridian manages are funds of hedge funds that utilize a multi-manager approach to investing in securities and employ either a diversified or hedged equity investment strategy. The Funds, either directly or through a master-feeder structure, invest substantially all of their assets in a diverse group of private investment companies, partnerships and similar entities (the “Underlying Funds”) that Meridian believes are able to meet the investment objectives of the Funds. With limited exceptions, Meridian provides investment advice only with respect to such investments.

Meridian’s multi-manager approach is designed to give the Funds’ investors access to a variety of unaffiliated investment managers (“Underlying Managers”) that employ diverse investment styles, with the objective of delivering attractive risk-adjusted returns. What’s more, these Underlying Managers may not otherwise be accessible to the Funds’ investors due to minimum investment requirements or other factors. Meridian implements its multi-manager approach by investing Fund assets in Underlying Funds managed by Underlying Managers and, to a lesser extent, by establishing accounts managed by Underlying Managers. As used herein, the term “Underlying Funds” includes these managed accounts where the context so requires. Certain Funds may also invest in other Funds where such investment s may further their investment objective, but Meridian does not impose duplicative management fees or allocations in connection with such investments.

Interests or shares in the Funds, as applicable, are offered in private transactions only to qualified investors and only by means of the Funds’ private offering documents. The Fund information contained

in this brochure does not constitute an offer of interests or shares in the Funds. A list of the Funds appears in response to Item 10 below.

Meridian tailors its advisory services to the individual needs of the Funds through:

- Selection of Underlying Funds
- Allocation of Fund assets among Underlying Funds
- Continuous monitoring of investment performance
- Adjustments to investment composition

Meridian performs these functions in a manner consistent with each Fund's stated investment objectives, policies, limitations and restrictions. Underlying Managers chosen by Meridian, however, have authority to make a variety of investments including stocks, bonds, options, warrants, currencies, futures contracts, commodities, partnership interests, money market instruments, precious metals, debt securities, or other ownership interests and indebtedness. Underlying Managers also have authority to utilize a variety of specialized investment techniques, including short-selling and leverage.

Meridian does not tailor the advisory services it provides to the Funds to the individual needs or objectives of investors in the Funds.

With respect to the Managed Accounts, Meridian tailors its advisory services on an individual basis according to the needs expressed by the Client. Managed Account Clients retain authority with respect to investment decisions and may impose restrictions on investing in certain securities or types of securities. These Clients set, monitor, and maintain their own investment policies and investment parameters, and request investment advice from Meridian at their own discretion.

The table below indicates the amount of Client assets managed on a discretionary basis and on a non-discretionary basis by MCP, MDFM and MDF.

*As of March 1, 2013*

<b>Adviser</b>	<b>Client Assets / Discretionary</b>	<b>Client Assets / Non- discretionary</b>	<b>Total</b>
<b>MCP</b>	\$309,600,000	\$89,100,000	\$398,700,000
<b>MDFM</b>	\$410,600,000	\$0	\$410,600,000
<b>MDF</b>	\$256,200,000	\$0	\$256,200,000

## Item 5 – Fees and Compensation

The Funds incur an annual management fee of between 0.00% and 1.75% of Fund assets under management (the “Management Fee”). The Management Fee may vary among the Funds and among investment classes within the Funds. Certain investment classes incur an additional fee (which may be structured as a performance allocation) equal to a certain percentage of all net profits allocated on an annual basis to each investor (the “Performance Fee”), as described in detail under Item 6 below.

Certain Fund investors do not incur a Management Fee due to their affiliation with Meridian. Management Fees are generally not negotiable, but investors may agree to more limited liquidity or a higher minimum initial investment in exchange for reduced fee rates.

The specific manner in which fees become payable to Meridian is established in the private offering documents of the Funds. The Management Fee is payable in arrears either monthly or quarterly and the Performance Fee, if applicable, is payable on redemption if the redemption occurs at mid-year, and otherwise after the end of the fiscal year. The Funds charge each Fund investor for that investor’s share of each fee. The Funds then either pay Meridian directly or, in the case of a Performance Fee allocation, allocate the income to Meridian’s account in the Fund.

Sage Administrators, LLC (“Sage”), an affiliate of Meridian, serves as the administrator of the domestic Funds. Sage uses two independent fund administration processes that, on a monthly basis, automatically calculate and accrue Management Fees and Performance Fees for the domestic Funds. Sage reviews the fees calculated by the two systems and sends supporting documentation to Meridian’s treasurer on either a monthly or quarterly basis, according to the Funds’ governing documents. Meridian’s treasurer then processes the Management Fee payments. At year end, the treasurer reviews the accrued Performance Fees and makes the appropriate allocation of income to the general partner/managing member’s account.

CACEIS FA USA, Inc. (“CACEIS”) serves as administrator, registrar and transfer agent to the offshore Funds, and calculates the offshore Funds’ Management Fees and Performance Fees. Sage performs a second calculation of these fees utilizing the processes described above and compares the amounts to those calculated by CACEIS. After any necessary reconciliation of the respective computations, CACEIS processes the fees for payment on a monthly, quarterly, or annual basis in accordance with the offshore Funds’ offering documents.

At inception, each Fund pays its own start-up expenses such as preparation of governing and offering documents, technology costs, costs of negotiating initial agreements with service providers, and other legal, accounting, and administrative expenses.

Generally, the ongoing expenses paid by each Fund include (without limitation):

- Legal, accounting, tax preparation, auditing and other professional fees and expenses
- Insurance premiums
- Consultant and other service provider expenses
- Administrative and regulatory expenses
- Personal property tax fees and levies

- Research expenses, including investment analysis and management software expenses and research-related travel expenses
- Expenses related to industry-related subscriptions, publications and services
- Communication and investor reporting expenses
- Investment expenses such as commissions, interest on borrowings, margin accounts and other indebtedness, custodial, prime brokerage and futures commission merchant fees and expenses, bank service fees, valuation agent and appraisal fees and expenses and other reasonable expenses related to the purchase, retention, sale or transmittal of Fund assets

When any expense is attributable to more than one Fund, Meridian allocates a share of the expense to each relevant Fund in proportion to its size, or in such other manner as Meridian considers fair and reasonable.

Sage receives from the domestic Funds an annual administration fee of approximately 0.15% of total Fund assets. CACEIS serves as administrator, registrar and transfer agent to the offshore Funds, which pay fees for those services in accordance with CACEIS's standard schedule of rates.

Each Fund pays the performance and management fees, and bears its share (generally, *pro rata*) of all other fees and expenses of the Underlying Funds in which it invests. Meridian does not receive any portion of these Underlying Fund-level fees or expenses. Similarly, where a Fund invests in another Fund managed by Meridian, the investing Fund bears a *pro rata* share of the expenses of the Fund in which it invests (but no double management or performance fees). Each Managed Account also pays its share (generally, *pro rata*) of the Underlying Funds' fees and expenses.

Item 12 includes a discussion of Meridian's brokerage policies and procedures. These policies, however, are very limited because the Funds invest in Underlying Funds in private transactions and do not use broker/dealers to effect securities transactions.

Neither Meridian nor any of its supervised persons receives compensation for sales of interests or shares in Underlying Funds or any other securities or investment products. Meridian compensates all of its employees based in part on firm performance and in part on individual performance. For a discussion of indirect compensation related to certain investments and third party solicitation agreements, see Items 10 and 14 below.

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

In addition to the Management Fees described under Item 5 above, certain of the Funds' investment classes pay a performance fee or bear a performance allocation equal to a certain percentage of all net profits allocated to each applicable investor (in the case of a domestic Fund) or share class (in the case of a non-U.S. Fund) on an annual basis (the "Performance Fees"). Performance Fees are also payable if a Fund investor redeems at mid-year. Performance Fees range from 5% to 25%, and the measure of net profits used in the calculation of Performance Fees includes unrealized capital gains and losses.

Meridian's Performance Fees are subject to a "high water mark" or "loss carry-forward" provision under which a Performance Fee only applies to increases in the net asset value ("NAV") of a Fund in excess of the highest NAV that Fund previously achieved. For example, if a fund was launched at a NAV per share of \$100 and its NAV then rose to \$120 in the fund's first year, a Performance Fee would apply to the \$20 return for each share. If the next year the fund's NAV dropped to \$110, no Performance Fee would apply. If the fund's NAV per share rose to \$130 in the third year, a Performance Fee would apply only to the \$10 profit earned from \$120 to \$130, rather than to the full return during that year from \$110 to \$130.

For some investors, a certain rate of return (known as a "preferred rate of return") must be allocated to an investor before a Performance Fee becomes payable.

Certain investors in the Funds do not incur Performance Fees due to their affiliation with Meridian. Performance Fees are generally not negotiable, but investors may agree to more limited liquidity or a higher minimum initial investment in exchange for reduced Performance Fees.

Performance Fee arrangements may create an incentive for Meridian to make investments on behalf of a Fund which may be riskier or more speculative than those it would make under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying Funds over other Funds in the allocation of investment opportunities.

In counteracting these incentives, Meridian designed and implemented policies and procedures to ensure that all Funds are treated fairly and equally with respect to allocation of investment opportunities and to prevent any conflict of interest from influencing such allocations.

Meridian allocates investment opportunities among the Funds according to their respective investment objectives. The Portfolio Management Group (described in response to Item 13 below) makes portfolio allocations within target risk category ranges devised to maximize the probability of preserving Fund capital and achieving desirable risk-reward profiles in the long term. This proprietary portfolio construction template ensures disciplined and consistent allocations, which are not compromised by overreaction to short term market volatility.

When investment opportunities are limited, Meridian makes reasonable efforts to allocate or rotate investment opportunities but cannot assure absolute equality among all of the Funds. Furthermore, Meridian may recommend or transact the purchase or sale of a particular security for certain Funds and not for others. For example, Meridian may recommend that a particular Fund sell a security to create sufficient liquidity to honor investor redemption requests but may not recommend such a sale for other Funds.

## **Item 7 – Types of Clients**

Meridian provides investment advice mainly to the Funds, which each require a minimum initial investment. Depending on the Fund and the applicable investment class, the amount ranges from



\$250,000 to \$75,000,000, subject to a right on the part of Meridian or the Fund's Board of Directors to accept lower amounts.

The Funds are exempt from registration as investment companies under the Investment Company Act of 1940, as amended ("1940 Act"), and the offer and sale of equity interests in the Funds are exempt from registration under the Securities Act of 1933, as amended, and Rule 506 of Regulation D thereunder. In accordance with these exemptions, the Funds offer interests or shares:

- Only in private transactions;
- Only by means of private offering documents;
- Only to "accredited investors" as defined under Rule 506 of Regulation D; and
- With the exception of a single Fund, only to "qualified purchasers" as defined under the 1940 Act and the rules thereunder.

Meridian's Managed Account Clients are high net worth individuals; however, there is no minimum initial investment associated with the Managed Accounts.

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

Investing in securities involves risk of loss that Clients should be prepared to bear. The Funds, directly or through a master-feeder structure, invest substantially all of their assets in a diverse group of Underlying Funds. Meridian selects the Underlying Managers and Underlying Funds, allocates Fund assets among the Underlying Funds, and continuously monitors these investments. The information Meridian uses in conducting its research and analysis includes quantitative and qualitative information provided by Underlying Managers and other parties.

Meridian selects Underlying Managers that it believes satisfy certain selection criteria, which may include, but are not limited to, the following general criteria:

- Ability to produce attractive long-term, risk-adjusted investment results
- Ability to perform well in markets where investment conditions are difficult
- Ability to produce investment results that are not highly correlated to other investment classes

Meridian favors Underlying Managers who place their own capital at risk alongside the capital of other investors. In selecting Underlying Managers, Meridian collects, analyzes and evaluates information regarding the personnel, history and background, and the investment styles, strategies and performance of professional investment management firms. The selection process may include research into the fundamental securities analysis skills and risk orientation of the managers and into technical, cyclical, business, and other factors. As part of its analysis of a manager's underlying investment approach, Meridian seeks to understand the manager's investment strategy and investment process.

Through its multi-manager approach to investing, Meridian engages in either a diversified or hedged equity strategy. Meridian's diversified strategy seeks to preserve capital and achieve superior risk-

adjusted returns by allocating Fund capital between approximately 20 to 30 Underlying Managers. In contrast, Meridian's hedged equity strategy seeks more ambitious return potential by allocating Fund capital to fewer Underlying Managers (approximately 15 to 20).

Meridian principally relies on a long-term purchase investment strategy and utilizes short-term purchases under limited circumstances. It also has authority to use other strategies on a discretionary basis. Additionally, Meridian invests a portion of Fund assets in short-term money market instruments and certain cash equivalents, particularly while awaiting investment in Underlying Funds.

In contrast, the Underlying Funds may invest in, among other things, stocks; bonds; options; warrants; currencies; futures contracts; commodities; partnership interests; money market instruments; precious metals; debt securities, or other ownership interests and indebtedness. They may also utilize a variety of specialized investment techniques, including short selling and leverage.

Investment in the Funds or Managed Accounts involves risks related to the multi-manager concept and supporting methods of analysis employed by Meridian in managing its Clients' assets. The Funds' offering documents provide a fuller description of these risks. Prospective investors should carefully consider these risks which may include the following:

**Multiple Portfolio  
Managers**

As noted above, Clients invest substantially all of their assets in Underlying Funds. This multi-manager approach provides Clients with diversification; however, in addition to the fees charged and expenses incurred by the Funds, each Underlying Fund may charge and incur similar fees and expenses. These fees and expenses reduce the returns generated by the Funds and may, in the aggregate, be higher than fees charged by investment funds with a single manager.

Because the Clients invest with Underlying Managers who make independent trading decisions, it is (in theory) possible that one or more such managers may take investment positions opposite to those taken by other managers. It is also possible that Underlying Managers, on occasion, will compete against each other for certain limited investment opportunities.

**Limited Management  
Rights**

Subject to certain limited exceptions set forth in the governing documents of a Fund or a Fund's investment management agreement, Meridian will have full, exclusive, and complete power and discretion to make all decisions and do all things which it deems necessary or desirable in respect of the Funds. Clients will not have the opportunity to fully evaluate economic, financial and other information regarding investments made on their behalf and must depend on Meridian's judgment and abilities. A prospective investor should not purchase an interest in a Fund unless it is willing to entrust all of the Fund's investment activities to Meridian.

**Achievement of Investment  
Objectives**

Meridian cannot assure a Client that the Client will achieve its overall investment objectives or that Meridian will successfully allocate the Client's

assets among Underlying Funds in a manner that is profitable. The success of the Funds depends on Meridian's ability to select, and allocate assets to, Underlying Funds. Success also depends on each Underlying Manager's ability to select individual investments, to correctly interpret market data, predict future market movements and otherwise implement its investment strategy.

Meridian actively allocates and reallocates assets among various Underlying Funds. There can be no assurance, however, that a Fund will always be able to invest in a particular Underlying Fund. Nor can any assurance be given that the investment strategies used by the Funds or an Underlying Fund will be successful under all or any market conditions.

**Reliance on Underlying Managers**

The multi-manager approach greatly depends upon the integrity and expertise of Underlying Managers who have considerable flexibility in implementing their stated investment strategies, risk exposures, leverage and other key risk components. Meridian cannot always accurately predict what investments Underlying Managers will make or whether they will adhere to the terms of the Underlying Funds' disclosure documents which, in any event, may provide the Underlying Managers with considerable flexibility with respect to Underlying Fund investment strategies and investments. Additionally, the death, incapacity or retirement of an Underlying Manager or its principals, or the perpetration of fraudulent activities may adversely affect investment results.

**Availability of Information**

The Underlying Funds are not subject to SEC informational filing requirements imposed on funds that are registered with the SEC under U.S. federal securities laws. Interests in Underlying Funds are not offered pursuant to registration statements under such laws and their offering documents are not reviewed or approved by federal or state regulators. Underlying Managers may not always provide Meridian with complete information regarding Underlying Fund investments. Limited access to information may hinder Meridian in selecting, allocating among, and evaluating Underlying Managers and in detecting investment management or other activity on the part of Underlying Managers and Underlying Funds that may adversely affect investment results.

**Limited Ability to Verify Underlying Fund Valuation**

The value of a Client's investment in an Underlying Fund will generally be determined in accordance with the valuation policies of the Underlying Fund. Valuations will generally be calculated by the Underlying Manager or its agent, not by the Client's administrator or Meridian. A Client, as an investor in an Underlying Fund, has only limited access to the portfolio

holdings of such Underlying Fund and Meridian may have a limited ability or no ability to independently verify the valuation information provided by the Underlying Manager or its agent.

**Illiquidity of Investments**

A Client is restricted in its ability to allocate capital, control risk and realize value in the short-term given various limitations on the liquidity of many of the Underlying Funds. Some investments in Underlying Funds are suitable for sale only after several years, and Underlying Funds must sometimes satisfy redemptions with distributions of illiquid securities. The investments may also be subject to: (i) initial investment periods (or “lock-ups”); (ii) specific redemption periods; (iii) suspensions on redemption; (iv) limits on withdrawal amounts during redemption periods (or “gates”); or (v) restrictions on transfer and encumbrance.

Meridian invests substantially all Client assets in the Underlying Funds. The Underlying Managers may make a wide variety of investments. Prospective Clients should carefully consider the following non-exhaustive risks that relate to the specific types of investments that may be made by Underlying Funds.

**Equity Securities**

The value of equity securities held by an Underlying Fund are subject to market risk, including changes in economic conditions, growth rates, profits, interest rates and the market’s perception of the securities.

**Debt and Other Income Securities**

Many of the Underlying Funds will invest in fixed-income and adjustable rate securities. Even though such investments may promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and therefore are subject to the risk of market price fluctuations. The values of income securities also may be affected by changes in the credit rating or financial condition of the issuing entities.

**High-Yield Securities**

Underlying Funds may invest in high-yield securities, which are generally unrated or rated below investment grade. Such securities are generally not exchange-traded and do not benefit from the transparency of the exchange traded marketplace. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do more highly rated securities (which react primarily to fluctuations in the general level of interest rates) and tend to be more sensitive to adverse business, financial or economic conditions. In addition, an economic downturn could adversely affect the ability of the issuers of such securities to make payments against principal and interest. In addition, there is often no minimum credit standard that is a prerequisite to an Underlying Fund’s investment in any instrument, and a significant portion of

the obligations and securities in which an Underlying Fund invests may be less than investment grade.

**Convertible Securities**

Underlying Funds may invest in convertible securities (“Convertibles”) which are generally debt securities or preferred stocks that may be converted into common stock. Convertibles typically pay current income as either interest (debt security convertibles) or dividends (preferred stocks) and their value usually reflects both the stream of current income payments and the value of the underlying common stock. Since they are convertible into common stock, Convertibles generally have the same types of market and issuer risk as the underlying common stock. Convertibles that are debt securities are also subject to typical debt securities risks, such as interest rate risk, credit spread expansion risk and default risk. Convertibles are also prone to liquidity risk due to periods of decreased demand.

**Distressed Securities**

An Underlying Fund may invest in obligations of issuers in weak financial condition, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities may be particularly risky investments although they may also offer potential for high returns. There is no assurance that an Underlying Manager will correctly evaluate the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which an Underlying Fund invests, the Underlying Fund may lose its entire investment, may be required to accept cash or securities with a value less than the Underlying Fund’s original investment and/or may be required to accept payment over an extended period.

**Options**

Underlying Funds may engage from time to time in various types of options transactions on specific securities, stock indices and other instruments. When writing an option, unless the price of the securities underlying the option changes and it becomes profitable to exercise or offset the option before it expires, an Underlying Fund may lose the entire amount of the premium. Options trading may also be illiquid in the event that an Underlying Fund’s assets are invested in contracts with extended expirations.

**Futures Contracts and  
Options on Futures**

Underlying Funds may purchase and sell futures and options on futures contracts. Futures prices are volatile and the profitability of purchases and sales of futures contracts by an Underlying Fund will depend on the Underlying Manager’s ability to analyze market price movements. Because low margin deposits are normally required, an extremely high degree of

leverage is obtainable in futures and options trading. Consequently, a relatively small price movement in a futures contract may result in substantial losses, possibly exceeding the amount invested. Underlying Funds that engage in futures and option contract trading also incur risk in connection with the bankruptcy of any of its futures commission merchants.

### **Mortgage-Related Securities**

Mortgage-related securities are subject to credit risks associated with the performance of the underlying mortgages. In certain instances, the credit risk associated with mortgage-related securities can be reduced by third party guarantees or other forms of credit support. Improved credit risk, however, does not reduce prepayment risk, which is unrelated to the rating assigned to these securities. Unscheduled prepayments may shorten the maturity of a mortgage-related security and lead to significant fluctuations in its value. As with other interest bearing securities, the prices of certain mortgage-related securities are inversely affected by changes in interest rates. Moreover, although the value of a mortgage-related security may decline when interest rates rise, the converse is not necessarily true, since the likelihood of prepayments increases during periods of interest rate decline. These and other factors make it impossible to accurately predict a mortgage related security's return to an Underlying Fund.

### **Derivatives**

Certain Underlying Funds may invest in derivatives, which are financial contracts the values of which depend on, or are derived from, the value of an underlying asset, reference rate or index. Derivatives are subject to a number of risks such as interest rate risk, market risk and credit risk, as well as the risk of mispricing or improper valuation. There is also a risk that changes in the value of the derivative will not correlate perfectly with those of the underlying asset, rate or index. If an Underlying Fund invests in a derivative instrument, it could lose more than the principal amount invested. Also, assets of an Underlying Fund may be pledged as collateral in swap and other derivatives transactions, entitling the counterparty to those assets in the event of default.

Certain Underlying Funds may invest in derivative instruments in over-the-counter ("OTC") transactions that are not conducted on organized exchanges and, as such, are not standardized. In general, governmental regulation and supervision in the OTC markets is limited. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, are not available in OTC transactions. These factors expose an Underlying Fund to risks

associated with counterparties, such as credit or liquidity problems, contract disputes, insolvency, and bankruptcy.

**Short Selling**

Underlying Funds may engage in the short selling of borrowed securities. The maximum profit on a short sale is the difference between the price of the security at the time of the sale and the cost of repurchase. If the price of a security that has been sold short increases, there is no limit to the loss that can be incurred in covering the short sale. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

**Leverage**

Underlying Funds may use leverage, including borrowing to buy securities on margin or to make other investments. Underlying Funds may also leverage their assets by entering into reverse repurchase agreements. Leverage may subject Underlying Funds to substantial risk by magnifying both the favorable and unfavorable effects of price movements in their investments. If a sudden market decline caused a precipitous drop in the value of an Underlying Fund's assets, it might not be able to liquidate assets quickly enough to meet its margin or borrowing obligations. Acquiring positions on margin allows an Underlying Fund to control positions worth significantly more than the amount it invested, however, the amount that it stands to lose in the event of adverse price movements is high in relation to the amount invested. In addition, margin interest rates tend to fluctuate with interest rates generally, creating a risk that margin interest rates will increase and thereby increase Underlying Fund expenses.

**Foreign Market Risks**

Underlying Funds invest in markets other than those in the United States, including emerging markets and/or third-world countries. Such investments involve numerous risks. The degree of oversight, liquidity and financial control exercised by government regulators in such other jurisdictions may not protect investors as effectively as those in the United States. The securities markets of emerging and third-world countries are generally smaller, less developed, less liquid, and more volatile than those of developed markets. Accounting and auditing standards in many markets may also be less developed and less stringent than those of the United States or Europe. Lastly, there is substantially less publicly available information about companies located in emerging and third-world markets than there is about companies in developed markets.

<b>Loss as a Result of Currency Fluctuation</b>	There are special risks associated with foreign investing, including foreign currency exchange rate fluctuations, conversion risks and other economic, political and social risks. Exchange rate fluctuations may cause an Underlying Fund to receive a lower than anticipated return from its foreign assets.
<b>Frequent Transaction Costs</b>	Underlying Managers may make frequent trades in securities held by Underlying Funds. Frequent trades typically result in high transaction costs, borne <i>pro rata</i> by Clients as investors in the Underlying Funds.
<b>Future Regulatory Change</b>	Market disruptions and the dramatic increase in the capital allocated to asset management strategies during recent years have led to increased governmental scrutiny of alternative investment vehicles, such as the Underlying Funds and even the Funds themselves. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 could have a significant impact on the private fund industry, as well as the operations of the Funds and Underlying Funds. Federal and State regulators could impose greater regulation on the industry in the future. Any such regulation could adversely impact the profit potential of the Funds, as well as require increased transparency as to the identity of investors in the Funds.

## Item 9 – Disciplinary Information

Meridian and its employees have not been involved in any legal or disciplinary events that would be material to your evaluation of Meridian or the integrity of Meridian's management.

## Item 10 – Other Financial Industry Activities and Affiliations

MCP, MDFM and MDF have no ownership interest in each other; however, a common group of individuals directs the management and policies of each affiliate and each shares a common group of employees. MCP and MDFM act as investment manager to the Funds, and MDF is the general partner or managing member of Funds managed by MDFM. From time to time, MCP and MDF form limited partnerships and limited liability companies, such as the domestic Funds. The table below summarizes the relationships and arrangements that are material to Meridian's advisory business and to its Clients.



Fund	Fund Organization	Investment Mgmt.	Material Relationships & Arrangements
Meridian Horizon Fund, LP	Delaware Limited Partnership	MCP (General Partner)	Feeder fund of Meridian Capital Fund, LLC
Meridian Horizon Fund II, LP	Delaware Limited Partnership	MCP (General Partner)	Limited partner of Meridian Performance Partners, LP
Meridian Performance Partners, LP	Delaware Limited Partnership	MCP (General Partner)	
Meridian Diversified Fund, LP	Delaware Limited Partnership	MDFM (Inv. Manager) MDF (General Partner)	Feeder fund of Meridian Capital Fund, LLC
Meridian Capital Fund, LLC	Delaware Limited Liability Co.	MDFM (Inv. Manager) MDF (Managing Member)	Master fund of Meridian Diversified Fund, LP and Meridian Horizon Fund, LP. Limited partner of Meridian Performance Partners, LP
MHF Special Investments, LLC	Delaware Multi-Series Limited Liability Co.	MDF (Managing Member) & MDFM (Managing Member and Inv. Manager)	Acquires, holds and distributes to investors withdrawing from the domestic Funds the proceeds of Fund investments that are in the process of liquidation.
Meridian Diversified Fund, Ltd.	Cayman Islands Exempted Co.	MDFM (Inv. Manager)	Feeder fund of Meridian Capital Fund, Ltd.
Meridian Diversified Compass Fund, Ltd.	Cayman Islands Exempted Co.	MDFM (Inv. Manager)	
Meridian Diversified ERISA Fund, Ltd.	Cayman Islands Exempted Co.	MDFM (Inv. Manager)	Feeder fund of Meridian Capital Fund, Ltd.
Meridian Capital Fund, Ltd.	Cayman Islands Exempted Co.	MDFM (Inv. Manager)	Master fund of Meridian Diversified Fund, Ltd. and Meridian Diversified ERISA Fund, Ltd.
MDF Special Investments SPC, Ltd.	Cayman Islands Segregated Portfolio Co.	MDFM (Inv. Manager)	Acquires, holds and distributes to investors withdrawing from the offshore Funds the proceeds of Fund investments that are in the process of liquidation.

As described in the table above, certain of the Funds are organized into a “master-feeder” structure, whereby a majority of the investments of “feeder funds” are contributed to centralized investment vehicles known as “master funds.” The investment objectives of the master funds are identical to those of the feeder funds. The master funds allocate to the feeder funds a pro-rata share of their gains and losses. Fees and expenses are paid by the master funds or the feeder funds, but are not duplicated (apart from fees and expenses incurred by both the master funds and the feeder funds such as, without limitation, administration fees, legal expenses, and accounting expenses).

In order to effectuate its investment strategy, Meridian Capital Fund, LLC (“MCF”), a master fund, holds a limited partnership interest in Meridian Performance Partners, LP (“MPP”) as one of its portfolio investments. Meridian does not receive any performance fees or management fees from MPP as a result of the investment by MCF.

Meridian Horizon Fund II, LP also includes MPP as one of its portfolio investments, but its investors do not bear duplicative management fees or allocations in connection with this investment.

Meridian maintains equity investments in certain of the Funds as their general partner or managing member. In addition, some of Meridian’s partners and officers maintain direct equity investments in certain Funds. Such investments may give Meridian, its partners or its officers financial or other incentives to allocate investment opportunities or management services to the Funds in which they invest.

Meridian has the right to waive part or all of any notice period or agree to different redemption dates or frequency of redemptions for Fund investors. The Funds may offer certain investors additional information or reporting that other investors may not receive, and such information may affect an investor’s decision to request redemption of its interests.

The relationships, arrangements and investments described in this Item are subject to the fiduciary duty Meridian owes to the Clients. This duty requires Meridian to serve the best interests of the respective Clients and precludes Meridian from subordinating these interests to its own. In keeping with its fiduciary duty, Meridian adopted written policies and procedures to manage and review conflicts of interest related to these and to similar relationships, arrangements and investments. Meridian’s policy is that such factors must not affect its investment management decisions.

Meridian implemented this policy by adopting a written Code of Ethics and Personal Securities Trading Policy (the “Code of Ethics”) in compliance with Rule 204A-1 of the Advisers Act (as described in more detail in response to Item 11 below). The Code of Ethics is designed in part to ensure that the personal investment activities and interests of Meridian’s officers, partners and employees do not interfere with its ability to make decisions in the best interests of the Clients.

Pursuant to its Code of Ethics, Meridian formed an Ethics and Personal Securities Trading Compliance Committee comprised of persons not involved in the investment management process. This committee meets when a potential conflict arises, and periodically thereafter, to review all investment activity relating to the applicable Fund together with a written report from Meridian’s Research Department regarding Meridian’s investment management decisions as they relate to those investments.

Meridian also adopted a written Compliance Procedures Manual (the “Manual”) designed to ensure proper supervision of advisory activities and compliance with applicable laws, including the Advisers Act, SEC rules and regulations, and laws of state jurisdictions. The Manual complies with the provisions of Rule 206(4)-7 of the Advisers Act which requires the adoption of written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and related regulations on the part of Meridian and its officers, partners and employees.

### **Item 11 – Code of Ethics**

Meridian’s Code of Ethics establishes standards of ethical behavior and business conduct and was adopted in compliance with Rule 204A-1 of the Advisers Act. Meridian requires all officers, partners and employees to acknowledge the terms of the Code of Ethics annually or as otherwise amended.

The Code of Ethics:

- Reflects the fiduciary obligations of Meridian and its owners, officers, and employees
- Establishes ideals for ethical conduct premised on fundamental principles of openness, integrity, honesty and trust
- Requires compliance with federal and state securities laws and prohibits insider trading
- Prohibits owners, officers and employees from buying or selling interests in non-Meridian hedge funds without the approval of Meridian’s Ethics and Personal Securities Trading Compliance Committee
- Requires owners, officers and employees with access to nonpublic information about any Fund’s purchase or sale of securities, involvement in making securities recommendations to the Funds, or access to such nonpublic recommendations (“Access Persons”) to obtain Meridian’s approval prior to investing in an initial public offering or private placements (other than the Funds)
- Requires Access Persons to: (i) make a quarterly report of all personal trades involving reportable securities; (ii) make an annual report of all personal securities holdings; and (iii) notify Meridian’s Treasurer in advance of opening any brokerage account
- Requires review by Meridian’s Treasurer of all securities trading and holding reports to ensure compliance with Meridian’s policies
- Requires owners, officers and employees to promptly report suspected violations of the Code of Ethics to Meridian’s Chief Compliance Officer, allows anonymous submission of such reports and prohibits retaliation against employees who make such reports
- Imposes requirements and procedures relating to the confidentiality of investor information
- Imposes restrictions on the acceptance of gifts and the reporting of certain gifts and business entertainment items

Upon request, a copy of Meridian’s Code of Ethics is available to current or prospective Clients and to current or prospective investors in the Funds.

## **Item 12 – Brokerage Practices**

Meridian does not permit Clients to direct Meridian to execute transactions through a particular broker-dealer and does not receive “soft dollars” from brokers. Meridian’s Clients invest in Underlying Funds in private transactions that do not involve brokers or dealers. The investment securities of the Underlying Funds are principally purchased and sold through brokerage firms in the United States and elsewhere, and the Underlying Managers hold the right to select the broker or dealer through which such purchases and sales are made. Meridian’s investment allocation procedures are described under Item 6 above.

## **Item 13 – Review of Accounts**

Meridian’s research department (the “Research Department”), which is comprised of Messrs. Howard B. Fischer, Director of Research; Phillip J. Vicinanzo, Director; Troy E. Filburn, Director of Operational Due Diligence, and additional analysts, meets continually to discuss market and underlying manager developments and Client portfolio needs.

The Research Department uses a combination of in-house and third-party software systems to perform quantitative monitoring of Underlying Managers and Underlying Funds. It also conducts continuous evaluations of portfolio composition and augments these evaluations by tracking weekly hedge fund manager performance data-points, exposure trends and other material information flows. Meridian views each position in an Underlying Fund as a “buy” or “sell,” and the Research Department makes constant comparisons of these positions against prospective investments in alternative funds.

The Research Department performs these and other functions under supervision by Meridian’s CEO and CIO, William H. Lawrence. Mr. Lawrence also is the head of Meridian’s portfolio management group (the “Portfolio Management Group”), comprised of Messrs. Lawrence, Fischer, Vicinanzo and John Sica, Meridian’s president. The Portfolio Management Group typically meets twice every month to discuss investment strategies, selection of Underlying Funds and Underlying Managers, as well as Client portfolio liquidity, risk, and allocation.

Meridian and the Fund administrators provide the following reports directly to investors in the Funds:

- Quarterly account statements showing the current, unaudited, estimated balance of the investor's account, net of all fees and expenses
- Audited financial statements following the annual audit by the independent auditors of the respective Funds (including IRS Schedule K-1 for investors in the domestic Funds)
- Quarterly investment commentaries relating to the respective Funds and the performance of the Underlying Funds in their portfolios

- Monthly performance reports (upon request)

Meridian provides its Managed Account Clients with its quarterly letter mailings and correspondence received from the Underlying Funds.

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

For the distribution of Fund interests or shares and/or referral of suitable candidates for investment in the Funds, Meridian sometimes relies on properly registered third-party distributors. In these instances, the third-party distributors enter agreements with the Funds under which they receive a portion of the Management Fees and/or Performance Fees for so long as the assets placed by the third-party distributor remain invested in the Funds. The fees paid to Meridian and the fees paid to the third-party distributors, in the aggregate, typically equal the fees paid by investors in the same Fund who were not placed by such distributors. Certain Funds, however, have investment classes that pay a Management Fee that is increased by the number of basis points paid to the brokerage firm representing the investors.

Meridian does not receive any direct economic benefit for providing advisory services other than from the Funds; however, increases in the dollar amounts of Management Fees and Performance Fees that may be incurred by a Fund correspond to increases in the total amount invested in that Fund. Use of a third-party distribution agreement may increase investment in the Fund and thereby increase the dollar amount of the fees earned by Meridian.

There is generally no relationship or affiliation between Meridian and the third party solicitor apart from the solicitation contract. Certain third party solicitors, however, may invest directly in the Funds and those investments may be subject to side agreements with the Fund and/or Meridian that provide the solicitor with preferential liquidity or lower fees.

See also the description of the business relationships between Meridian advisory affiliates and related conflicts of interest in response to Item 10 above.

#### **Item 15 – Custody**

Meridian is deemed to have custody of Client funds and securities with respect to the domestic Funds; and Fund assets (other than interests in Underlying Funds) are held by a qualified custodian. Investors in the domestic Funds receive annual audited financial statements from the Funds within 180 days of the Funds' fiscal year end. Meridian is not deemed to have custody of the offshore Funds' assets.

### **Item 16 – Investment Discretion**

Meridian has authority to determine, without obtaining specific consent from the Funds or their investors, the securities to buy and sell on behalf of the Funds, as well as the amounts of the securities to be bought and sold. In all cases, Meridian exercises its authority in a manner consistent with the Fund's stated investment objectives, policies, limitations and restrictions.

Although it may use other investment strategies at its discretion, Meridian currently does not use strategies other than long-term purchases and, in limited circumstances, short term purchases to implement its investment programs. The Underlying Managers generally have the authority to use, and do in fact use, a wide range of other strategies including (without limitation) short sales, trading, options writing and margin transactions.

Meridian does not have investment discretion with respect to its Managed Account Clients.

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

Meridian has investment discretion over the assets of the Funds and also exercises voting authority over their investments, which include Underlying Funds and money market funds. As with all investment decisions, Meridian would act on a proxy solicitation only in a manner consistent with the best interests of the Fund. The Funds' offering documents describe procedures for addressing material conflicts of interest between Meridian and the Funds when voting the Funds' securities. In general, such documents provide that if a material conflict of interest arises in the context of a proxy solicitation, the Fund may appoint an independent client representative to act as its agent. Neither the Funds nor their investors can direct Meridian's vote in a particular solicitation. Meridian does not have proxy voting authority over its Managed Account Clients' assets.

Investors may request a copy of Meridian's complete proxy voting policies and procedures, as well as information about how Meridian voted any past proxy solicitations with respect to the Fund relevant to the investor by contacting the Managing Director of Operations at (518) 432-1600.

### **Item 18 – Financial Information**

This Item requires Meridian to provide certain financial information or disclosures about its financial condition. Meridian is not aware of any financial condition that could impair its ability to meet its contractual or fiduciary commitments to the Clients.