

Form ADV, Part 2A  
ADAR Investment Management LLC

**Item 1 - Cover Page**

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Date: March 31, 2011

**This brochure provides information about the qualifications and business practices of ADAR Investment Management LLC. If you have any questions about the contents of this brochure, please contact us at 212-373-8900. 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.**

**Additional information about ADAR Investment Management LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

ADAR Investment Management LLC is a registered investment adviser. Being registered does not imply a certain level of skill or training.

**Item 2 - Material Changes**

*Not applicable.*

**Item 3 - Table of Contents**

Item 1 - Cover Page.....	1
Item 2 - Material Changes .....	2
Item 3 - Table of Contents.....	2
Item 4 - Advisory Business .....	3
Item 5 - Fees and Compensation .....	3
Item 6 - Performance-Based Fees and Side-By-Side Management.....	4
Item 7 - Types of Clients .....	4
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	5
A. Methods of Analysis and Investment Strategies Generally .....	5
B. Certain Risks Associated with Methods of Analysis and Investment Strategies.....	5
C. Not applicable. ....	14
Item 9 - Disciplinary Information.....	14
Item 10 - Other Financial Industry Activities and Affiliations.....	15
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	16
Item 12 - Brokerage Practices .....	17
A. Selection of Brokers .....	17
1. Research and Other Soft Dollar Benefits .....	17
2. Brokerage for Client Referrals .....	18
3. Directed Brokerage.....	19
4. Allocation of Investment Opportunities .....	19
5. Trade Error Policy .....	19
6. Aggregation of Orders.....	19
Item 13 - Review of Accounts.....	20
Item 14 - Client Referrals and Other Compensation .....	20
Item 15 - Custody .....	20
Item 16 - Investment Discretion .....	20
Item 17 - Voting Client Securities.....	21
Item 18 - Financial Information .....	21
Item 19 - Requirements for State-Registered Advisers .....	21

**Item 4 - Advisory Business**

- A. ADAR Investment Management LLC (“ADAR,” “we” or “us”) is a Delaware limited liability company that provides investment advice to private investment entities. We have been in business since June 2004. Our principal owner is Yehuda Blinder.
- B. ADAR is the investment manager of ADAR Investments (Offshore) Ltd and a general partner of ADAR Investment Partners LP (together, the “Funds”). The Funds each invest substantially all of their assets in ADAR Investment Fund Ltd (the “Portfolio”). We also serve as investment manager to clients under separately managed accounts. The Funds, the Portfolio and the separately managed accounts we manage are collectively referred to in this Brochure as the “Accounts.” We generally invest and trade on behalf of the Accounts in a wide variety of securities and financial instruments, domestic and foreign, of all kinds and descriptions, both publicly traded and privately placed.
- C. Under certain circumstances, we will contract with a client to adhere to limited risk and/or operating guidelines imposed by such client. Such arrangements are negotiated on a case by case basis. (*See Item 16 “Investment Discretion.”*)
- D. We do not participate in wrap fee programs.
- E. As of March 1, 2011, we managed approximately \$273,400,000 on a discretionary basis. We do not manage any assets on a non-discretionary basis.

**Item 5 - Fees and Compensation**

- A. Our fees and compensation are described in the advisory contracts we enter into with our clients. All of our clients and the investors in our Funds are “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “1940 Act”)).
- B. We generally deduct management fees from Accounts quarterly in advance. Generally, either we or our affiliates receive performance-based fees or allocations from Accounts on an annual basis in arrears and upon redemptions or withdrawals.
- C. The Accounts generally bear all expenses related, directly and indirectly, to their operations and affairs and their business of investing and trading and other activities (with certain limited exceptions with respect to separately managed accounts, as determined under the respective managed account agreements, in which case ADAR, and not the Funds, pays the pro rata share attributable to the separately managed accounts) including, without limitation: all brokerage commissions and custody charges, interest and commitment fees on loan and debit balances, costs of borrowing securities to be sold short, research fees and materials, travel expenses in conjunction with research, back office expense, costs of any outside appraisers, accountants, attorneys or other experts or consultants engaged by ADAR or its affiliates in connection with specific transactions, bank charges, computer service expenses (including Bloomberg fees, electronic trading expenses and similar services), insurance costs (including director and officer insurance), legal fees and costs (including settlement costs) arising in connection with any litigation or regulatory investigation instituted against ADAR or its affiliates in connection with the affairs of the Accounts, withholding or transfer taxes, government charges and professional fees and expenses incurred in connection with the preparation of the

Accounts' respective offering and organizational documents, filing fees, costs of accounting, including the audit of the Accounts' annual financial statements and the preparation of their tax returns, the fees and expenses of the Accounts' legal counsel in connection with advice directly relating to their legal affairs, costs of preparing and mailing reports to investors, and other ordinary and out-of-pocket expenses. (See Item 12 "Brokerage Practices" below.)

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

D. Our management fees are generally paid quarterly in advance and are not refundable in the event that the advisory contract is cancelled prior to the end of a payment period.

E. *Not applicable.*

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

We or our affiliates receive annual performance-based fees or allocations from the Accounts which are based on a percentage of the capital appreciation of the assets in such Accounts.

The terms of our performance-based fees and allocations may differ between the Funds and the separately managed accounts we manage. This may result in a conflict of interest when we allocate opportunities between the Portfolio and these managed accounts because we will have an incentive to favor Accounts that have higher performance-based fees and allocations. To avoid such a conflict of interest we generally follow documented procedures in allocating opportunities among the Accounts, which do not take into account the performance-based fees and allocations to which the Accounts are subject (see Item 12, Section A.4, "Allocation of Investment Opportunities" below).

As our management fees and performance-based fees and allocations are based directly on the net asset value of the Accounts, we have a conflict of interest in valuing the Accounts' assets. We will follow our documented valuation policies in order to mitigate this risk.

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

We primarily provide investment advice to clients that are private investment entities (either through a fund vehicle or a separately managed account). The minimum investment in the Funds is generally \$5,000,000, although we may accept smaller investments in our discretion. We will determine the minimum investment for a separately managed account on a case by case basis but it is generally expected to be at least \$50,000,000.

**Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss****A. *Methods of Analysis and Investment Strategies Generally***Methods of Analysis

Our method of analysis is primarily fundamentally driven, complemented by quantitative analysis as well. Our investment objective is to maximize investors' capital while minimizing the risk of capital loss. We seek opportunities primarily in U.S. securities markets for investments in our core strategy of equity relative value and our opportunistic strategies of equity special situations and credit relative value.

Investment Strategies

*Equity Relative Value.* Using a fundamentally based, bottom-up approach, we seek to buy or sell a stock that we believe is undervalued or overvalued in relation to its peers, where a catalyst exists to cause the security's value to move in line with our investment thesis. We attempt to dynamically hedge each position with a basket of correlated securities that are fundamentally and quantitatively selected to isolate the catalysts and reduce market and sector risk. This strategy typically accounts for most of the positions in the Accounts.

*Equity Special Situation.* This strategy includes index event trades, select merger arbitrage investments and other less equity-market sensitive special situations. We use this strategy opportunistically.

*Credit Relative Value.* Using fundamental and scenario analysis, we buy long or sell short different parts of a company's capital structure on behalf of our clients to seek to generate attractive net yields with meaningful positive optionality. We also opportunistically use credit securities to complement or substitute for equities in the equity relative value portfolio.

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

An investment in a Fund or a separately managed account involves risks not associated with other investment alternatives. Prospective investors should carefully consider, among other factors, the risks described below. The risk factors described below are not intended to be an exhaustive listing of all potential risks associated with an investment in a Fund or a separately managed account.

Investment and Trading Risks

All investments in securities and other financial instruments risk the loss of invested capital. We believe that our investment program and trading techniques moderate this risk through the careful selection of securities and other financial instruments. No guarantee or representation is made that the program will be successful. Our investment program may utilize such investment techniques including, but not limited to, leverage, futures, illiquid securities, option transactions, margin transactions, short sales, forward contracts, foreign exchanges, and over-the-counter derivative transactions including total return equity swaps and credit default swaps, caps, floors and collars. These techniques

can, in certain circumstances, increase significantly the adverse consequences to which an Account may be subject.

#### Valuation of Securities; Exchange Risks

An Account's assets may, at any given time, consist of significant amounts of securities and other financial instruments or obligations which are thinly-traded, for which no market exists and/or which are restricted as to their transferability under federal or state securities laws. To the extent that an Account invests in securities or instruments for which market quotations are not readily available, the valuation of such securities and instruments will be determined by us and reviewed by the Account's administrator, subject to the overall supervision of the Account's directors (in cases where the Account is a Cayman Islands exempted company). Such determination will be final and conclusive as to all parties. We have a conflict of interest in helping value such securities as our performance fee and management fee are based indirectly on the net asset value of the Accounts.

In addition, for all securities traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it impossible to liquidate or value positions and thereby expose an Account to losses.

#### Dependence on ADAR

As investment manager, we have the sole authority to invest and trade the assets of the Accounts. If for any reason the Accounts were to lose the services of us as a firm or Yehuda Blinder specifically, they would likely be materially adversely affected.

#### Risks Associated with Investment Strategies

Our investment strategies involve substantial risks to investors including, but not limited to, the following:

*Duration of Investment Positions.* Many of our transactions involve acquiring related positions in a variety of different instruments or markets at or about the same time. Frequently, optimizing the probability of being able to exploit the pricing anomalies among these positions requires holding periods of significant length – often many months to a year or more. Actual holding periods depend on numerous market factors which can both expedite and disrupt price convergences. There can be no assurance that an Account will be able to maintain any particular position, or group of related positions, for the duration required to realize the expected gains, or avoid losses, from such positions.

*Relative Value Strategies.* The success of our relative value investments is dependent on our ability to identify and benefit from differences in valuation among similar companies and/or securities. Although relative value positions are considered to have a lower risk profile than directional trades as the former attempt to exploit price differentials and not overall price movements, relative value strategies are by no means without risk. Valuation differences, even if correctly identified, may not converge within the time

frame within which we maintain the Portfolio's positions. Even pure "riskless" arbitrage – which is rare - can result in significant losses if the arbitrage is not able to be sustained (due, for example, to margin calls) until expiration. Our relative value strategies are subject to the risks of disruptions in historical price relationships, the restricted availability of credit and the obsolescence or inaccuracy of its or third party valuation models. Market disruptions may also force us to close out one or more positions. Such disruptions have in the past resulted in substantial losses for funds employing relative value strategies.

*Credit Default Swaps.* We purchase and sell credit derivatives contracts – primarily credit default swaps – on behalf of the Accounts both for hedging and other purposes. The typical credit default swap contract requires, in the event that a particular reference entity experiences specified credit events, the seller to either (i) pay to the buyer the difference between the notional amount of the contract and the value of individual obligations issued by the reference entity or (ii) to purchase, at face value, qualifying obligations of the reference entity, which will be delivered to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract.

As a buyer of credit default swaps, an Account is subject to certain risks. In circumstances in which the contract is settled by physical delivery and in which the Account does not own the corporate debt securities that are deliverable under corporate credit default swaps, the Account is exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called "short squeeze". Certain credit default swaps require cash settlement and are not subject to the aforementioned risks. In certain instances of issuer defaults or restructurings, it has been unclear under the standard industry documentation for credit default swaps whether or not a "credit event" triggering the seller's payment obligation had occurred. In either of these cases, the Account would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, an Account incurs leveraged exposure to the credit of the reference entity and is subject to many of the same risks it would incur if it were holding debt securities issued by the reference entity. However, the Account will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity's debt obligations. In addition, in the event the swap is settled by physical delivery, the credit default swap buyer will have broad discretion to select which of the reference entity's debt obligations to deliver to the Account following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Account.

It should be noted that credit default swaps are generally covered by certain protocols set forth by the International Swaps and Derivatives Association ("ISDA"), the trade group for derivatives. Those protocols provide that determinations by an ISDA committee as to whether a credit event has occurred or whether and how credit default swaps will be cash-settled will be binding on all swap participants.

*Diversification.* We seek to maintain diversification in the Accounts following certain guidelines discussed in the Funds' private placement memorandums or the separately managed account's investment management agreement. Accordingly, although we expect to spread each Account's capital among a number of investments, we may depart

from such policy from time to time and may hold a few, relatively large securities positions in relation to their capital. The result of such concentration of investment is that a loss in any such position could significantly reduce the Account's capital.

*Market Risks in General.* Certain general market conditions could materially reduce an Account's profit potential. The particular or general types of market conditions in which the Account may incur losses or experience unexpected performance volatility cannot be predicted, and an Account may materially underperform other investment funds or managed accounts with substantially similar objectives and approaches.

In particular, the current financial markets have exhibited increased volatility. Market participants may react quickly to unconfirmed reports or information and as a result there may be drastic unexpected market movements (up or down) in short periods of time. While this may create opportunities to identify undervalued investments, it also may make it more difficult than in the past to anticipate or predict future market movements. Certain investments may have to be held for longer periods of time until their value potential can be realized, if at all. Changes in government regulations may impact investment and trading opportunities in ways that are hard to anticipate. In addition, the recent withdrawal of credit from financial markets may also add to price volatility and make it more difficult for us to access sources of leverage on behalf of an Account.

*Private Placements.* Private placements involve making capital commitments to issuers without access to traditional capital markets. Analysis of the financial condition of each issuer is an important component of determining whether to make any such investment.

*Derivatives Generally.* Derivative instruments, or "derivatives," include options, swaps, futures, structured securities and other instruments and contracts that are derived from or the value of which is related to one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, currency or index at a fraction of the cost of investing in the underlying asset. There is no assurance that derivatives that we wish to acquire for an Account will be available at any particular times upon satisfactory terms or at all.

The value of a derivative is frequently difficult to determine and depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are "leveraged," and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose an Account to the possibility of a loss exceeding the original amount invested. Over-the-counter derivatives generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for derivatives may be illiquid.

*Forward Trading.* Forward contracts (including foreign exchange) and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no



limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward market are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. Disruptions can occur in any market traded by an Account due to unusually high trading volume, political intervention or other factors. Market illiquidity or disruption could result in major losses to an Account.

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

*Leverage; Interest Rate Risk.* We may borrow substantial amounts of money in the course of our investment operations on behalf of an Account, using as collateral the securities that the Account owns from time to time. Leverage may also be obtained through other means including the use of forwards, futures, total return equity swaps, credit default swaps, and, in effect, through the entry into repurchase agreements. Thus, an Account may be in a highly leveraged position and the amount of borrowing that it may have outstanding at any one time may be large in relation to its capital. Consequently, the level of interest rates generally, and the rates at which an Account, in particular, is able to borrow, may strongly affect its operating results. As in the case of other leveraged investments, losses may result that exceed the amount of the capital or assets of an Account.

Our use of short-term margin borrowings on behalf of an Account may result in certain additional risks to such Account. For example, should the securities pledged to brokers to secure the Account's margin accounts decline in value, the Account could be subject to a "margin call" pursuant to which it would either have to deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of an Account's assets, we might not be able to liquidate assets quickly enough to pay off its margin debt and may therefore also suffer additional significant losses as a result of its default.

*Financial Failure of Intermediaries.* There is always the possibility that the institutions, including brokerage firms, banks and futures commission merchants, with which we do business on behalf of the Accounts, or to which securities have been entrusted for custodial purposes, will encounter financial difficulties that may impair their operational capabilities or result in losses to an Account.

*Short Sales.* A short sale involves the sale of a security that an Account does not own in the expectation of purchasing the same security (or a security exchangeable therefore) at a later date at a lower price. A short sale involves the risk of a theoretically unlimited increase in the market price of the security. In addition, a short sale involves the risk that borrowed securities will have to be returned to the lender at a time when such securities cannot be borrowed from other sources, potentially requiring our investment manager to close a short sale transaction at an inopportune time or under disadvantageous circumstances.

*Purchase of Distressed Securities, etc.* We may purchase for the Accounts securities and other obligations of companies that are experiencing significant financial or business

distress, including companies involved in bankruptcy or other reorganizations and liquidation proceedings. Although such investments may produce significant returns, they involve a high degree of risk over a potentially lengthy period of time, as well as less liquidity than many other investments. Investment in these types of securities requires sophisticated analysis and there can be no assurance that we will accurately predict various factors that could affect the prospects of a successful restructuring. Many of these investments ordinarily remain stagnant until our company reorganizes and/or emerges from bankruptcy proceedings, and, as a result, may have to be held for an extended period of time.

*Foreign Securities.* Investments in foreign securities involve certain factors not typically associated with investing in U.S. securities including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the Account's books are typically maintained) and the various foreign currencies in which the Account's holdings will typically be denominated, and costs associated with conversion of investment principal and income from one currency into another; and (ii) differences between the U.S. and foreign securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation. (See also "*Currency Risk*" below.)

*Sovereign Risk.* We may invest for the Accounts in sovereign debt, and securities and instruments of developing or emerging market issuers which are or may become non-performing and/or where the issuer is in default, at the time of purchase, of principal repayment obligations. The foreign debt securities which an Account may own may be subject to restructuring arrangements, which may adversely affect the value of such investments. If a foreign sovereign defaults on its foreign debt, an Account may have limited legal recourse against the issuer and/or guarantor.

*Currency Risk.* As we may engage from time to time in international equity trading on behalf of the Accounts, we may invest a portion of an Account's capital in securities and instruments denominated in non-U.S. currencies. Such investments are subject to the risk that the value of a particular currency will change in relation to the U.S. Dollar, which is typically the base currency of the Accounts. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. To the extent currency risk is unhedged, the value of an Account's assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the Account's investments in various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the Account makes its investments will reduce the effect of increases and magnify the U.S. dollar equivalent of the effect of decreases in the prices of the Account's securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the Account's non-U.S. dollar securities. We may also may utilize forward currency contracts and options for an Account to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

*Unregulated Transactions.* Certain instruments that may be traded by us on behalf of the Accounts generally are not traded on exchanges, nor is such trading regulated by any government agency. Accordingly, the protections accorded by such regulation will not be available to the Accounts in making such investments. When we deem it appropriate, such investments may constitute a material portion of an Account's assets.

*Commodity Trading.* The prices of commodities and all derivative instruments, including futures and options prices, are highly volatile. Price movements of commodities, futures and options contracts are influenced by, among other things, changing supply and demand relationships, domestic and foreign governmental programs and policies, national and international political and economic events, interest rates and governmental monetary and exchange control programs and policies. Moreover, commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day, no trades may be executed at prices beyond the daily limit. Commodity futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent an Account from promptly liquidating unfavorable positions and subject it to substantial losses. We are not registered with the Commodity Futures Trading Commission (the "CFTC") as a commodity pool operator or commodity trading advisor. Therefore, unlike a registered commodity pool operator, we will not be required to deliver a disclosure document, periodic account statements, or an annual report to our clients. There will generally be no restrictions on, or limit to, an Account's commodity futures trading (subject to any limitations agreed to by us with respect to a separately managed account), because all of our clients and the investors in the Funds are "qualified purchasers" or non-"U.S. Persons."

*Cash and Cash Equivalents.* We expect that the Accounts will be fully invested. An Account may, however, directly or indirectly, hold cash or invest in cash equivalents. In the event that we believe in our sole judgment that there is not sufficiently good value in securities suitable for investment of an Account's capital, all such capital may be held in cash or cash equivalents.

*Convertible Debt.* The pricing of convertible debt involves an option component not present in non-convertible debt securities. In addition, convertible debt often has complex conversion, call and other material business terms. Unlike investment grade debt, convertible debt requires in-depth analysis both of the financial condition of the issuer and of the terms of such debt instruments. Many issuers of convertible securities are in uncertain financial condition. Well-established companies tend to issue conventional, not convertible debt. Many of the issues purchased by us for an Account will not be investment grade and will involve correspondingly increased risk of default. Moreover, whether or not an actual default occurs, the prices of non-investment grade debt are often highly volatile.

#### In-Kind Distributions

A portion of an Account's capital may be invested in illiquid securities and instruments. If significant redemptions or withdrawals are requested by the investors in our Funds, we may be unable to liquidate the Portfolio's investments at the time such redemptions and withdrawals are requested or may be able to do so only at prices which we believe do not reflect the true value of such investments and which would adversely affect the Funds'

investors. Under the foregoing circumstances, Fund investors may receive in-kind distributions, if permitted by law or by contract, or such investments may be subject to a holdback and distributed over time. Such securities and instruments may not be readily marketable or saleable and may have to be held by the investors, or by us in trust for the investors, for an indefinite period of time.

#### Restrictions on Liquidity of Interests

There is no public market for the interests in our Funds. Investors in our Funds are subject to substantial restrictions on their rights to withdraw capital from or redeem their shares of the Funds. The directors or general partners, as applicable, of the Funds may suspend the right of any investor to redeem shares or limited partnership interests of the Funds upon the occurrence of certain circumstances. Investors in the Funds must therefore be prepared to bear the risk of their investment for a substantial period of time. In addition, the directors or general partners, as applicable, of a Fund must consent in writing to any sale, transfer or pledge of shares or limited partnership interests of such Fund, which consent may be withheld in their sole discretion. The shares and limited partnership interests of the Funds will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or under the laws of any state of the United States or any foreign jurisdiction. In addition, the directors or general partners, as applicable, of the Funds, in their sole discretion, may require the redemption of all or some of an investor's shares or limited partnership interest at any time, with or without cause.

#### Agreements with Certain Shareholders; Access to Information; Enhanced Liquidity.

We and the Funds have entered into, and in the future may enter into additional "side letter" agreements with certain shareholders/limited partners pursuant to which certain shareholders/limited partners are or may be provided access to more frequent and/or more detailed information regarding the Portfolio's or Funds' securities positions, performance and finances. In addition, pursuant to any such side letter agreement, a Fund may give certain shareholders or limited partners the right to redeem all or a portion of their shares/limited partners on shorter notice than the terms described in the Fund's offering documents and/or without a redemption charge, unless the directors or general partners, as applicable, conclude that the other shareholders/limited partners will be materially prejudiced. As a result, certain shareholders/limited partners may be better able to assess the prospects and performance of a Fund than other shareholders/limited partners, and may be able to redeem their shares/limited partnership interests at times when other shareholders/limited partners may not. Subject to applicable law, we do not intend to disclose the terms of such side letter agreements or the identities of the shareholders/limited partners that have entered into such agreements.

#### Certain Investors/Limited Partners

Certain prospective investors/limited partners in the Funds may be subject to laws, rules and regulations which may regulate their participation in the Funds, or their engaging directly, or indirectly through an investment in the Funds, in investment strategies of the types which the Portfolio may utilize from time to time (*e.g.*, short sales of securities and the use of leverage, and the purchase and sale of options). Prospective investors in the

Funds should consult with their own advisers as to the advisability and tax consequences of such an investment. An investment in the Funds by entities subject to ERISA and other tax-exempt entities requires special consideration. Trustees or administrators of such entities are urged to carefully review the matters discussed in the applicable Fund's offering documents.

#### Our Compensation

The payment to us of a performance-based fee or allocation may create an incentive for us to cause an Account to make investments that are riskier or more speculative than would be the case if we were paid only a fixed fee. In addition, because the performance-based fee or allocation is generally calculated on a basis that includes unrealized appreciation of an Account's assets, the amount of such fees or allocations may be greater than if it were based solely on realized gains. The payment of the fees and allocations to us may constitute a higher compensation level to us than is found in many other investment entities.

#### Indemnification

The governing documents of the Accounts generally contain broad indemnification provisions that require the Account, to the extent permitted by applicable law, to hold us and certain of our related persons harmless from any losses or costs incurred by them or us except to the extent that such losses arise from their or our bad faith, willful misconduct or gross negligence. Similarly, the Funds' administration agreements contain broad indemnification provisions that require the Funds to hold their administrator harmless from any losses or costs incurred by the administrator and certain other persons as a result of the administrator's service in such capacity, subject to certain limitations set forth in the applicable administration agreement.

#### Absence of Oversight

We have been registered with the SEC as an investment adviser since December 2004. However, neither the Funds nor the Portfolio is required or intends to register as an investment company under the Investment Company Act. Accordingly, the provisions of the Investment Company Act (which, among other things, requires investment companies that are subject to these provisions to have a majority of disinterested directors, requires securities held in custody at all times to be individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company, and regulates the relationship between the adviser and the investment company) are not applicable to the Funds or the Portfolio. In addition, neither the Funds' nor the Portfolio's shares or limited partnership interests are required to be, nor have they been registered under the Securities Act or the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Because of such lack of registration, the protections provided by such statutes and certain regulations of the various regulatory agencies thereunder are not available to shareholders/limited partners.

The Funds and the Portfolio are each registered as a mutual fund in the Cayman Islands, a fact that does not in any way mean or imply that their activities are supervised or guaranteed by the Cayman Islands Government.

Tax-Exempt Investors; ERISA

Tax-exempt organizations should consult with their own advisers as to the advisability and tax consequences of an investment in an Account. In particular, while we do not believe that an investment in an Account will result in unrelated business taxable income ("UBTI") under the U.S. Internal Revenue Code, such organizations should consider the applicability to them of the provisions relating to UBTI. The Funds' and the Portfolio's assets may, during certain periods, be considered "plan assets" by operation of the U.S. Department of Labor's regulation at 29 CFR 2510.3-101 as modified by Section 3(42) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"). During any period when the Portfolio's assets are subject to ERISA, the Portfolio may be required to forgo an investment opportunity or dispose of an investment before it would otherwise do so due to the restrictions imposed by ERISA.

Cross-Class Liability

With respect to a Fund, although each class of shares or limited partnership interests is maintained by that Fund separately with separate accounting records and with the capital contributions (and investments made therewith) kept in segregated accounts, each Fund as a whole, including all of the separate classes, is one legal entity. Thus, all of the assets of a Fund are available to meet all of the liabilities of such Fund, regardless of the class to which such assets or liabilities are attributable. In practice, cross-class liability will usually arise only where any class becomes insolvent and is unable to meet all of its liabilities. In this case, all of the assets of a Fund attributable to other classes may be applied to cover the liabilities of the insolvent class. A liquidator of a Fund, however, may not always comply with or enforce the segregation of assets attributable to a Fund.

Other Risks

Adverse changes in market and economic conditions, tax, securities or other laws or regulations or accounting standards may have an adverse effect on an Account's investments and on the value of and consequences of an investment in an Account. However, it cannot be predicted whether such changes will occur and to what extent these changes may adversely affect an Account.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of all the risks and significant considerations involved in an investment in an Account. Prospective investors should read the applicable offering documents and governing agreements and consult with their own legal, financial, tax and other advisors before deciding to make an investment in an Account.

*C. Not applicable.*

**Item 9 - Disciplinary Information**

*Not applicable.*

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

A. *Not applicable.*

B. *Not applicable.*

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

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

*Not applicable.*

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

Our management of the Funds and separately managed accounts may result in conflicts of interests when we allocate our time and investment opportunities among our clients. In addition, the compensation earned by us from each of the Accounts may differ from one another. We will generally follow our documented procedures in allocating trades among the Accounts (*see Item 12, Section A.4, “Allocation of Investment Opportunities” below*).

Our principals (and/or other related persons) will have a greater portion of their personal assets invested in the Funds than in any separately managed account. As a result, we may have a conflict of interest in allocating investment opportunities between the Funds and separately managed accounts. We will generally follow our documented procedures in allocating trades among Accounts. (*See Item 12, Section A.4 “Allocation of Investment Opportunities” below.*)

3. **other investment adviser or financial planner**

ADAR Managing GP LLC serves as a general partner of ADAR Investment Partners LP. There are no material conflicts of interest resulting from the relationship between us and ADAR Managing GP LLC.

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

*Not applicable.*

5. **banking or thrift institution**

*Not applicable.*

6. **accountant or accounting firm**

*Not applicable.*

7. **lawyer or law firm**

*Not applicable.*

8. **insurance company or agency**

*Not applicable.*

9. **pension consultant**

*Not applicable.*

10. **real estate broker or dealer**

*Not applicable.*

11. **sponsor or syndicator of limited partnerships.**

*Not applicable.*

D. *Not applicable.*

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

A. Our Code of Ethics sets forth standards of conduct for ADAR and our employees. Among other things, the Code of Ethics governs all personal investment transactions by our employees, our policies with respect to gifts and entertainment, compliance with applicable federal securities laws, the manner in which violations of the Code of Ethics are to be reported and acted upon, prohibitions on short-term trading in mutual funds, and certain other outside activities of our employees. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

B. *Not applicable.*

C. Our employees and the family members of employees living in an employee's household may not buy or sell securities for their own accounts, other than municipal bonds, U.S. government issued securities and mutual funds, without the prior consent of one of our managers. Any security approved for a personal securities transaction must be held for a minimum of 30 days. Copies of trade confirmations for all employees and such family members are filed with our Chief Compliance Officer for review.

D. *Not applicable.*



**Item 12 - Brokerage Practices****A. Selection of Brokers**

In selecting brokers and dealers to execute portfolio transactions for Accounts, we seek to obtain the best execution for the Accounts, taking into account the following factors: the ability to achieve prompt and reliable executions at favorable prices; the operational efficiency with which transactions are effected; the financial strength, integrity and stability of the broker, the quality and comprehensiveness of related services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying other selection criteria.

We periodically evaluate the execution performance of the broker-dealers we use to execute transaction for Accounts, and evaluate, and seek to resolve, any conflicts of interest that we may have in selecting brokers to execute transactions for Accounts.

**1. Research and Other Soft Dollar Benefits**

We enter into soft dollar arrangements with brokers. Soft dollar arrangements arise when an investment adviser obtains products and services, other than securities execution, from a broker in return for directing client securities transactions to the broker. Soft dollar arrangements pose a conflict of interest for us in that such arrangements allow us to pay with client commissions expenses that would otherwise be borne by us. When we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products or services. We believe that this conflict is mitigated because the Accounts will generally pay for research as a “hard dollar” expense pursuant to their respective investment management agreements. We may have an incentive to select a broker based on our interest in receiving the research or other products or services offered by such broker, rather than on the Accounts’ interests in receiving most favorable execution.

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

brokerage and products or services provided by such broker, an Account may pay commissions to such broker in an amount greater than the amount another broker might charge.

Research provided by such brokers may be used to service all of the Accounts and not exclusively in connection with the management of the Account that generated the particular soft dollar credits.

Where a product or service obtained with client commission dollars provides both research and non-research assistance, we will make a reasonable allocation of the cost which may be paid for with client commission dollars.

From time to time, we may receive services from our prime brokers, including technology set-up consulting, facility management consulting and capital introduction services.

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

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

During our last fiscal year, we have taken into account the quality, comprehensiveness and frequency of available research services and products considered to be of value provided by brokers when directing transactions to a particular broker. We directed transactions to such brokers only consistent with best execution.

## 2. Brokerage for Client Referrals

Subject to applicable law, we may direct some client brokerage business to brokers who refer prospective investors and clients to us, consistent with best execution. Because such referrals, if any, are likely to benefit us but will provide an insignificant (if any) benefit to clients, we have a conflict of interest when allocating client brokerage business to a broker who has referred investors or clients to us. To prevent client brokerage commissions from being used to pay referral fees, we will not allocate brokerage for an Account to a referring broker

unless we determine in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to the Account.

3. Directed Brokerage.

*Not applicable.*

4. Allocation of Investment Opportunities

We generally allocate investment opportunities so that each security held by the Accounts is held on a *pari passu* basis. In certain circumstances, we may allocate securities among the Accounts on a different basis. In such cases, the factors that we may consider when determining which securities to allocate to each Account include, but are not limited to, the investment objectives and restrictions of each Account; relative capital available for investment in the applicable Accounts; and applicable tax considerations. New issues (as defined by FINRA rule 5130) are allocated to Accounts in accordance with the criteria set forth above.

5. Trade Error Policy

Our traders may on occasion experience errors with respect to trades made on behalf of Accounts. Our general approach to handling trade errors is to put the affected Account in the same position as it would have been had the trade error not occurred. Under our policy, gains or losses that result from trade errors may be netted and settled within the affected Accounts on a quarterly basis; provided, however, that any outstanding trade errors are required to be settled as of any month-end in which (i) there are end-of-month redemptions or withdrawals or (ii) such month-end is followed by beginning-of-month subscriptions.

6. Aggregation of Orders

We will generally aggregate trades for Accounts, subject to best execution. Aggregation, or “bunching,” describes a procedure whereby we combine the orders of two or more Accounts into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities generally arise when more than one Account is capable of purchasing or selling a particular security. In such event, securities purchased or sold will generally be allocated among Accounts on an average price basis. When an aggregated order is only partially filled, we will allocate the investment opportunity as described in Item 12, Section A.4 above.

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

**Item 13 - Review of Accounts**

- A. Yehuda Blinder, our Chief Investment Officer, generally reviews Accounts on a daily basis.
- B. *Not applicable.*
- C. We generally furnish investors in the Funds with periodic written unaudited performance reports on a monthly basis. On an annual basis, investors in the Funds receive a copy of the relevant Fund's annual audited financial statements and, where applicable, certain tax reporting information.

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

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

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

We have entered into a placement agreement with Alternative Asset Investment Management Securities, LLC, a registered broker-dealer (the "Solicitation Agent"), where the Solicitation Agent receives a percentage of the fees received by us and our affiliates with respect to investors introduced by the Solicitation Agent during the term of the agreement, subject to certain limitations. These payments are paid by us or our affiliates directly, and do not result in additional fees being charged to investors in the Funds.

**Item 15 - Custody**

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

**Item 16 - Investment Discretion**

We generally have the authority to determine, without obtaining specific client consent, the type and amount of securities to be bought or sold on behalf of Accounts, subject to any limitations agreed upon by a particular client and us from time to time.

**Item 17 - Voting Client Securities**

We are generally responsible for determining how to vote all proxies with respect to securities held in Accounts. Whenever we have voting discretion over securities held in an Account, we exercise that discretion in the best interests of such Account and in accordance with our policies and procedures. Our Chief Investment Officer serves as our "Proxy Coordinator." The Proxy Coordinator is responsible for determining how to vote all proxy statements received with respect to securities held in Accounts. The Proxy Coordinator may designate other appropriate employees to assist him in reviewing proxy statements and preparing necessary records. The Proxy Coordinator may also retain a third party to assist him in coordinating and delivering proxies. The Chief Compliance Officer is responsible for monitoring any such third parties to assure that all client securities are being properly voted and appropriate records are being retained. Clients may obtain a copy of our proxy voting policies upon request and may obtain information regarding how we voted securities applicable to their particular Account by contacting the Chief Compliance Officer.

The Proxy Coordinator will attempt to identify any conflicts of interest that arise between us and a client with respect to any proxy statements received by us. If the Proxy Coordinator believes that a material conflict exists between us and a client, he shall do the following:

(i) rely exclusively in making his voting decision on the recommendation of an independent third party who is experienced in advising investment managers regarding proxy voting decisions; or

(ii) in the case of separately managed accounts, disclose the conflict to the affected managed account investor and give such investor the opportunity to vote its securities itself.

**Item 18 - Financial Information**

*Not applicable.*

**Item 19 - Requirements for State-Registered Advisers**

*Not applicable.*

**Part 2B of Form ADV: Brochure Supplement**

**Item 1 - Cover Page**

**Supervised Person:** Yehuda Blinder

**Firm Name:** ADAR Investment Management LLC

**Address:** 156 West 56th Street, Suite 801  
New York, NY 10019

**Phone Number:** 212-373-8900

**Fax Number:** 212-373-8901

The date of this brochure supplement is March 31, 2011.

**This brochure supplement provides information about Yehuda Blinder that supplements ADAR Investment Management LLC's ("ADAR") brochure. You should have received a copy of that brochure. Please contact Aaron Morse at 212-373-8900 if you did not receive ADAR's brochure or if you have any questions about the contents of this supplement.**

**Item 2 - Educational Background and Business Experience**

Yehuda Blinder, Chief Investment Officer of ADAR, was born in 1970 and has served as a manager of ADAR since its inception in 2004. Prior to ADAR, Yehuda was a Partner at QVT Financial LP (formerly part of Deutsche Bank). Prior to QVT, Yehuda was a Director and proprietary trader in the DB Advisors LLC unit of Deutsche Bank AG, which he joined in 1998. Yehuda was a Vice President in the Convertible Securities Group of Greenwich NatWest Securities from 1997-1998. From 1995-1996 he worked as an Associate in the Equity Derivatives Group of Bankers Trust. He worked as a Bank Analyst at the Federal Reserve Bank of New York from 1991-1993. Yehuda received an M.B.A. from Columbia Business School in 1995 and a B.A. in Economics from Yeshiva University in 1991.

**Item 3 - Disciplinary Information**

*Not applicable.*

**Item 4 - Other Business Activities**

*Not applicable.*

**Item 5 - Additional Compensation**

*Not applicable.*

**Item 6 - Supervision**

Yehuda Blinder is ADAR's Chief Investment Officer. As such, he has the ultimate authority in providing advice to clients and effecting trades on behalf of Accounts. Mr. Blinder is required to comply with ADAR's compliance manual, code of ethics and other policies and procedures. ADAR's Chief Compliance Officer monitors Mr. Blinder's advisory activities for compliance with applicable laws and regulations. The Chief Compliance Officer can be reached at 212-373-8900.

**Item 7 - Requirements for State-Registered Advisers**

*Not applicable.*