

**ITEM 1  
COVER PAGE**

---

**PART 2A OF FORM ADV: FIRM BROCHURE**

**DKR FUSION MANAGEMENT L.P.**

**March 31, 2011**

---

DKR Fusion Management L.P.  
1281 East Main Street  
Stamford, Connecticut 06902  
Tel: 203-324-8200  
Fax: 203-324-8494  
Website: [www.dkrfusion.com](http://www.dkrfusion.com)

*This Brochure provides information about the qualifications and business practices of DKR Fusion Management L.P. (the "Investment Adviser"). If you have any questions about the contents of this Brochure, please contact us at 203-324-8200 or email: [dkrcompliance@dkrcapital.com](mailto:dkrcompliance@dkrcapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.*

*The Investment Adviser is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

*Additional information about DKR Fusion Management L.P. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **ITEM 2**

### **MATERIAL CHANGES**

The Investment Adviser is required to identify and discuss any material changes made to its Brochure since the last annual update. This Brochure is the Investment Adviser's first Form ADV Part 2A submitted to the SEC pursuant to amendments made to certain rules promulgated under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and the form formerly known as Form ADV Part II. The Investment Adviser previously provided to its clients a Form ADV Part II, dated October 2010 (the "Old Part II"), which was used as a basis for certain disclosure provided in this Brochure. Differences between the Old Part II and this Brochure are generally attributable to the new disclosure rules and the new form, and not to any material changes in the qualifications or business practices of the Investment Adviser. Accordingly, there are no material changes to report. If the Investment Adviser makes any material changes to this Brochure, this section will be revised to include a summary of such changes.

**ITEM 3**  
**TABLE OF CONTENTS**

ITEM 1 COVER PAGE.....	i
ITEM 2 MATERIAL CHANGES .....	ii
ITEM 3 TABLE OF CONTENTS .....	iii
ITEM 4 ADVISORY BUSINESS .....	1
ITEM 5 FEES AND COMPENSATION .....	4
ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	7
ITEM 7 TYPES OF CLIENTS .....	8
ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	9
ITEM 9 DISCIPLINARY INFORMATION .....	18
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	19
ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	20
ITEM 12 BROKERAGE PRACTICES.....	22
ITEM 13 REVIEW OF ACCOUNTS.....	25
ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION.....	26
ITEM 15 CUSTODY .....	27
ITEM 16 INVESTMENT DISCRETION .....	28
ITEM 17 VOTING CLIENT SECURITIES.....	29
ITEM 18 FINANCIAL INFORMATION .....	30
ITEM 19 REQUIREMENTS FOR STATE-REGISTERED ADVISERS .....	31

## **ITEM 4**

### **ADVISORY BUSINESS**

#### **A. General Description of Advisory Firm.**

DKR Fusion Management L.P. is a Delaware limited partnership which commenced operations in September 2001, with offices in Connecticut, U.S.A. The general partners of the Investment Adviser are DKR Capital Partners L.P., a Delaware limited partnership ("DKR") and Farnham Management LLC, a Delaware limited liability company ("Farnham"). Farnham is generally responsible for investment decisions made by the Investment Adviser, subject to the ultimate authority of DKR to amend the investment guidelines, policies or strategies of any client, to the extent permitted by such client's governing documents, and DKR is responsible for matters relating to the day-to-day management of the Investment Adviser.

Dr. Pascal Magnollay is the sole member of Farnham and serves as the Investment Adviser's Portfolio Manager. The general partners of DKR are DKR Capital Inc., a Delaware corporation owned by Messrs. Gary S. Davis and Barry L. Klein (and trusts for their respective benefit and the benefit of their respective families), and DKR Management Company Inc., a Delaware corporation and a wholly-owned subsidiary of DKR Capital Inc.

Throughout this Brochure, references to "we," "our," and similar terms refer to the Investment Adviser.

#### **B. Description of Advisory Services.**

##### **1. Advisory Services.**

The Investment Adviser serves as the investment manager with discretionary trading authority to certain private pooled investment vehicles that are U.S. limited partnerships and non-U.S. companies (each a "Fund" and, collectively, the "Funds"). The Funds include (1) DKR Fusion Quantitative Strategies Fund L.P., a Delaware limited partnership (the "Domestic Fund"), (2) DKR Fusion Quantitative Strategies Fund Ltd., a Cayman Islands exempted company (the "Offshore Fund") and (3) DKR Fusion Quantitative Strategies 2X Fund Ltd., a Cayman Islands exempted company that targets twice the return of the Offshore Fund, with double the volatility tolerance using identical investment strategies employed by Offshore Fund (the "2X Fund", and together with the Offshore Fund, the "Offshore Funds"). The Offshore Funds and the Domestic Fund are collectively referred to herein as the "Feeder Funds". The Domestic Fund and the Offshore Funds invest substantially all of their assets through a "master feeder" structure in DKR Fusion Quantitative Strategies Holding Fund Ltd., a Cayman Islands exempted company (the "Master Fund"). The Investment Adviser serves as the investment manager with discretionary trading authority to the Master Fund. DKR Fusion LLC, a Delaware limited liability company affiliated with the Investment Adviser (the "Fund General Partner"), serves as the general partner of the Domestic Fund.

In addition, the Investment Adviser serves as the investment adviser with discretionary trading authority and also provides discretionary advisory services to separately

managed accounts (the "Managed Accounts") and other investment vehicles which are currently not being offered to third-party investors.

As used herein, the term "client" generally refers to each Fund and each beneficial owner of a Managed Account. The Funds and the Managed Accounts are collectively referred to herein as "Advisory Accounts".

*This Brochure generally includes information about the Investment Adviser and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.*

## **2. Investment Strategies and Types of Investments.**

The Investment Adviser's objective is to generate positive returns through quantitative models that exploit a wide range of systematic trading opportunities within what the Investment Adviser believes to be an acceptable level of volatility. The Investment Adviser develops quantitative strategies based on, among other things, proprietary statistical models. The investment program is designed to combine a variety of low correlated strategies to produce positive returns over time. Currently, our clients invest, hold, sell (long and short) and trade (on margin or otherwise) in securities and other financial instruments consisting principally, but not solely, of financial futures, commodity futures, options on futures, foreign exchange forwards and foreign exchange options. However, the Funds and Managed Accounts (subject to the terms of their respective investment management agreements) are permitted to invest in the broadest range of securities, commodities and other financial instruments. Leverage is utilized as part of the investment program.

The Investment Adviser may utilize a variety of strategies including, but not limited to, Statistical Systematic Trading. This strategy is a multi-strategy, statistical model driven investment strategy. This strategy monitors a wide variety of markets for potential investment including commodity futures, financial futures and foreign exchange interbank contracts.

*The descriptions set forth in this Brochure of specific advisory services that the Investment Adviser offers to clients, and investment strategies pursued and investments made by the Investment Adviser on behalf of its clients, should not be understood to limit in any way the Investment Adviser's investment activities. The Investment Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Investment Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Investment Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

### **C. Availability of Customized Services for Individual Clients.**

The Investment Adviser's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives which are set forth in its respective

offering memorandum. Investors investing in the Funds do not have the ability to impose restrictions on the Investment Adviser with respect to the trading program.

Similarly, the Investment Adviser's investment decisions and advice with respect to each Managed Account are subject to the investment objectives and investment guidelines or restrictions as agreed to by the Investment Adviser pursuant to the advisory or managed account agreement. Managed Accounts may have investment programs similar to that of certain of the Funds.

D. Wrap Fee Programs.

***Not Applicable.***

E. Assets Under Management.

The Investment Adviser manages approximately \$502,455,000 as of March 1, 2011 on a discretionary basis. As of March 1, 2011, the Investment Adviser does not manage any assets on a non-discretionary basis.

## **ITEM 5**

### **FEES AND COMPENSATION**

#### **A. Advisory Fees and Compensation.**

The fees applicable to each Fund are set forth in detail in each Fund's offering documents. The fees applicable to each Managed Account are set forth in detail in each Managed Account's investment management agreement. A brief summary of such fees is provided below.

#### **1. Domestic Fund**

##### **Management Fee**

Generally, the Domestic Fund pays the Investment Adviser a fee for investment management services (the "Management Fee") for each month equal to 0.1667% (2% annualized) of each investor's capital account balance as of the beginning of each calendar month. The Management Fee is calculated and paid in advance.

The Management Fee will be prorated for any capital contribution or withdrawal by an investor that is effective other than as of the first day or the last day of a month, as applicable. In the event of a withdrawal by an investor other than as of the last day of a month, the Investment Adviser will pay to the Domestic Fund an amount equal to the *pro rata* portion of the Management Fee, based on the actual number of days remaining in such month, and the Domestic Fund will distribute such amount to the withdrawing investor. In the sole discretion of the Fund General Partner, the Management Fee may be waived, reduced or calculated differently with respect to certain investors.

##### **Incentive Allocation**

Generally, at the end of each fiscal year of the Domestic Fund, the Fund General Partner is entitled to an incentive allocation (the "Incentive Allocation") in an amount equal to 20% of the excess net capital appreciation allocated to the capital account of each investor for such year over the Management Fee debited to such investor's capital account for such year, subject to a loss carryforward mechanism.

In the event that the Domestic Fund is terminated or an investor withdraws other than at the end of a fiscal year, then for purposes of determining the Incentive Allocation allocable at such time to the Fund General Partner, net capital appreciation will be determined as if such dates were the end of the fiscal year, subject to certain adjustments. In the sole discretion of the Fund General Partner, the Incentive Allocation may be waived, reduced or calculated differently with respect to certain investors.

## **2. Offshore Funds**

### **Management Fee**

Generally, each Offshore Fund pays the Investment Adviser a Management Fee for each fiscal quarter equal to 0.5% (2% annualized) of the net asset value of each series of shares as of the end of such fiscal quarter. The Management Fee is calculated and paid in arrears but is amortized monthly by each Offshore Fund over the quarter for which such Management Fee is paid.

The Management Fee will be prorated for any subscription or redemption by an investor that is effective other than as of the first day or the last day of a quarter, as applicable. In the sole discretion of the Investment Adviser, the Management Fee may be waived, reduced or calculated differently with respect to certain investors.

### **Incentive Fee**

Generally, at the end of each fiscal year of the Offshore Fund, the Investment Adviser is entitled to an incentive fee (the "Incentive Fee", and together with the Incentive Allocation, the "Performance Compensation") in an amount equal to 20% of the net realized and unrealized appreciation in the net asset value of each series of shares, adjusted for any redemption of shares in the series made during the year and any accruals of the Incentive Fee and subject to a loss carryforward mechanism.

In the event that shares are redeemed other than at the end of a fiscal year, the Incentive Fee will be determined solely with respect to the shares so redeemed as of the redemption date. In the sole discretion of the Investment Adviser, the Incentive Fee may be waived, reduced or calculated differently with respect to certain investors.

## **3. Managed Accounts**

Fees for Managed Accounts may be subject to negotiation and established pursuant to each Managed Account's investment management agreement. Managed Accounts are generally subject to an asset based fee as well as performance based compensation. Generally, the investment management agreements are terminable upon receipt by either party from the other of prior written notice of termination and after the expiration of the specified notice period and the client will be entitled to any unearned prepaid portion of the management fee and performance based compensation to the extent applicable. The fee structure for each Managed Account may differ from that of the Funds.

### **B. Payment of Fees.**

Fees and compensation paid to the Investment Adviser or its affiliates by the Funds or Managed Accounts are generally deducted from the assets of such clients. As discussed above, Management Fees are generally deducted on a quarterly basis, in the case of the Offshore Funds, or on a monthly basis, in the case of the Domestic Funds, and Performance Compensation is generally deducted on an annual basis. In the case of Managed Accounts, the terms for the payment of fees may be negotiated with each Managed Account.



### C. Additional Fees and Expenses.

Each Fund bears its own expenses and, if applicable, its *pro rata* share of the Master Fund's expenses, which may include, but not be limited to, expenses related to its operations and expenses related to the investment of the client's assets, including, without limitation, external legal, accounting, audit and tax preparation expenses, fees of the client's administrator, offering expenses, corporate licensing fees and other professional fees, investment-related expenses (*e.g.*, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, brokerage commissions, clearing and settlement charges, interest expenses, consulting and other professional fees relating to particular investments, investment-related travel and lodging expenses, research-related expenses, including, without limitation, subscriptions, news and quotation equipment and services (including fees for data and software providers), investment-, operations- and trading-related computer hardware and software, including trade order management software (*i.e.*, software used to route trade orders), and expenses associated with installing computers, cable and telephone lines and equipment used primarily for investment and trading purposes), bank service fees, withholding and transfer fees, entity-level taxes, other expenses related to the purchase, sale or transmittal of client assets, other similar investment related expenses and any extraordinary expenses as will be determined by the client's board of directors or general partner, as applicable, in its sole and absolute discretion. A portion of research-related expenses may be paid for using "soft dollars" (*i.e.*, commission dollars and transaction fees generated through the client's transactions). Any expenses common to several clients generally will be shared *pro rata* by such clients based on their respective amounts of capital under management.

### D. Additional Compensation and Conflicts of Interest.

Neither the Investment Adviser nor any of its supervised persons accepts compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.

**ITEM 6**  
**PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Investment Adviser and its affiliates accept performance-based fees from every client. As a result, the Investment Adviser and its affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

**ITEM 7**  
**TYPES OF CLIENTS**

The Investment Adviser generally provides investment advice to Funds and Managed Accounts, as described above. Beneficial owners of Managed Accounts may include banks, investment funds, segregated portfolio companies, investment banks, corporations and other business entities. Generally, the Investment Adviser requires a minimum of U.S. \$10 million for a prospective client to open a Managed Account.

## ITEM 8

### METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

#### A. Methods of Analysis and Investment Strategies.

*The descriptions set forth in this Brochure of specific advisory services that the Investment Adviser offers to clients, and investment strategies pursued and investments made by the Investment Adviser on behalf of its clients, should not be understood to limit in any way the Investment Adviser's investment activities. The Investment Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Investment Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Investment Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

To execute and manage its investment program, the Investment Adviser uses proprietary quantitative strategies that are based on, among other things, proprietary statistical models.

The research and development analysis that yields quantitative strategies and their trading systems consists of three stages:

1. **Identification of trading opportunities.** Profitable quantitative trading models are developed through our proprietary research effort. We use, among other things, simulation programs, statistical software applications, and other inputs at this investigative stage of the research and development process. The strategies and systems utilized have been designed to identify many statistical trading opportunities in order to produce positive returns while preserving capital and incurring acceptable volatility in trading performance. Preserving capital and diversification are key portfolio management considerations. Our clients target diversification by trading a broad range of markets in search of profitable trading opportunities, utilizing many distinct, non-correlated strategies developed by us.

2. **Formulation of the quantitative model to exploit the identified trading opportunities.** A quantitative model is typically comprised of several parts and each part is independently tested and evaluated on its own merit. Each part is required to make significant contributions in order to be included in the final product.

3. **Validation of the model.** As with formulation, validation of the statistical models follows a rigorous scientific process. Daily evaluation of trading systems for each strategy takes place in the form of a comparison of each strategy's performance with its respective simulated or expected performance. The Investment Adviser takes other important steps in the validation process to manage methodology risk. Such steps include in- and out-of-sample testing of the models and avoidance of "curve fitting" of historical data by keeping the ratio of simulated trades to the number of parameters high. Analysis of the strategy's performance over different values of the model's parameters is done to increase the robustness or predictive power of the statistical model. The Investment Adviser attempts to research and

design quantitative strategies with uniform performance over time and across markets, as the uniformity characteristics preserve a model's value as a predictor of future performance. The Investment Adviser believes that those strategies following the above criteria may yield positive returns and maintain acceptable levels of risk.

The Investment Adviser attempts to utilize multiple strategies at any given time in order to provide diversification, including, but not limited to Statistical Systematic Trading. This strategy is a multi-strategy, statistical model driven investment strategy. This strategy monitors a wide variety of markets for potential investment including commodity futures, financial futures and foreign exchange interbank contracts.

In its sole and absolute discretion, the Investment Adviser will manage its clients' asset allocation to the different strategies and the strategies' weighting will be based on the portfolio objectives taking into account both quantitative and qualitative parameters.

## **Risk Management**

The Investment Adviser employs an ongoing risk monitoring process. The Portfolio Manager is responsible for the risk management of the portfolio. Each quantitative strategy has its own risk management system that manages individual market exposure, stop loss levels, leverage and correlation of the securities in the portfolio. The Portfolio Manager aims to diversify the portfolio so that a limited amount of the Account's capital will be at risk in any given security. Performance reviews of each strategy utilized by our clients will take place continuously. The performance of the entire portfolio is monitored by the Portfolio Manager on an intra-day basis utilizing real-time monitoring tools. There can be no assurance that the Portfolio Manager's risk management techniques and strategies will be successful at all times and in all market conditions.

The descriptions contained herein of specific strategies that are or may be engaged in by our clients should not be understood as in any way limiting our client's investment activities. Our clients may engage in investment strategies that are not described herein, but that Investment Adviser considers appropriate for its clients.

The investment program is speculative and may entail substantial risks. Since market risks are inherent in all securities investments to varying degrees, there can be no assurance that the investment objective of our clients will be achieved. In fact, certain investment practices described above can, in some circumstances, potentially increase the adverse impact on our clients' investment portfolio.

B. Material, Significant, or Unusual Risks Relating to Investment Strategies.

*The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the strategies pursued by the Investment Adviser. These risk factors include only those risks the Investment Adviser believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Investment Adviser. The Advisory Accounts may be subject to certain of the following risks.*

Performance Dependent on the Investment Adviser's Models. The success of an Advisory Account's investment strategy will be determined principally by the Investment Adviser's models and the trading signals generated by the models rather than the judgment or discretion of the Investment Adviser's investment professionals. An Advisory Account is unlikely to be successful unless the assumptions underlying the models are correct and remain correct in the future. If such assumptions are inaccurate, it is likely that profitable trading signals will not be generated. If and to the extent that the models do not reflect certain factors, and the Investment Adviser does not successfully address such omission through its testing and evaluation and modify the models accordingly, major losses may result. The Investment Adviser will continue to test, evaluate and add new models, as a result of which the models may be modified from time to time. Any modification of the models or strategies will not be subject to any requirement that investors receive notice of the change or that they consent to it. There can be no assurance as to the effects (positive or negative) of any modification on an Advisory Account's performance.

Certain Trading Models Rely on Trend-Following Components. In the past, there have been periods without discernible trends in the markets that an Advisory Account may trade and such periods may continue to occur in the future. Since certain of the Investment Adviser's trading models have trend-following components, periods without discernible trends could adversely affect such models' profitability. In addition, any factor which would lessen the prospect of major trends occurring in the future (such as increased governmental control of, or participation in, the markets) may reduce the prospect that such models will be profitable. No assurance can be given that our strategies will be successful under all or any market conditions.

Leverage and Financing Risk; Margin. Leverage is used by certain Advisory Accounts. The Investment Adviser may pledge an account's securities in order to borrow additional funds for investment purposes. The Investment Adviser may also leverage an account's investment return with futures, options, short sales, swaps, forwards and other derivative instruments. The amount of borrowings which an account may have outstanding at any time may be substantial in relation to its capital. An Advisory Account may also engage in borrowing for operating purposes, including to fund redemption requests, and may be leveraged as deemed appropriate by the Investment Adviser in connection with any direct investments made by an Advisory Account.

While leverage presents opportunities for increasing an Advisory Account's total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment made on behalf of an Advisory Account would be magnified to the extent such Advisory Account is leveraged. The cumulative effect of the use of leverage by an Advisory Account in a market that moves adversely to such Advisory Account's

investments could result in a substantial loss to that Advisory Account which would be greater than if the Advisory Account were not leveraged.

Concentration Risk. Generally, there is no requirement that an Advisory Account's portfolio be diversified among strategies, issuers, geographic areas, commodities or types of securities. In addition, an Advisory Account's portfolio may not be diversified among a wide range of strategies, issuers, geographic areas, commodities or types of securities. Accordingly, the investment portfolio of an Advisory Account may be subject to more rapid change in value than would be the case if an Advisory Account were required to maintain diversification among strategies, issuers, geographic areas, commodities and types of securities.

Liquidity of Investments. The Investment Adviser may invest in securities which are subject to legal or other restrictions on transfer or for which no liquid market exists. An Advisory Account may not be able to sell such securities when it desires to do so or to realize what it perceives to be their fair value in the event of a sale.

Currencies. The Investment Adviser may invest a portion of an Advisory Account's assets in non-U.S. currencies, or in instruments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. Dollar. Typically, an Advisory Account values its securities and other assets in U.S. Dollars. The Investment Adviser may or may not seek to hedge all or any portion of its foreign currency exposure. To the extent unhedged, the value of an Advisory Account's assets denominated in non-U.S. currencies will fluctuate with U.S. dollar exchange rates as well as the price changes of such Advisory Account's investments in the various local markets and currencies. An increase in the value of the U.S. dollar will have the opposite effect on the Advisory Account's non-U.S. dollar-denominated securities. The Investment Adviser also may use options and forward contracts to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective, and such techniques entail additional risks.

Futures Contracts. Futures positions may be illiquid because, for example, most U.S. commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent an Advisory Account from promptly liquidating unfavorable positions and subject the Advisory Account to substantial losses. In addition, an Advisory Account may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator (such as the SEC or the U.S. Commodity Futures Trading Commission ("CFTC")) may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally

required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.

Speculative Position Limits. The CFTC and various exchanges impose speculative position limits on the number of futures positions that may be held in particular commodities. All open futures positions in accounts on behalf of an Advisory Account and other accounts or investment funds managed or controlled, directly or indirectly, by the Investment Adviser or by any person or persons who are acting in concert with the Investment Adviser will be aggregated for the purpose of determining such position limits unless such positions are disaggregated pursuant to applicable regulatory authority or relief. The Investment Adviser may, but is not obligated to, seek such disaggregation relief with respect to the Investment Adviser and such other person(s), and in any event there are no assurances that any attempts to obtain such relief will prove successful. While the Investment Adviser will endeavor to treat each Advisory Account fairly in the allocation of suitable investment opportunities, it may not always be possible for all Advisory Accounts to participate in an investment opportunity to the full extent that would otherwise be possible. Accordingly, an Advisory Account may be required to liquidate futures positions to comply with such limits, with the result that: (i) an Advisory Account might be unable to enter into or hold certain positions if the accounts managed or controlled by the Investment Adviser exceed the applicable limits, and (ii) it is possible that trading decisions may have to be modified from time to time, investment opportunities forgone or limited and/or positions liquidated to avoid exceeding applicable position limits.

Forward Trading. Forward contracts 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 markets 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. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Investment Adviser on behalf of an Advisory Account due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Investment Adviser would otherwise recommend, to the possible detriment of an Advisory Account. Market illiquidity or disruption could result in major losses to an Advisory Account.

Call Options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security offset by the premium received if the option expires out of the money, and gives up the opportunity for gain on the underlying security above the exercise price of the option. If the seller of the call option owns a call option covering an equivalent number of shares with an exercise price equal to or less than the exercise price of the call written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered, unhedged call option assumes the risk of a



theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security (if the market price of the underlying security declines).

Put Options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sale price of the short position of the underlying security offset by the premium if the option expires out of the money, and thus the gain in the premium, and the option seller gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered, unhedged put option assumes the risk of a decline in the market price of the underlying security to zero. The buyer of a put option assumes the risk of losing his entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

Other Derivative Instruments. The Investment Adviser may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of an Advisory Account and legally permissible. Special risks may apply to instruments that are invested in by us on behalf of an Advisory Account in the future that cannot be determined at this time or until such instruments are developed or invested in by an Advisory Account. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

Short Selling. Short selling involves selling securities which are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which an Advisory Account engages in short sales depends upon the Investment Adviser's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to an Advisory Account of buying those securities to cover the short position. There can be no assurance that an Advisory Account will be able to maintain the ability to borrow securities sold short. In such cases, an Advisory Account can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Hedging Transactions. The Investment Adviser is generally not required to attempt to hedge portfolio positions in an Advisory Account and, for various reasons, may

determine not to or otherwise may not be able to do so. The success of our hedging strategy will depend, in part, upon our ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of an Advisory Account's hedging strategy will also be subject to our ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While we may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for an Advisory Account than if we had not engaged in such hedging transactions. For a variety of reasons, we may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent an Advisory Account from achieving the intended hedge or expose the Advisory Account to risk of loss. The Investment Adviser may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because we do not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of an Advisory Account's portfolio holdings.

Counterparty Risk. Some of the markets in which an Advisory Account may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. The lack of evaluation and oversight of over-the-counter markets exposes an Advisory Account to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing an Advisory Account to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where an Advisory Account has concentrated its transactions with a single or small group of its counterparties. Generally, an Advisory Account may not be restricted from dealing with any particular counterparty. The Investment Adviser's evaluation of the creditworthiness of an Advisory Account's counterparties may not prove sufficient. The ability of an Advisory Account to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by an Advisory Account.

Counterparty Insolvency. An Advisory Account's assets may be held in one or more accounts maintained for an Advisory Account by counterparties, including their prime brokers. There is a risk that any of such counterparties could become insolvent. The insolvency of an Advisory Account's counterparties is likely to impair the operational capabilities or the assets of an Advisory Account. Although the Investment Adviser regularly monitors the financial condition of the counterparties it uses, if one or more of an Advisory Account's counterparties were to become insolvent or the subject of liquidation proceedings in the United States (either under the Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of an Advisory Account's securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer. In addition, an Advisory Account may use counterparties located in various jurisdictions outside the United States. Such

local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to an Advisory Account's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on an Advisory Account and its assets. Investors should assume that the insolvency of any counterparty would result in a loss to an Advisory Account, which could be material.

Failure of Futures Commission Merchants. Under the U.S. Commodity Exchange Act, as amended, futures commission merchants are required to maintain customers' assets in a segregated account. To the extent that an Advisory Account engages in futures and options contract trading and the futures commission merchants with whom an Advisory Account maintains accounts fail to so segregate an Advisory Account's assets, an Advisory Account will be subject to a risk of loss in the event of the bankruptcy of any of its futures commission merchants. In certain circumstances, an Advisory Account might be able to recover, even with respect to property specifically traceable to an Advisory Account, only a *pro rata* share of all property available for distribution to a bankrupt futures commission merchant's customers.

Exchange Rate Fluctuations; Currency Considerations. A portion of an Advisory Account's assets may be invested in non-U.S. securities and any income or capital received by an Advisory Account may be denominated in the local currency of investment, whereas subscriptions to, and redemptions from, an Advisory Account are typically made in U.S. dollars. Accordingly, changes in currency exchange rates (to the extent unhedged) will affect the value of an Advisory Account's portfolio and the unrealized appreciation or depreciation of investments.

Furthermore, an Advisory Account may incur costs in connection with conversions between various currencies. Currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to an Advisory Account at one rate, while offering a lesser rate of exchange should the Advisory Account desire to immediately resell that currency to the dealer. On behalf of our Advisory Accounts, we typically conduct currency exchange transactions either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward or options contracts to purchase or sell non-U.S. currencies. It is anticipated that most of the Advisory Accounts' currency exchange transactions will occur at the time securities are purchased and will be executed through the local broker or custodian acting for the Advisory Account.

Commodity-Related Instruments. The production and marketing of commodities may be affected by actions and changes in governments. In addition, commodity-related instruments may be cyclical in nature. During periods of economic or financial instability, commodity-related instruments may be subject to broad price fluctuations, reflecting volatility of energy and basic material prices and possible instability of supply of various commodities. Commodity-related instruments may also experience greater price fluctuations than the relevant commodity. In periods of rising commodity prices, such instruments may rise at a faster rate; and conversely, in times of falling commodity prices, such instruments may suffer a greater price decline.

Highly Volatile Instruments. The prices of derivative instruments, including futures and options, are highly volatile. Price movements of forward futures and other derivative contracts in which an Advisory Account's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and financial instrument options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. An Advisory Account also is subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses.

Commodity Interest Trading is Speculative and Volatile. Price movements of contracts are influenced by, among other things: (1) changing supply and demand relationships; (2) weather and climate conditions; (3) trade, fiscal, monetary, and exchange control programs and policies of governments; (4) political and economic events and policies; (5) changes in interest rates and rates of inflation; (6) currency devaluations and revaluations; and (7) emotions of the marketplace. Governments from time to time intervene, directly and by regulation, in certain markets, particularly those dealing in precious metals. Such intervention is often intended to influence prices directly.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Investment Adviser's advisory business or the integrity of the Investment Adviser's management.

**ITEM 10**  
**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

A. Broker-Dealer Registration Status.

The Investment Adviser and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration Status.

The Investment Adviser is registered with the CFTC as a Commodity Pool Operator and a Commodity Trading Adviser. The Investment Adviser is also a member of the National Futures Association. In addition, the principals of the Investment Adviser, specifically, Mssrs. Davis, Klein and Magnollay, DKR Capital Inc., DKR Management Company Inc., DKR Capital Partners L.P. and Farnham Management LLC are registered as Principals. Dr. Magnollay is a registered associated person of the Investment Adviser.

C. Material Relationships or Arrangements with Industry Participants.

*Not applicable.*

D. Material Conflicts of Interest Relating to Other Investment Advisers.

The Investment Adviser does not recommend or select other investment advisers for its clients.

**ITEM 11**  
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**  
**AND PERSONAL TRADING**

A. Code of Ethics.

The Investment Adviser and its affiliates have adopted a comprehensive Code of Ethics. The Investment Adviser is committed to conducting its investment advisory business in accordance with the highest legal and ethical standards in furtherance of the interests of its clients, and in a manner that is consistent with all applicable laws, rules and regulations. A copy of the Code of Ethics will be provided to any client or prospective client upon request.

B. Securities That You or a Related Person Has a Material Financial Interest.

The Investment Adviser does not engage in cross trades.

C. Investing in Securities That You or a Related Person Recommends to Clients.

As part of our Code of Ethics, the Investment Adviser has adopted a comprehensive Personal Trading Policy. Without the prior approval of the DKR Compliance Department ("DKR Compliance"), no employee may acquire for his or her own proprietary account:

- (A) An interest in a private placement of a security;
- (B) An interest in an initial public offering; or
- (C) Any security if such employee has knowledge that such security is either held by or being considered for a client account.

DKR Compliance may cancel any transaction(s) entered into at the end of the day, and the trade(s) may be allocated to a client account if determined by DKR Compliance to be required.

Written approval from DKR Compliance must be obtained prior to entering into a transaction of the type described above. An approval is only valid for 48 hours (after which the employee must submit a new request for approval), and the employee may only trade the amount of shares for which clearance was given.

When any employee recommends that a security be bought, or sold, for a client account, and a position in that security is currently held in such employee's proprietary account, the employee must disclose such information to DKR Compliance. The Investment Adviser, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients. Potential conflicts also may arise due to the fact that the Investment Adviser, its affiliates and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

The Investment Adviser has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code of Ethics, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

D. Conflicts of Interest Created by Contemporaneous Trading.

The Investment Adviser manages investments on behalf of a number of clients. Certain clients have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. It is the policy of the Investment Adviser to allocate investment opportunities among all clients fairly over time, to the extent practical and in accordance with each client's applicable investment strategies. The Investment Adviser will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any client solely because the Investment Adviser purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any client if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the client.

Generally each client that participates in an aggregated order will participate at the average price for all of the transactions in that security on a given business day, with transaction costs shared *pro rata* based on each applicable client's participation in the transaction. Before entering an aggregated order, the Portfolio Manager will determine how the order will be allocated among those clients ("Allocation Policy"). If the aggregated order is filled in its entirety, it will be allocated among the applicable clients in accordance with the Allocation Policy. For certain clients, allocation is performed using an allocation algorithm. On occasion, the Investment Adviser will not be able to purchase, or sell, all of the securities ordered as part of an aggregated order in a single day. If the order is partially filled, it will generally be allocated *pro rata* in proportion to the size of the orders placed for each applicable client to the extent practicable. Notwithstanding the foregoing, an aggregated order may be allocated on a basis different from that specified in the Allocation Policy if all relevant clients receive fair and equitable treatment. Reasons for allocating on a basis different from that specified in the Allocation Policy include but are not limited to: a client's investment guidelines and restrictions, available cash, liquidity requirements, tax, or legal reasons, and to avoid odd-lots, or in cases when a *pro rata* allocation would result in a *de minimis* allocation to one or more clients.

With respect to allocations of limited investment opportunities, such as privately placed securities and initial public offerings of securities, the Portfolio Manager will determine which clients are eligible to participate in those opportunities. Limited investment opportunities will generally be allocated among all eligible clients in proportion to their relative capital balances in accordance with the procedures set forth above. Clients without sufficient available capital will not participate. In certain circumstances, the Investment Adviser may give added weight to those clients whose investment programs are responsible for obtaining the investment opportunity when allocating limited investment opportunities.



## **ITEM 12**

### **BROKERAGE PRACTICES**

#### **A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.**

In selecting an appropriate broker-dealer to effect a client trade, the Investment Adviser seeks to obtain best execution, taking into consideration such factors as the ability of the brokers and dealers to effect the transactions, the brokers' and dealers' facilities, reliability and financial responsibility, and the provision or payment (or the rebate to the client account for payment) by a broker of the costs of brokerage or research products or services which the Investment Adviser considers to be of benefit to the client accounts and the Investment Adviser. The Investment Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Accordingly, if the Investment Adviser determines in good faith that the commissions charged by a broker are reasonable in relation to the value of the brokerage and research products or services provided by such broker, client accounts may pay commissions to such broker in an amount greater than the amount another broker might charge. Brokers providing research services may be paid commissions in excess of those that other brokers not providing such services might charge.

Periodically, broker-dealers are reviewed by the Investment Adviser to assess the quality of execution of brokerage transactions effected on behalf of the Advisory Accounts.

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

The Investment Adviser does not currently have any formal "soft dollar" arrangements with any broker-dealer. However, if in the future we decide to use soft dollars for Advisory Accounts, it is the Investment Adviser's general policy to use soft dollars to pay only for products or services that qualify as eligible "brokerage and research services" that fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended (the "safe harbor"). Although not within the Section 28(e) safe harbor, the Investment Adviser may receive research and brokerage services and products from futures commission merchants in connection with futures transactions effected on behalf of the funds.

Also, consistent with Section 28(e), research products or services obtained with "soft dollars" generated by one or more Advisory Accounts may be used by the Investment Adviser to service one or more other clients, including Advisory Accounts that may not have paid for the soft dollar benefits. The Investment Adviser does not seek to allocate soft dollar benefits to Advisory Accounts in proportion to the soft dollar credits the Advisory Accounts generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Investment Adviser (*i.e.*, a "mixed use" item), the Investment Adviser will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of the Investment Adviser's allocation of the costs of such benefits and services between those that primarily benefit the Investment Adviser and those that primarily benefit the Advisory Accounts.

When the Investment Adviser uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Investment Adviser receives a benefit because it does not have to produce or pay for such products or services. The Investment Adviser may have an incentive to select or recommend a broker-dealer based on the Investment Adviser's interest in receiving research or other products or services, rather than on its clients' interest in receiving most favorable execution.

At least annually, the Investment Adviser will consider the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and will attempt to allocate a portion of the brokerage business of its Advisory Accounts on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will the Investment Adviser make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

## **2. Brokerage for Client Referrals.**

Neither the Investment Adviser nor any related person receives client referrals from any broker-dealer or third party. However, from time to time, brokers may assist the Funds in raising additional funds from investors, and representatives of the Investment Adviser may speak at conferences and programs sponsored by such brokers for investors interested in investing in hedge funds. Through such "capital introduction" events, prospective investors in the Funds would have the opportunity to meet with representatives of the Investment Adviser. Currently, neither the Investment Adviser nor the Funds compensate any broker for organizing such events or for any investments ultimately made by prospective investors attending such events, nor do they anticipate doing so in the future. The Funds may accept subscriptions from investors who also provide services to the Funds, including brokers and their affiliates. Relationships such as these could be viewed as creating a conflict of interest that potentially could affect the Investment Adviser's ability to seek best execution. While our relationship with brokers may influence the Investment Adviser in deciding whether to use such broker in connection with brokerage, financing and other activities of the Funds, the Investment Adviser will not commit to allocate a particular amount of brokerage to a broker in any such situation. Furthermore, the Investment Adviser conducts periodic best execution reviews in an effort to identify and mitigate compliance risks associated with brokerage relationships, and to determine that the Investment Adviser is obtaining best execution for clients' accounts.

## **3. Directed Brokerage.**

The Investment Adviser does not recommend, request or require that a client direct the Investment Adviser to execute transactions through a specified broker-dealer.

B. Order Aggregation.

The Investment Adviser's order aggregation policies are described under Item 11(D) above.

Trade Errors

Pursuant to the exculpation and indemnification provisions in the management agreements, the Investment Adviser or its affiliates or personnel will generally not be liable to the Advisory Accounts for any error of judgment or for any action or inaction, absent willful misconduct, gross negligence or bad faith, and the Advisory Accounts will generally be required to indemnify such persons against any losses they may incur by reason of any error of judgment, or any act or omission related to the Advisory Accounts, absent willful misconduct, gross negligence or bad faith. As a result of these provisions, the Advisory Accounts (and not the Investment Adviser or its affiliates or personnel) will be responsible for any losses resulting from trading errors and similar human errors, absent gross negligence, willful misconduct or bad faith. Trading errors might include, for example, keystroke errors that occur when entering trades into an electronic trading system or typographical or drafting errors related to derivatives contracts or similar agreements. Given the large volume of transactions executed by the Investment Adviser on behalf of the Advisory Accounts, investors should assume that trading errors (and similar errors) will occur and that the Advisory Accounts will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of the Investment Adviser's personnel. Gains caused by trade errors (or similar errors) will be credited to the affected Advisory Accounts.

## **ITEM 13**

### **REVIEW OF ACCOUNTS**

#### **A. Frequency and Nature of Review of Client Accounts or Financial Plans.**

The Investment Adviser's Controller and Director of Operations along with staff perform various daily, weekly, monthly, quarterly and periodic reviews of Advisory Account portfolios. Such reviews are conducted with input from the Portfolio Manager, the administrator to the Funds and with the beneficial owner of each Managed Account.

#### **B. Factors Prompting Review of Client Accounts Other than a Periodic Review.**

A review of a client account may be triggered by any unusual activity or special circumstances.

#### **C. Content and Frequency of Account Reports to Clients.**

The Investment Adviser generally provides annual audited financial statements to its clients within 120 days of the applicable client's fiscal year end.

Generally, investors in the Funds receive a monthly written statement of their investments, including confirmation of contributions and withdrawals, capital appreciation or depreciation and total net asset value per unit invested from the administrator to the Funds. In addition, the Investment Adviser issues investors tax reports and audited financial statements concerning their respective Funds within 120 days of the end of the Fund's fiscal year. While all investors generally receive similar information, to the extent an investor receives additional information (that other investors have not received), which is in addition to information provided in a Fund's regular reports to investors, such information may provide such investor with greater insight into the Fund's activities. This may enhance such investor's ability to make investment decisions with respect to the Fund and possibly affect such investor's decision to request a redemption from the Fund.

**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

A. Economic Benefits for Providing Services to Clients.

The Investment Adviser does not receive economic benefits from non-clients for providing investment advice and other advisory services.

B. Compensation to Non-Supervised Persons for Client Referrals.

Neither the Investment Adviser nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals.

## **ITEM 15**

### **CUSTODY**

The Investment Adviser is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

The Investment Adviser does not have custody of Managed Account assets.

## **ITEM 16**

### **INVESTMENT DISCRETION**

The Investment Adviser serves as the investment manager with discretionary trading authority to each Fund. In addition, the Investment Adviser serves as the investment adviser with discretionary trading authority and also provides discretionary advisory services for the Managed Accounts.

The Investment Adviser's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents. Similarly, the Investment Adviser's investment decisions and advice with respect to each Managed Account are subject to each client's investment objectives and guidelines, as set forth in the client's investment management agreement, as well as any written instructions provided by the client to the Investment Adviser.

The Investment Adviser or the Fund General Partner entered into an investment management agreement, or similar agreement, with each Fund or beneficial owner of each Managed Account, pursuant to which the Investment Adviser or the Fund General Partner was granted discretionary trading authority.

## ITEM 17

### VOTING CLIENT SECURITIES

#### A. Policies and Procedures Relating to Voting Client Securities.

In compliance with Advisers Act Rule 206(4)-6, the Investment Adviser has adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "Proxies") in a prudent and diligent manner that will serve the applicable client's best interests and is in line with each client's investment objectives.

The Investment Adviser may take into account all relevant factors, as determined by the Investment Adviser in its discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

In limited circumstances, the Investment Adviser may refrain from voting Proxies where the Investment Adviser believes that voting would be inappropriate, taking into consideration the cost of voting the Proxies and the anticipated benefit to its clients. Generally, clients may not direct the Investment Adviser's vote in a particular solicitation.

Conflicts of interest may arise between the interests of the clients on the one hand and the Investment Adviser or its affiliates on the other hand. If the Investment Adviser determines that it may have, or is perceived to have, a conflict of interest when voting Proxies, the Investment Adviser will vote in accordance with its Proxy voting policies and procedures. Clients may obtain a copy of the Investment Adviser's Proxy voting policies and its Proxy voting record upon request.

#### B. No Authority to Vote Client Securities and Client Receipt of Proxies.

***Not Applicable.***



**ITEM 18**  
**FINANCIAL INFORMATION**

The Investment Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.

**ITEM 19**  
**REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

*Not Applicable.*