

**SC Management, Inc.**

**100 Drakes Landing Road, Suite 125,  
Greenbrae, CA 94904**

**March 2011**

This brochure provides information about the qualifications and business practices of SC Management, Inc. ("SC"). If you have any questions about the contents of this brochure, please contact us at +1 415 464 0994 or by email at [Lukas@SC-ManagementInc.com](mailto:Lukas@SC-ManagementInc.com). You may also visit our website at [www.sc-managementinc.com](http://www.sc-managementinc.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.

SC is a registered investment adviser. Registration of an investment adviser does not imply that SC or any of our principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about SC Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

---

---

**Table of contents**

---

Table of contents.....	2
Item 2 - Material changes .....	3
Item 4 - Advisory Business.....	4
Item 5 - Fees and Compensation.....	4
Item 6 - Performance Fees.....	4
Item 7 - Types of Clients.....	5
Item 8 - Methods of Analysis, Investment Strategies Risk of Loss.....	5
Item 9 - Disciplinary Information .....	7
Item 10 - Other Financial Industry Activities and Affiliations.....	7
Item 11 - Code of Ethics, Participation/Interest in Client Transactions, Personal Trading .....	7
Item 12 - Brokerage Practices.....	8
Item 13 - Review of Accounts.....	9
Item 14 - Client Referrals and Other Compensation .....	10
Item 15 - Custody .....	10
Item 16 - Investment Discretion .....	10
Item 17 - Voting Client Securities .....	10
Item 18 - Financial Information .....	10

**Item 2 - Material changes**

---

On July 28, 2010, the SEC published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This brochure is a new document prepared by SC according to the SEC's new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only *specific material changes* that are made to the brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

**Item 4 - Advisory Business**

---

SC Management, Inc. ("SC" or the "General Partner"), a California corporation organized in June 1993, currently provides discretionary investment advisory services and management services to Shoreline Fund I L.P., a private investment vehicle (the "Investment Vehicle"). The Investment Vehicle is managed in accordance with its investment objectives, strategies, restrictions and guidelines. Investments are not tailored to any particular private investor (each an "Investor" or "Limited Partner").

As we do not provide individualized advice to Investors, you should consider whether the Investment Vehicle meets your investment objectives and risk tolerance prior to investing. Detailed information about the Investment Vehicle can be found in its offering documents, including its confidential private offering memorandum (the "PPM").

As of December 31, 2010, SC's managed client assets, on a discretionary basis, of \$84,135,704.

David Davidson is the sole owner of SC as of December 31, 2010.

Lukas Arnerich is SC's Chief Compliance Officer ("CCO").

**Item 5 - Fees and Compensation**

---

The Investment Vehicle generally pays a fee consisting of (1) a management fee and (2) an annual performance fee.

The current management fee schedule for the Investment Vehicle is generally as follows:

Management Fee: 1% annually (0.25% quarterly)

In consideration for our services, SC receives a quarterly management fee equal to 0.25% of each Limited Partner's share of the Investment Vehicle's net assets (approximately 1.00% *per annum*), payable in arrears as of the last day of each quarter.

We may waive or reduce the management fee for SC employees, their affiliates and members of their families, or certain large or strategic investors. Fees may be negotiable and some Investors may pay less than others. The Firm will deduct management fees from the Investment Vehicle and additionally, the Investors will incur all brokerage and transaction costs from the Investment Vehicle. Please see Item 12 for additional information on Brokerage Practices.

**Item 6 - Performance Fees**

---

The performance fee is calculated based upon a percentage of the net capital appreciation of the Investment Vehicle at the end of each fiscal year, which is paid directly to SC.

SC's current performance fee schedule for the Investment Vehicle is generally as follows:

Performance Fee: 20% annually, as described below

SC's performance fee is charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act") whereby each Investor that is charged a performance fee must be a "Qualified Client."

The performance fee is calculated on 20% of each Limited Partner's share of the Investment Vehicle's net income in excess of cumulative unrecovered losses carried forward from prior years (this limitation is commonly referred to as a "high water mark").

An incentive allocation arrangement may create an incentive for SC to make investments that are riskier or more speculative than would be the case in the absence of an incentive allocation. In addition, SC may receive such compensation with regard to unrealized as well as realized gains in an Investor's account.

We may waive or reduce the performance fee for SC employees, their affiliates and members of their families, or certain large or strategic investors.

### **Item 7 - Types of Clients**

---

Investors in the Investment Vehicle include high net worth individuals and institutional investors (e.g. foundations, private funds-of-funds and other entities) meeting the terms of the exceptions and exemptions under which the Investment Vehicle operates and wishing to invest in accordance with its particular investment objective.

SC offers interests to Investors pursuant to Regulation D under the Securities Act of 1933, as amended. The Investment Vehicle managed by SC qualifies for an exemption from the definition of an "investment company" under the Investment Company Act of 1940, as amended (the "Investment Company Act") under Section 3(c)(7) of the Investment Company Act.

The required minimum investment in the Investment Vehicle is \$2,000,000; however, we have the authority to accept subscriptions for a lesser amount. Additionally, unless the General Partner consents, partial withdrawals may not be made if they would reduce a Limited Partner's Capital Account balance below \$250,000.

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

---

The General Partner's investment ideas may be generated from a wide variety of sources including public filings, industry periodicals, traditional media and other news and financial publications, and our own proprietary data screens.

Investment strategies used to implement investment advice primarily include:

- Short sales
- Trading (securities sold within 30 days)
- Margin transactions
- Short-term purchases (securities sold within a year)

In general, the General Partner will seek to invest the Investment Vehicle's assets primarily via short sales in large cap, U.S. equity securities with a high daily trading volume (generally averaging greater than 1 million shares per day). The investment strategy is intended to achieve a highly liquid and transparent investment portfolio. The General Partner believes that such liquidity will enable greater flexibility of the Investment Vehicle's investment portfolio as well as comprehensive risk management of such portfolio. The General Partner is focused on achieving capital preservation through a disciplined, short-biased trading approach.

Investing in the Investment Vehicle involves risk of loss of which you must be prepared to bear. These risks include, but are not limited to, risks that the equity securities in the Investment Vehicle's portfolios will decline in value, risks inherent in short sales, and counterparty risks in derivative transactions and other instruments.

The following summary of certain risks does not purport to be complete, but includes some of the potential risks generally associated with SC's investment strategy.

## **Risk**

You should consider the following factors before investing in the Investment Vehicle. Once again, the following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Investment Vehicle. Prospective investors are urged to consult their professional advisers and the PPM before deciding to invest in the Investment Vehicle.

### *Short-Sales*

SC may effect short sales. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Investment Vehicle'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.

### *Portfolio Turnover*

The investment strategy of the Investment Vehicle may require SC to actively trade the Investment Vehicle's portfolio, and as a result, turnover and brokerage commission expenses of the Investment Vehicle may significantly exceed those of other investment entities of comparable size.

### *Reliance on Management and Key Personnel*

You have no right or power to take part in the management of SC. Accordingly, no Investor should invest in the Investment Vehicle unless such investor is willing to entrust all aspects of management to SC. The investment performance of the Investment Vehicle depends largely on the skill of key personnel of SC, including, in particular, David Davidson. If key personnel were to leave SC, we might not be able to find equally desirable replacements and the performance of the Investment Vehicle could, as a result, be adversely affected.

Note: All investments involve the risk of loss, including (among other things) loss of principal, a reduction in earnings (including interest, dividends and other distributions), and the loss of future earnings. These risks include market risk, interest rate risk, issuer risk, and general economic risk. Although we manage the assets in a manner consistent with risk tolerances, there can be no guarantee that our efforts will be successful. The investor should be prepared to bear the risk of loss.

### *Leverage*

The Investment Vehicle may trade on margin, engage in other forms of borrowing to finance their operations and use other forms of financial leverage. The level of interest rates and the rates at which the Investment Vehicle can borrow will affect the operating results of that

Investment Vehicle. Fluctuations in the market value of the portfolio of a heavily leveraged Investment Vehicle can have a disproportionately large effect in relation to the capital of that Investment Vehicle. Any event which may adversely affect the value of positions held by an Investment Vehicle could significantly affect the net asset value. It may also borrow funds from time to time for liquidity purposes or otherwise as SC deems appropriate.

#### *Potential Conflicts of Interest*

In addition to advising the Investment Vehicle, SC will engage in investment and trading activities for our own accounts. SC is not obligated to devote any specific amount of time to the affairs of the Investment Vehicle. In managing other funds or trading for their own accounts, SC may take positions which are opposite, or ahead of, the Investment Vehicle in which the capital is invested. Although Investors will not be entitled to inspect those trading records of SC that are not related to the Investment Vehicle, SC does have a comprehensive employee trading policy in place which attempts to mitigate any perceived or actual conflicts of interest between the Firm and our Investors.

### **Item 9 - Disciplinary Information**

---

We are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of our business or the integrity of our management. SC has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of the Firm have been subject to such action.

### **Item 10 - Other Financial Industry Activities and Affiliations**

---

The General Partner has engaged Banyan Securities LLC, a registered broker-dealer ("Banyan"), to provide executing brokerage services to the Investment Vehicle. In exchange for executing transactions for the Investment Vehicle, Banyan will be paid a commission by the Investment Vehicle as negotiated by the General Partner in the manner described herein. The General Partner also leases office space from Banyan and pays a monthly, "hard dollar" rental fee to Banyan. In connection with our arrangements with Banyan, through year end 2010, the General Partner also received certain "soft dollar" benefits from Banyan in the form of access to data, internet and communications infrastructure, and accounting and bookkeeping services. The "soft dollar" arrangements for accounting and bookkeeping services are no longer in place.

The Investment Vehicle is not required to allocate either a stated dollar or stated percentage of its brokerage business to any broker for any minimum time period, and will review such relationships from time to time.

### **Item 11 - Code of Ethics, Participation/Interest in Client Transactions, Personal Trading**

---

#### **Code of Ethics Pursuant to Rule 204A-I of Advisers Act**

We have adopted a Code of Ethics pursuant to Rule 204A-I under the Advisers Act which sets forth certain ethical standards governing the conduct of our employees, including restrictions on personal securities transactions, limitations on acceptance of gifts, employee

training programs, and confidentiality requirements. SC will provide a copy of our Code of Ethics to any Investor or prospective Investor upon request.

### **Participation or Interest in Client Transactions**

As discussed herein, SC manages accounts for the Investment Vehicle. From time to time we may cause the Investment Vehicle to buy a security in which SC or an associated person has an ownership position, or SC or an associated person of SC may purchase a security of the same class as securities held in the Investment Vehicle. It is SC's policy not to permit associated persons (or certain of their relatives) to trade in a manner that takes advantage of price movements caused by client transactions.

It is also our policy to not give preference to orders for personnel associated with the firm regarding such trading. SC and our employees may personally invest in the same securities that are purchased for the Investment Vehicle and may own securities that are subsequently purchased for the Investment Vehicle. If the purchase and sale of securities are aggregated, both the Investment Vehicle and SC will pay or receive the same price, or the Investment Vehicle will receive the more favorable price. SC or our personnel may also buy or sell a specific security for their own account based on personal investment considerations, which SC does not deem appropriate to buy or sell for the Investment Vehicle.

Employees, relatives, affiliates of the employees, and relatives of the employees may make investments in the Investment Vehicle. SC generally will not receive any compensation from such employee investments.

### **Personal Trading**

As per our personal trading policy, no employee or other person working on behalf of SC, individual members of their immediate families or persons living in their households may own, directly or indirectly, any interest in any corporation or other entity if ownership of such interest could compromise the loyalty or judgment of such employee or person working on behalf of SC. Whether a particular financial interest will constitute a conflict of interest or the appearance thereof will vary depending on the circumstances. All employees are required to notify and pre-clear with the CCO, their individual securities transactions. Exceptions may be made at SC's discretion.

## **Item 12 - Brokerage Practices**

---

### **Brokerage Discretion**

In placing portfolio transactions and negotiating commission rates, we will seek take into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the broker's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying SC's other selection criteria.

Unless otherwise specified, securities transactions are executed through brokers selected by SC in our sole discretion. SC is authorized to direct brokerage to firms which furnish or pay for a variety of services and items outside of the "safe harbor" provided by Section 28(e)



of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), relating to “soft dollar” arrangements provided that SC believes that such arrangements are consistent with standards of fiduciary duty applicable to SC. The term “soft dollars” refers to the receipt by an investment manager of products and services provided by brokers, without any cash payment by the investment manager, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment manager’s clients.

The General Partner may derive direct or indirect benefit from these services and items obtained through the use of the Investment Vehicle’s brokerage commissions, particularly to the extent the General Partner uses soft dollars to pay expenses we would otherwise be required to pay. This creates a conflict of interest because the Investment Vehicle pays for such products and services that are not exclusively for the benefit of the Investment Vehicle and that may benefit the General Partner or our affiliates.

Commission rates in the United States are negotiable, the General Partner’s selection of brokers on the basis of considerations which are not limited to applicable commission rates may at times result in the Investment Vehicle being charged higher transaction costs than it could otherwise obtain.

SC may direct some client brokerage business to brokers who refer Investors to SC. Because such referrals, if any, are likely to benefit SC but will provide an insignificant (if any) benefit to the Investor, SC will have a conflict of interest with the Investor when allocating brokerage business to a broker who has referred Investors to it. To prevent brokerage commissions from being used to pay Investor referral fees, SC will not allocate brokerage business to a referring broker unless SC determines in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to the Investor.

### **Aggregation of Orders**

SC may aggregate sale and purchase orders of securities held by a client with similar orders being made simultaneously for other accounts or entities if, in SC’s reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the client based on an evaluation that the client will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for the client will be affected simultaneously with the purchase or sale of like securities for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, at the SC’s sole discretion, and the client may be charged or credited, as the case may be, with the average transaction price.

### **Item 13 - Review of Accounts**

---

All accounts managed by SC are reviewed, at a minimum, on a monthly basis by David Davidson, the CEO and primary portfolio manager of the General Partner, to assure consistency with SC’s investment processes and conformity with client objectives and guidelines. Some reviews may include an evaluation of account performance relative to certain agreed upon benchmarks or objectives, while others may include an analysis of current positions and/or asset mix. Account reviews may result in adjustments to a client’s portfolio.

Each investor will receive a monthly statement detailing their account information including the account's beginning and ending equity, and the account's performance for that period. Additionally, each investor will receive the Investment Vehicle's audited financial statements within 120 days of the Investment Vehicle's fiscal year end.

---

**Item 14 - Client Referrals and Other Compensation**

---

SC may enter into fee sharing arrangements with third party marketers who refer prospective Investors to the Investment Vehicle. Such marketers may be paid a portion of the management fees or incentive fees earned by SC from the referred Investor, the amount of which is subject to negotiation. Such third party marketers may have a conflict of interest in advising prospective Investors whether to purchase or redeem their shares in the Investment Vehicle.

Investors who are referred to SC via a paid referral will receive a disclosure statement from the referring marketer and/or SC regarding the potential conflict of interest. SC will comply with Section 206(4)-3 of the Investment Advisers Act in connection with any such referrals by third parties.

---

**Item 15 - Custody**

---

SC will maintain the assets of the Funds in accounts with a "qualified custodian" pursuant to Rule 206(4)-2 under the Advisers Act. The qualified custodians presently utilized by SC are Goldman Sachs & Company and BNP Paribas Prime Brokerage, Inc.

To ensure compliance with Rule 206(4)-2 under the Advisers Act, SC will be required to reasonably believe that all Investors will be provided with audited financial statements for the Investment Vehicle prepared by an independent accounting firm that is registered with and subject to review by the Public Company Account Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles, within 120 days of the end of such Investment Vehicle's fiscal years. Investors should carefully review the audited financial statements of the Investment Vehicle.

---

**Item 16 - Investment Discretion**

---

SC has discretionary authority to manage the Investment Vehicle with no limitations. These terms are set out in the Offering Memoranda and other disclosure documents.

---

**Item 17 - Voting Client Securities**

---

SC has established proxy voting policies and procedures designed to ensure that any proxies are voted in the best interest of SC's Investors and clients. In all cases, SC will observe our fiduciary duties to our clients. Upon request, SC will provide an Investor with a copy of our proxy voting policies and procedures and information on how the proxies were voted.

---

**Item 18 - Financial Information**

---

SC does not require or solicit pre-payment of any type of client fees in advance.

SC has no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.