

Karsch Capital Management, LP

Part 2A of Form ADV

The Brochure

110 East 59th Street, 27th Floor
New York, NY 10022

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This brochure provides information about the qualifications and business practices of Karsch Capital Management, LP (“KCM”). If you have any questions about the contents of this brochure, please contact us at 212-507-9790. 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 KCM is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Item 2 – Material Changes

KCM's most recent update to Part 2 of Form ADV was made in March 2012. This amendment updates the description of KCM's policies and procedures, provides information about certain new potential investment advisory business of KCM and includes certain non-material changes.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of KCM's fiscal year. We may further provide other ongoing disclosure of material changes as necessary.

We will provide you a new brochure as necessary, based on changes or new information, at any time without charge. Currently, KCM's brochure may be requested by contacting Brian Holmes, KCM's Chief Compliance Officer (the "CCO"), at (212) 507-9754 or bholmes@karschcapital.com.

Item 3 - Table of Contents

Item 2: Material Changes	2
Item 3: Table of Contents.....	2
Item 4: Advisory Business	2
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.....	10
Item 10: Other Financial Industry Activities and Affiliations	10
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	14
Item 12: Brokerage Practices.....	15
Item 13: Review of Accounts	16
Item 14: Client Referrals and Other Compensation	18
Item 15: Custody	18
Item 16: Investment Discretion	18
Item 17: Voting Client Securities	18
Item 18: Financial Information	19

Item 4 – Advisory Business

KCM serves as an investment manager and/or the management company to Karsch Capital I, L.P., a Delaware limited partnership ("Karsch I"), Karsch Capital II, L.P., a Delaware limited partnership ("Karsch II"), KCM Plus, L.P., a Delaware limited partnership ("Karsch Plus"), KCM Long Only Fund, L.P., a Delaware limited partnership ("Karsch Long Only"), Karsch Capital, Ltd., a Cayman Islands exempted company ("Karsch Offshore I"), Karsch Capital II, Ltd., a Cayman Islands exempted company ("Karsch Offshore II"), KCM Plus, Ltd., a Cayman Islands exempted company ("Karsch Plus Offshore") and KCM Long Only Fund Ltd., a Cayman Islands exempted company ("Karsch Long Offshore," and, collectively with Karsch I, Karsch II, Karsch Plus, Karsch Long

Only, Karsch Offshore I, Karsch Offshore II and Karsch Plus Offshore, the “Private Funds”). KCM also provides investment advisory services to several accounts established pursuant to managed account agreements (“IMAs”), the investors in which include pooled investment vehicles and state pension plans (collectively, “Accounts”).

The general partner of Karsch I, Karsch II, Karsch Plus and Karsch Long Only is Karsch Associates, L.L.C., a Delaware limited liability company and an affiliate of KCM (the “General Partner”). All Private Funds and several of the Accounts share substantially similar investment objectives, except that (1) Karsch Long Only and Karsch Long Offshore are subject to limitations on short selling; (2) certain of the Accounts that have similar investment objectives with the Private Funds may employ a different amount of leverage or be subject to various additional investment restrictions; and (3) the gross exposure for Karsch Plus and Karsch Plus Offshore is likely to be approximately two times that of Karsch I and Karsch Offshore I, respectively.

KCM may also from time to time in the future provide investment advisory services to investment companies registered under the Investment Company Act of 1940 (the “1940 Act”) (the “Registered Funds” and, together with the Accounts and the Private Funds, “Clients”).¹

The investment objective of the Private Funds (except Karsch Long Only and Karsch Long Offshore) and certain of the Accounts is to achieve capital appreciation while minimizing risk by investing (on the long and short side) primarily in equities and equity-related instruments. The investment objective of Karsch Long Only and Karsch Long Offshore is to achieve capital appreciation while minimizing risk by investing (on the long side only) primarily in equity and equity-related instruments. The primary geographic focus of the Private Funds and such Accounts is the United States and, to a lesser extent, other developed economies, while the secondary geographic focus is in developing countries.

While it is anticipated that Clients will invest primarily in equity securities and equity-related instruments, the majority of KCM’s Clients have broad and flexible investment authority. Accordingly, such Clients’ investments may at any time include U.S. or foreign, long or short positions in publicly traded or privately issued or negotiated common stocks, preferred stocks, stock warrants and rights, corporate and U.S. government debt, bonds, notes or other debentures or debt participations, convertible securities, fixed income securities, trade claims, swaps, including total return swaps, options (purchased or written), futures contracts, commodities, forward contracts and other derivative instruments, partnership interests and other securities or financial instruments including those of investment companies. Investments in partnership interests include investments in unaffiliated, privately-offered pooled investment vehicles. Such investments carry substantial risk, as further detailed in the applicable Client’s offering documents. KCM may also employ sub-advisers to assist it in implementing its investment strategies with respect to a portion of any of a Client’s assets.

Although KCM’s Account investors may impose restrictions on investing in certain securities or types of securities, such restrictions are typically limited and may include restrictions on securities pursuant

¹ Where KCM has investment discretion over only a portion of a Client’s assets, the defined terms “Private Fund,” “Account,” “Registered Fund” and “Client” should be understood to mean the relevant portion of such Client’s assets managed by KCM.

to socially responsible investing standards, short sales, certain derivative instruments, private investments and exposure levels. KCM does not participate in any wrap fee programs.

KCM, a Delaware limited partnership, was founded in July 2000 and began managing assets in October 2000. KCM has been registered as an investment adviser with the SEC since May 2005. Karsch Management GP LLC is the general partner of KCM. Michael A. Karsch is the managing member of Karsch Management GP LLC, the general partner of KCM. As of December 31, 2012, KCM managed approximately \$1,935 million on a discretionary basis on behalf of approximately 19 clients.

Item 5 – Fees and Compensation

Each Registered Fund's offering documents will include information about the fees and expenses paid by the Registered Fund. Certain fees paid to KCM by a Registered Fund may be waived by KCM in its sole discretion. KCM may receive additional compensation for administrative or other services provided to a Registered Fund as described in the Registered Fund's offering documents. Fees paid to KCM by a Registered Fund are typically deducted from a Registered Fund's assets monthly, quarterly or annually. KCM may act as subadviser to a Registered Fund. In those cases, the Registered Fund's investment adviser may pay KCM a subadvisory fee out of its advisory fee. In addition to the fees discussed above, Registered Funds may also incur additional fees, such as, without limitation, shareholder servicing fees, distribution fees and/or brokerage or other transaction costs associated with securities trades ordered on behalf of the assets in a Registered Fund.

Management fees and incentive allocations/fees paid to KCM by Private Funds are deducted from the assets of the Private Funds. In the case of Accounts, the clients are generally billed the management and incentive fees. However, the method of payment for Accounts is determined by the IMAs and these Clients may select either method as long as it is established in the relevant IMA.

KCM will receive a quarterly management fee (each, a "Domestic Private Fund Management Fee") calculated at the quarterly rate of (i) 0.375% of each capital account (i.e., 1.5% per annum) of each limited partner of Karsch I or Karsch II (as appropriate) (each, a "Limited Partner") for capital contributions made to Karsch I or Karsch II; (ii) 0.50% of each Limited Partner's capital account (i.e., 2% per annum) for all capital contributions made to Karsch Plus; and (iv) 0.25% of each Limited Partner's capital account (i.e., 1% per annum) for all capital contributions made to Karsch Long Only. The Domestic Private Fund Management Fee will be paid quarterly in advance based on the value of each Limited Partner's capital account as of the first day of such calendar quarter (adjusted for contributions made during the quarter). The Domestic Private Fund Management Fee will be prorated for any period that is less than a full fiscal quarter. Notwithstanding the foregoing, the General Partner may waive, reduce or calculate differently the Domestic Private Fund Management Fee with regard to any (including affiliated) investors.

None of Karsch I, Karsch II, Karsch Plus or Karsch Long Only will pay any other fees or make any allocations to KCM, but each of them will make an incentive allocation to the General Partner, an affiliate of KCM, as described below.

Karsch Offshore I, Karsch Offshore II and Karsch Long Offshore will each pay to KCM a management fee (the “Offshore Private Fund Management Fee,” and, collectively with the Domestic Private Fund Management Fee, the “Private Fund Management Fee”) for any calendar quarter in an amount equal to (i) 0.375% of the net assets of Karsch Offshore I or Karsch Offshore II (as appropriate) or (ii) 0.25% of the net assets of Karsch Long Offshore (in each case adjusted for subscriptions made during the quarter). Karsch Plus Offshore will pay to KCM an Offshore Private Fund Management Fee for any calendar quarter in an amount equal to 0.50% of the net assets of Karsch Plus Offshore (adjusted for subscriptions made during the quarter). The Offshore Private Fund Management Fee will be paid in advance in U.S. dollars as of the first day of each calendar quarter. The Offshore Private Fund Management Fee will be deducted in computing the net profit or net loss of Karsch Offshore I, Karsch Offshore II, Karsch Plus Offshore or Karsch Long Offshore (as appropriate). In the event that KCM is not acting as investment manager of Karsch Offshore I, Karsch Offshore II, Karsch Plus Offshore or Karsch Long Offshore (as appropriate) for an entire calendar quarter, the Offshore Private Fund Management Fee payable by such funds for such quarter will be prorated to reflect the portion of such quarter in which KCM is acting as such. Notwithstanding the foregoing, the directors of Karsch Offshore I, Karsch Offshore II, Karsch Long Offshore and/or Karsch Plus Offshore with the consent of KCM, may waive, reduce or calculate differently the Offshore Private Fund Management Fee with regard to any (including affiliated) shareholders by, among other things, instructing such Private Funds to give such shareholders a return in the form of additional common shares (each, a “Common Share”) equivalent in value to the amount of the fee that was waived.

Karsch Offshore I, Karsch Offshore II and Karsch Plus Offshore will also generally pay to KCM an incentive fee as of the end of a fiscal year in an amount equal to twenty percent (20%) of the net profits (including net unrealized gains), if any, during such year allocable to each Common Share. Karsch Long Offshore will pay to KCM an incentive fee (collectively with the incentive fee paid by shareholders of Karsch Offshore I, Karsch Offshore II and Karsch Plus Offshore, the “Incentive Fee”) as of the end of a fiscal year in an amount equal to 10% of the net profits (including unrealized gains and losses), if any, in excess of a non-cumulative “Hurdle Rate,” allocable to such Series, subject to a loss carryforward provision. Such Hurdle Rate for each series of Karsch Long Offshore Common shares will equal the value of such series as of the first date of the current fiscal period or the date of issue of such series (whichever is later, as appropriate) multiplied by the performance of the S&P 500 Total Return Index² for the fiscal year or another appropriate period and prorated for any additions and redemptions made to or from such series during the year, including as it would be appropriate to reflect the net asset value of the series and the number of days the series was in issue. In the case of each of the above Private Funds, if a Common Share has a loss chargeable to it during any fiscal year and during a subsequent fiscal year there is a profit allocable to the Common Share, there will be no Incentive Fee payable with respect to the Common Share until the amount of the loss previously allocated to the Common Share has been recouped (a “Loss Carryforward”). All or a portion of the Incentive Fee attributable to a Common Share may be paid by redemption of a portion of a shareholder’s Common Shares. Notwithstanding the foregoing, the directors of Karsch Offshore I, Karsch Offshore II, Karsch Long Offshore and/or Karsch Plus Offshore, with the consent of KCM, may waive, reduce or calculate differently the Incentive Fee, or enter into

² S&P 500 Total Return Index means an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. The S&P 500 Total Return Index includes the reinvestment of dividends and other distributions.

lock-up period arrangements and related fee or other arrangements with regard to any (including affiliated) shareholders of such Private Funds by, among other things, instructing such Private Funds to give such shareholders a return in the form of additional Common Shares equivalent in value to the amount of the fee that was waived. In the event that KCM no longer provides the investment management services to Karsch Offshore I, Karsch Offshore II, Karsch Long Offshore and/or Karsch Plus Offshore or a shareholder's Common Shares are redeemed prior to the last day of the fiscal year, the Incentive Fee will be computed with respect thereto as though such date were the last day of the fiscal year and at such point the Incentive Fee will be due.

Michael A. Karsch, the principal of KCM, is also the managing member of Karsch Associates, LLC, the general partner of Karsch I, Karsch II, Karsch Plus and Karsch Long Only. Subject to the "loss carryforward" provision discussed below, if for any fiscal year a Limited Partner of Karsch I, Karsch II or Karsch Plus (as appropriate) has a net profit, an amount equal to 20% of such net profit shall be deducted from the Limited Partner's capital account as of the end of such fiscal year and re-allocated to the capital account of the General Partner. In the event that a Limited Partner withdraws its capital or is required to retire at any time other than at the end of a fiscal year, such 20% deduction will be made with respect to such Limited Partner at the time of such withdrawal or retirement as though it were being made at the end of a fiscal year and reallocated to the capital account of the General Partner. Notwithstanding the foregoing, the General Partner may waive, reduce or calculate differently the incentive reallocation with regard to any (including affiliated) investors.

Subject to the "loss carryforward" provision discussed below, if for any fiscal year a Limited Partner in Karsch Long Only has a net profit, an amount equal to 10% of such net profit, in excess of a non-cumulative "Hurdle Rate" (as defined below) shall be deducted from the Limited Partner's capital account as of the end of such fiscal year and reallocated to the capital account of the General Partner. The Hurdle Rate will equal the value of a Limited Partner's capital account as of the first date of the current fiscal period or the date of a Limited Partner's investment (whichever is later, as appropriate) multiplied by the performance of the S&P 500 Total Return Index for the fiscal year or another appropriate period and prorated for any additions and withdrawals made to or from such capital account during the year, including as it would be appropriate to reflect the net asset value of the investment and the number of days the investment was invested with Karsch Long Only. In the event that a Limited Partner withdraws its capital or is required to retire at any time other than at the end of a fiscal year, such 10% deduction will be made with respect to such Limited Partner at the time of such withdrawal or retirement as though it were being made at the end of a fiscal year and reallocated to the capital account of the General Partner. Notwithstanding the foregoing, the General Partner may in its sole discretion (i) waive, reduce or calculate differently the incentive allocation charged to investors that are employees or affiliates of the General Partner or KCM or relatives of such persons, or for any other investors; (ii) reallocate all or a portion of the incentive allocation to an investor, and/or (iii) agree that such or similar allocation be made pursuant to a separate arrangement with Karsch Long Only for any period the General Partner determines is appropriate.

Under a loss carryforward provision applicable to Karsch I, Karsch II, Karsch Plus and Karsch Long Only, no deduction with respect to the General Partner's percentage of any net profits will be made from the capital account of a particular Limited Partner with respect to a fiscal year until any net losses previously allocated to the capital account of such Limited Partner have been offset by subsequent net profits allocated to the capital account of such Limited Partner. Any such loss

carryforward will be subject to reduction for withdrawals in the manner described in the partnership agreement of each of Karsch I, Karsch II, Karsch Plus and Karsch Long Only.

From time to time, KCM may inform eligible investors in its Private Funds of other investment opportunities in an entity or an account (such as any of the Private Funds or the Accounts) that is either managed by an affiliate or of which an affiliate acts as general partner or managing member. KCM will not receive any referral fees for these investments in such Private Funds and/or the Accounts; however, due to the ownership structure, its principal and other professionals will receive all or a portion of the management fees and the incentive compensation from these investments.

KCM generally receives the following compensation from the Accounts: (1) a management fee, which ranges from 1.5% annually to 2% annually of the Account's net assets payable on a monthly or a quarterly basis and (2) an annual incentive fee equal to twenty percent (20%) of the new profits achieved with respect to the net assets in a particular Account, subject to a Loss Carryforward; provided that certain of the Accounts pursuing a long-only strategy may be subject to a lower incentive fee with respect to the profits achieved by such Accounts and/or may be subject to a lower management fee with respect to such Accounts' net assets. The management and incentive fees payable to KCM by the Accounts will be prorated in the event of early withdrawals from the Accounts or, if KCM does not provide the investment management services with respect to a particular Account, for the entire fee payment period. Any such management or incentive fee can also be waived, reduced or calculated differently by KCM in its sole discretion. Subject to certain exceptions, KCM can also generally agree with any investor in the Private Funds or the Accounts to waive or modify the application of any provision of the Private Funds' or the Accounts' offering documents or agreements (as appropriate) with respect to such investor, without obtaining the consent of any other investor (other than, in the case of the Private Funds, an investor who is materially and adversely affected by such waiver or modification).

KCM has made and may in the future make investments on behalf of certain Clients in unaffiliated, privately-offered pooled investment vehicles. The managers of such privately-offered pooled investment vehicles generally charge an annual management fee of 1% to 2% and an annual incentive compensation of 10% to 20%. KCM, at its sole discretion, may reimburse Clients for such fees charged by such unaffiliated, underlying managers. KCM has no obligation to reimburse such fees or any expenses of such investment vehicles.

KCM and its supervised persons do not accept compensation for the sale of securities or other investment products. KCM's management fee, performance compensation and any fees payable by or in respect of Registered Funds are separate from brokerage commissions, transaction fees, and other related costs and expenses which are incurred by Clients. Item 12 below further describes the factors KCM considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

One of the conflicts that may arise in connection with management fee and performance compensation calculation would be a conflict of interests relating to valuation. Valuation of Clients' investments (which will indirectly determine the amount of any management fee or incentive fee to KCM, the incentive reallocation to the General Partner and the management fee and incentive compensation of the managers of the investment vehicles in which the Private Funds and the Accounts may invest) may involve uncertainties and subjective determinations, and if such

valuations should prove to be incorrect, Clients could be adversely affected. Independent pricing information may not at times be available with respect to certain of Clients' securities and other investments. Accordingly, while KCM will seek to value all Client investments accurately, certain investments may be difficult to value and may be subject to varying interpretations of value. KCM has adopted valuation policies and procedures to seek to mitigate such conflicts and potential conflicts and, with respect to the assets of a Registered Fund, the valuation of those assets subject to pricing policies adopted by the Registered Funds' board of directors or trustees. Certain valuation-related issues are disclosed in a Private Fund's or Registered Fund's offering documents.

Item 6 – Performance Based Fees and Side-by-Side Management

As stated in the Fees and Compensation section (Item 5) above, KCM and its affiliate charge performance based fees and allocations that are based on a share of capital gains on or capital appreciation of the Private Fund's or Account's assets. The fact that KCM and its affiliate are compensated based on the trading profits may create an incentive for KCM to make investments on behalf of such Clients that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance-based compensation received by KCM and its affiliate is based primarily on realized and unrealized gains and losses that Private Funds and Accounts may never realize.

Some of KCM's Clients, such as certain Accounts and Private Funds, are charged a performance-based fee or allocation; other Clients, such as Registered Funds and certain other Accounts, are not. The fact that KCM is compensated based on the trading profits for some clients and not others may create an incentive for KCM to favor Accounts and Private Funds for which it receives a performance-based fee or allocation. KCM attempts to address this potential conflict of interest and to ensure that all Clients are treated fairly and equitably by monitoring the investments made for Clients on an ongoing basis, endeavoring to ensure that investments made for all Clients are appropriate, without regard to the potential for performance compensation and by maintaining allocation policies and procedures designed to ensure that Clients are treated fairly over time.

Item 7 – Types of Clients

As stated in the Advisory Business section (Item 4) above, KCM serves as an investment manager and/or the management company to the Private Funds and as an investment adviser to Accounts. Investors in the Accounts include pooled investment vehicles and state pension plans. KCM may advise different types of clients in the future, including Registered Funds.

The minimum investment in each of the Private Funds is US\$1,000,000 for initial investments and US\$100,000 for additional investments, subject to increase or decrease by the General Partner or the directors of Karsch Offshore I, Karsch Offshore II, Karsch Long Offshore or Karsch Plus Offshore, as appropriate, at their discretion; provided, that in the case of Karsch Offshore I or Karsch Offshore II, the minimum subscription may not be less than \$50,000 and in the case of Karsch Long Offshore or Karsch Plus Offshore, the minimum subscription may not be less than \$100,000.

Each investor in Karsch I and Karsch Long Only must (1) be an “accredited investor,” as defined in Regulation D under the Securities Act of 1933, as amended (“1933 Act”) and (2) be a “qualified client” under the Investment Advisers Act of 1940, as amended and the rules thereunder.

Each investor in Karsch II and Karsch Plus must (1) be an “accredited investor,” as defined in Regulation D under the 1933 Act and (2) be a “qualified purchaser” or a “knowledgeable employee,” as defined in the 1940 Act and the rules thereunder.

Each investor in Karsch Offshore I and Karsch Long Offshore that is a “United States person” (as defined in the Internal Revenue Code of 1986, as amended (“Code”)) must (1) be an “accredited investor,” as defined in Regulation D under the 1933 Act and (2) if such investor is a natural person, be a “qualified purchaser” or a “knowledgeable employee,” as defined in the 1940 Act and the rules thereunder.

Each investor in Karsch Offshore II and Karsch Plus Offshore that is a “United States Person” must (1) be an “accredited investor” as defined in Regulation D under the 1933 Act and (2) be a “qualified purchaser” or a “knowledgeable employee,” as defined in the 1940 Act and the rules thereunder.

Each other investor in Karsch Offshore I, Karsch Offshore II, Karsch Long Offshore or Karsch Plus Offshore (1) must be a “Non-United States person” within the meaning of Rule 4.7 under the Commodity Exchange Act and (2) must not be a “U.S. person,” as defined in Regulation S under the 1933 Act or a “United States person” as defined in the Code.

Some of the Accounts impose limitations on the minimum dollar value of assets in the Account.

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

As stated in the Advisory Business section (Item 4) above, KCM generally focuses on investing (on the long and short side) primarily in equities and equity-related instruments. As also stated above, all Private Funds and several of the Accounts share substantially similar investment objectives, except that (1) Karsch Long Only and Karsch Long Offshore are subject to limitations on short selling; (2) certain of the Accounts that have similar investment objectives with the Private Funds may employ a different amount of leverage or be subject to various additional investment restrictions; and (3) the gross exposure for Karsch Plus and Karsch Plus Offshore is likely to be approximately two times that of Karsch I and Karsch Offshore I, respectively. A Registered Fund’s prospectus and statement of additional information include a description of the Registered Fund’s principal investment strategies and certain limitations and restrictions on its investment operations.

KCM seeks to identify opportunities for Client investment using independent and internal research and its extensive network in the financial community. Its internal research focuses on industry and company-specific analysis. This is generally accomplished by examining corporate filings (e.g., Forms S-1, 8-K, 10-K, 10-Q, Schedules 13D and proxy statements), meeting with management, speaking with industry contacts, attending industry conventions and investor conferences, evaluating industry competitors and channel checks, reviewing media and industry publications, utilizing industry experts and/or studying technical charts. KCM may employ sell-side research and a network of other investment professionals to test independent findings. Balance sheets may be examined to evaluate a

company's cash conversion cycle (i.e., days inventory, receivables and payables) and its capital structure. Other sources of information KCM may utilize include research materials prepared by others, prospectuses, corporate rating services, inspections of corporate activities and financial newspapers and magazines. Additionally, KCM may utilize research, data, and other information provided by sub-advisers in conducting analyses used in implementing its investment strategies to the extent permitted by applicable law and the terms of the sub-advisory agreements with such sub-advisers. Such sub-advisory relationships generally provide KCM with transparency regarding research and analytics concerning account holdings and transactions performed under the sub-advisory agreement. A range of analytical and financial measurements is used to help gauge a company's valuation. Other measurements that may be utilized include: sum of the parts, book value and industry-specific matrices. To the extent appropriate, risk management is also a significant consideration in making investment decisions.

After an investment is made, KCM monitors profit and loss, risk and allocation parameters, and management actions on a regular basis.

The strategies employed by KCM carry substantial risk, may be deemed to be highly speculative, and are not intended as complete investment programs. KCM's strategies utilized on behalf of Private Funds and Accounts are designed only for sophisticated investors. Investing in securities involves risk of loss that Clients should be prepared to bear. There can be no assurance that KCM will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. The investment strategies employed by KCM may involve frequent trading and, as a result, turnover and brokerage commission expenses may be significant. KCM may utilize leverage, which decreases returns if Clients fail to earn as much on leveraged investments as they pay for such funds. Clients' portfolios may be concentrated. Accordingly, the portfolios may be subject to more rapid change in value than would be the case if the portfolios were less concentrated. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Derivatives, swaps and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty, absence of direct ownership or control of underlying investments, illiquidity, leverage and delay in payments to clients upon termination of portions of such derivative instruments. Trading in futures contracts and options thereon are highly specialized activities which while they may increase the total return in investments, may entail greater than ordinary investment risks. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on clients' portfolios. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase. Risks of investing in unaffiliated, privately-offered pooled investment vehicles and with sub-advisers include increased fees and expenses, lack of control, difficulty of monitoring investments, and custodial risks.

To the extent that KCM advises other clients in the future, some or all of the strategies and risks described above may apply.

Item 9 – Disciplinary Information

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

Item 10 – Other Financial Industry Activities and Affiliations

Financial Industry Affiliations

K&D Capital Manager, LLC is an affiliated entity which serves as the manager to K&D Capital Partners, LP, a limited partnership formed solely to invest in an offshore venture capital fund. K&D Capital GP, LLC serves as the general partner of K&D Capital Partners, LP. Michael A. Karsch is the managing and sole member of K&D Capital GP, LLC and K&D Capital Manager, LLC.

As stated in the Advisory Business section (Item 4) above, Karsch Associates, L.L.C., a Delaware limited liability company and an affiliate of KCM is the general partner of Karsch I, Karsch II, Karsch Plus and Karsch Long Only.

KCM does not have any arrangement in which it is compensated for recommending or selecting other investment advisers for the Private Funds or Accounts, nor does KCM have any other business relationship or an arrangement with an investment adviser or any related person that would create a material conflict of interest with respect to KCM's management of the Private Funds or Accounts other than as described under "Financial Interests in Client Recommendations" and "Other Conflicts of Interests" below.

Financial Interests in Client Recommendations

KCM and its affiliates (including the General Partner), each of their respective directors, members, partners, shareholders, officers, employees, agents and affiliates (hereinafter referred to as the "Affiliated Parties") may recommend investments to potential investors in investment vehicles such as the Private Funds in which Affiliated Parties and other professionals also may have an investment or an intent to invest (KCM's employees, the principal and other professionals like other investors, will be subject to the general suitability requirements). The principal and other professionals of KCM (directly or through KCM or its affiliates) and other Affiliated Parties may make a capital contribution to the investment vehicles recommended to the investors (including the Private Funds). KCM and other Affiliated Parties may receive management, incentive and other fees and allocations in connection with the management and operation of these investment vehicles. KCM and other Affiliated Parties may also recommend investment vehicles to investors that contain an incentive allocation that will permit KCM or an affiliate, including the General Partner, to participate in the profits of the investment vehicle. KCM and the General Partner routinely waive the applicable management fee and the incentive fees (or incentive allocation) for KCM-affiliated investors.

Other Conflicts of Interest

To the extent consistent with applicable law and KCM's Code of Ethics, Affiliated Parties, including KCM, may conduct any other business, including any business within the securities industry, whether or not such business is in competition with Clients. Without limiting the

generality of the foregoing, the Affiliated Parties may act as general partner, investment adviser or investment manager for others, may manage funds, separate accounts or capital for others, may have, make and maintain investments in their own name or through other entities and may serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms. In this regard, it should be noted that KCM serves as (i) the management company of Karsch I, Karsch II, Karsch Plus and Karsch Long Only; (ii) the investment manager of Karsch I Offshore, Karsch II Offshore, Karsch Long Offshore and Karsch Plus Offshore and (iii) the investment manager to the Accounts. Such Private Funds and Accounts, with the exception of those Private Funds and Accounts that are intended to be managed substantially *pari passu* with each other, have somewhat similar, but not identical investment programs and methods of operation. In addition, KCM may serve as investment manager or subadviser to a Registered Fund or other investment vehicle in the future and such vehicles may have investment objectives or may implement investment strategies similar to or different from those of the Private Funds and the Accounts. As discussed above, the Affiliated Parties may, through other investments, including these or other investment funds, have interests in the securities in which Clients invest as well as interests in investments in which Clients do not invest. The Affiliated Parties may give advice or take action with respect to such other entities or accounts that differs from the advice given with respect to Clients. It is also possible that the same investment positions held by two or more Clients will not be liquidated at the same time or at the same prices for each.

KCM and its Affiliated Parties may, to the extent legally permissible and consistent with KCM's duty of best execution, aggregate or combine purchase or sale orders on behalf of Clients if there are multiple orders in the same security placed at or around the same time and on the same terms. KCM and its Affiliated Parties are authorized to allocate securities or other assets so purchased or sold, on an average price or other appropriate basis, among such Clients. To the extent a particular investment is suitable for multiple Clients, such investments may be allocated between or among Clients *pro rata* based on assets under management or in a manner that KCM and/or the Affiliated Parties determine is fair and equitable under the circumstances to all Clients pursuant to KCM's Trade Allocation Policies and Procedures, including by taking into account such Clients' investment objectives and strategies. There may be instances (such as when orders are placed with more than one broker or if an order cannot be fully executed under prevailing market conditions), that make it impossible for KCM or its Affiliated Parties to average the prices paid. In this case, KCM or its Affiliated Parties will allocate the filled orders in an equitable manner. In these circumstances, each Client may pay, in connection with the acquisition of securities by more than one account, the average price per unit acquired, or another price determined on an equitable basis which may be higher than if it had acted alone (in addition to its *pro rata* share of commissions, fees and charges).

From the standpoint of the Private Funds and the Accounts, simultaneous identical portfolio transactions for the Private Funds and/or the Accounts (as appropriate) and the other clients may tend to decrease the prices received, and increase the prices required to be paid, by the Private Funds and/or the Accounts (as appropriate) for their portfolio sales and purchases. Where less than the maximum desired number of shares of a particular security to be purchased is available at a favorable price, the shares purchased will be allocated among the Private Funds and the Accounts and the other clients in an equitable manner as determined by the Affiliated Parties. Further, it is likely that it will not be possible or consistent with the investment objectives of the various persons or entities described above and of the Private Funds and the Accounts for the same investment

positions to be taken or liquidated at the same time or at the same price; however, all transactions will be made on a “best execution” basis.

Periodically, KCM and/or Affiliated Parties (to the extent applicable) may seek to rebalance the portfolios of the Private Funds and the Accounts, by causing one or more of the Private Funds or Accounts to sell securities at the same time other Private Funds or Accounts purchase such securities. Due to subscriptions and redemptions, these trades may be necessary to re-align the securities holdings of such Private Funds and Accounts so that they more accurately reflect their relative capital balances. If KCM and/or Affiliated Parties (to the extent applicable) elect to make such trades, generally they would typically be effected shortly after such capital activity has been reflected in such Private Funds or Accounts, typically at or near the beginning of a month. In effecting such trades, KCM and/or Affiliated Parties (to the extent applicable) seek to reduce the transaction costs to its clients of such transactions. Each such trade will be consistent with the investment objectives and policies of each of the Private Funds and Accounts and will be effected by transacting the securities at a current market price through a third party brokerage firm for a commission.

Pursuant to the limited partnership agreements or the investment management agreements of the Private Funds and Accounts, KCM has a right to “cross” any transaction for the purchase or sale of securities between two or more such Clients (as contemplated in Rule 206(3) under the Investment Advisers Act of 1940, as amended, and interpretations thereunder) (“Cross Trading”), provided that KCM receives no additional compensation in connection with such Cross Trading activities. Although such Cross Trading activities may create conflicts in allocating investment opportunities and associated expenses among KCM’s various clients, each such trade will be consistent with the investment objectives and policies of each of the Private Funds and Accounts. Cross Trading activities with respect to the Registered Funds is subject to additional requirements, including those of the 1940 Act and the rules promulgated thereunder and may be subject to such other limitations as a Registered Fund’s board of directors or trustees or investment manager may establish.

As a result of the foregoing, KCM and/or the Affiliated Parties may have conflicts of interest in allocating their time and activity between and among Clients, in allocating investments among Clients and in effecting transactions for Clients, including ones in which the Affiliated Parties may have a greater financial interest.

It is possible that some of the investors in the Private Funds and/or the Accounts may be persons acting as executive officers or directors at companies or in industries in which a Client may invest. As such, KCM and other Affiliated Parties will seek to avoid any contacts with such investors that might give rise to the appearance of impropriety.

Michael A. Karsch, the controlling person of KCM, also serves as a director to the Offshore Private Funds and as a General Partner of the Domestic Private Funds. The fiduciary duty of Mr. Karsch as a director and a principal of the General Partner may compete or be different from the interests of KCM and may give rise to a conflict of interest in relation to his duties to the Private Funds.

Brokers may also solicit or refer investors to invest in the Private Funds and/or the Accounts or any other commingled investment vehicles or accounts managed by KCM and/or Affiliated Parties. The availability of these benefits may create a conflict of interest for KCM and/or Affiliated Parties with respect to selecting one broker rather than another to perform services for

the Private Funds and/or the Accounts and/or the compensation paid to such brokers. KCM and/or Affiliated Parties (to the extent applicable) do not take such arrangements into account in its evaluation of broker compensation. The receipt by KCM and/or Affiliated Parties of these benefits does not reduce the fees paid to KCM and/or Affiliated Parties.

A Registered Fund or, where KCM serves as sub-adviser, such Registered Fund's primary investment adviser may instruct KCM not to aggregate its trades with those of another Client, may instruct KCM not to trade on its behalf with certain brokers, dealers or counterparties and/or may place certain other limitations on KCM's ability to exercise its investment discretion or to engage in certain otherwise permissible transactions. To the extent such instructions or limitations are placed on KCM, those limitations may adversely affect the performance of that Client's investment accounts.

The amounts payable to KCM and/or Affiliated Parties are based directly on the net asset value of each of the Private Funds and the Accounts. To the extent that valuation of assets is determined based upon information provided by KCM or its Affiliated Parties, because there is, for example, no public market price available, there may be a conflict of interest.

The management fees, incentive fees or other fees or allocations to be received by KCM or its Affiliated Parties may create an incentive for KCM or its Affiliated Parties to make investments in a manner that is riskier or more speculative than would be the case in the absence of such an arrangement.

The directors of the offshore Private Funds and the Private Funds' administrator, the prime brokers and any other brokers (as applicable) appointed by the Private Funds and/or Accounts, may from time to time also act as directors, administrators or prime brokers to, or be otherwise involved in, other collective investment schemes which have similar investment objectives to those of the Private Funds and/or Accounts or may otherwise provide discretionary fund management or ancillary administration, or brokerage services to investors with similar investment objectives to those of the Private Funds and/or Accounts. It is, therefore, possible that any of them may, in the course of their business, have potential conflicts of interests with the Private Funds and/or Accounts. KCM believes that each will at all times have regard in such event to its obligations to act in the best interests of the investors of the Private Funds and/or Accounts so far as practicable, having regard to its obligations to other clients, when undertaking any investments where conflicts of interests may arise and they will endeavor to resolve such conflicts fairly.

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

KCM has adopted a Code of Ethics that sets forth the standards of conduct expected of its personnel. The Code of Ethics requires such personnel to report their personal securities holdings and transactions and submit for pre-approval certain personal securities transactions. The Code of Ethics requires KCM's personnel to comply with applicable federal securities laws. KCM personnel are required to submit a certification stating that the individual will comply and has complied with the Code of Ethics. The Chief Compliance Officer, on behalf of KCM, is required to keep copies of the Code of Ethics and records relating to the Code of Ethics. Clients can obtain a copy of the Code of Ethics by contacting the Chief Compliance Officer at bholmes@KarschCapital.com.

All employees, managers and officers of KCM must comply with the Code of Ethics. The Code of Ethics states that KCM personnel owe a fiduciary duty to Clients and requires KCM personnel to act in the best interests of Clients. The Code of Ethics and KCM's compliance policies and procedures also contain policies involving the safeguarding of proprietary and non-public information by KCM personnel along with restrictions on the use of insider information and the use of non-public information regarding a client.

As described in Item 10 above, KCM and its Affiliated Parties may recommend investments to potential investors in investment vehicles such as the Private Funds in which Affiliated Parties and other professionals also may have an investment or an intent to invest or for which such Affiliated Parties may act as a general partner. In addition, as described in Item 10 above, periodically, KCM and/or Affiliated Parties (to the extent applicable) may seek to rebalance the portfolios of the Private Funds and the Accounts, by causing one or more of the Private Funds or Accounts to sell securities at the same time other Private Funds or Accounts purchase such securities. Finally, as described above, pursuant to the limited partnership agreements or the investment management agreements of the Private Funds (as appropriate), KCM has a right to "cross" any transaction for the purchase or sale of securities between two or more Clients (as contemplated in Rule 206(3) under the Investment Advisers Act of 1940, as amended, and interpretations thereunder), provided that KCM receives no additional compensation in connection with such Cross Trading activities. KCM will address all such potential or actual conflicts by complying with the requirements described above as well as by adhering to KCM's compliance policies and procedures and its Code of Ethics and disclosing all such conflicts to clients and potential clients through relevant disclosure documents.

Brian Holmes, the Chief Compliance Officer of KCM, is required to report issues that arise under the Code of Ethics to senior management at least annually.

Item 12 – Brokerage Practices

KCM may be authorized to determine the broker or dealer to be used for each Client's securities transactions. KCM generally places orders through: (1) brokers that provide execution only services; (2) brokers that enter into commission sharing arrangements ("CSAs") under which a portion of the commissions paid to these brokers can be used to purchase services supplied by third-parties; and (3) full service brokers that provide an array of services including execution and research. When trading through brokers that enter into CSAs or full service brokers, KCM may pay more than the lowest available commissions. The Clients that generate the commission credits used to purchase brokerage and/or research may not necessarily, in any particular instance, be the direct or indirect beneficiaries of the research services provided. Because the brokerage and research benefit all Clients, soft dollar benefits are not proportionally allocated to any Clients that may generate different amounts of the soft dollar benefits.

Research may include both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party. Research furnished by brokers may include, but is not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial, economic and other relevant studies, seminars and forecasts; permitted financial publications; statistic and pricing services, as well as discussions with research personnel, along with

permitted software and databases utilized in the investment management process. Research services obtained by the use of commissions arising from a Client's portfolio transactions may be used by KCM in its other investment activities. In selecting brokers and negotiating commission rates, KCM will take into account the financial stability and reputation of brokerage firms and the brokerage and research services provided by such brokers, although a particular Client may not necessarily, in any specific instance, be the direct or indirect beneficiary of the research services provided. KCM has adopted procedures related to its soft dollar arrangements so that those arrangements comply with the safe harbor provided in Section 28(e) of the Securities Exchange Act of 1934. Products and services obtained by KCM through soft dollar arrangements in the past year included research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultations with expert consultants; data services; services related to the execution, clearing and settlement of securities transactions and functions incidental thereto; and trading software. The procedures KCM used during its last fiscal year to direct Client transactions to a particular broker-dealer in return for soft dollar benefits it received included selecting brokers on the basis of obtaining the best overall terms available based on a variety of factors, including the following factors: the ability to achieve prompt and reliable executions at favorable prices, the competitiveness of commission rates in comparison with other brokers satisfying other selection criteria; the operational efficiency with which transactions are effected, back office, processing and special execution capabilities, clearance, settlement, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, error resolution; the financial strength and responsibility, reputation, integrity and stability of the broker; the quality and comprehensiveness of related products and services considered to be of value, accuracy of recommendations on particular securities, and nature and frequency of sales coverage.

In addition, in selecting brokers, KCM may take into account the value of brokerage (such as clearing, order routing, custodial and settlement services) and research and research products, services and facilities (as described below), either provided by the broker, or paid for by the broker (either by direct or reimbursement payments (in whatever form) or by commissions, mark-ups, or commission credits or by any other means) to be provided by others (collectively, "products and services").

KCM does not adhere to any rigid formulas in making the selection of brokers, but weighs a combination of the preceding criteria. KCM has no internal brokerage allocation procedures designating specific percentages of brokerage commissions to particular firms. KCM may cause an account to pay a broker-dealer a commission higher than that which another broker-dealer might have charged for effecting the same transaction in recognition of the value of Brokerage/Research provided by the broker-dealer; provided that KCM has determined, in good faith, that the amount of such commission is reasonable in relation to the value of the Brokerage/Research provided, either in terms of the particular transaction or KCM's overall responsibilities with respect to the accounts over which KCM exercises investment discretion.

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

For a discussion of aggregation of investment opportunities between or among Clients, please see “Other Conflicts of Interest” under Item 10.

Item 13 – Review of Accounts

Oversight and Monitoring

KCM will monitor profit and loss, risk and allocation parameters, and management actions with respect to each Client on a daily basis, which, in the case of a Registered Fund, may also be overseen by such Registered Fund’s sponsor (if any) and/or its board of trustees or directors. Such reviews will be conducted by the Portfolio Manager, Head Trader and Risk Manager and Senior Traders. The Chief Financial Officer, Chief Compliance Officer, Controller and Assistant Controller also monitor exposures, allocation parameters and profit and loss daily.

Though KCM will attempt to correct trading errors as soon as they are discovered, it may not be responsible for poor executions or trading errors committed by the brokers with which it transacts or by KCM itself, unless, in the case of KCM, such errors resulted from KCM’s willful misconduct, bad faith or gross negligence in the performance of its duties, or reckless disregard of its obligations and duties. Any determinations in regard to whether a trade error occurred as a result of KCM’s willful misconduct, bad faith or gross negligence in the performance of its duties, or reckless disregard of its obligations and duties will be made by KCM.

Reports to Clients

Each year, shareholders of Karsch Offshore I, Karsch Offshore II, Karsch Long Offshore and Karsch Plus Offshore (collectively, the “Offshore Private Funds”) are sent audited financial statements of the Offshore Private Funds (as appropriate). At least quarterly, the Offshore Private Funds send an unaudited report to each shareholder setting forth the net asset value of each shareholder’s shares. In addition, shareholders of the Offshore Private Funds may receive periodic reports concerning material portfolio developments at the discretion of KCM.

The investors in Karsch I, Karsch II, Karsch Plus and Karsch Long Only (collectively, the “Domestic Private Funds”) will be advised at least quarterly as to the unaudited performance of the Domestic Private Funds (as appropriate). Such investors will also be furnished with audited year-end financial statements (within 90 days as of the end of the fiscal year or as soon as practicable thereafter, but in no event later than 120 days after the end of the fiscal year) of the Domestic Private Funds (as appropriate) including a statement of profit or loss for such fiscal year and of the status of their capital accounts at such time.

KCM provides various reports to its Account holders ranging from daily reporting of certain transactions to weekly and monthly reports of net appreciation in the Accounts. Many of the Account holders also receive audited financials of the Accounts’ assets as of the end of each fiscal year.

All Private Fund and Account reports described above are provided in written form.

Certain Private Fund investors and Account holders have negotiated access to additional trading information and supporting analytics as relating to KCM's investment strategies, which could affect the performance of such Accounts or investors' investments with the Private Funds. Also, upon specific request, KCM may at its sole discretion provide certain third parties representing Private Fund investors with position transparency, generally subject to such third parties agreeing to non-disclosure provisions with respect to such information.

Item 14 – Client Referrals and Other Compensation

KCM does not receive any economic benefits from non-Clients for providing investment advice to Clients.

Item 15 – Custody

All Client assets are held in custody by unaffiliated broker/dealers or banks; however, KCM may have access to certain Client accounts since its affiliate serves as the General Partner of the Domestic Private Funds. Limited partners of the Domestic Private Funds will not receive statements from the custodian. Instead the Domestic Private Funds are subject to an annual audit and the audited financial statements are distributed to each limited partner. The audited financial statements will be prepared in accordance with generally accepted accounting principals and distributed within 120 days of the Domestic Private Funds' fiscal year end. KCM similarly provides such audited financial statements to investors in the Offshore Private Funds.

Item 16 – Investment Discretion

KCM has discretionary authority over the investment activities of all Clients. Investors in the Private Funds grant KCM full discretion over the investment activities of the Private Funds at the time of the initial investment pursuant to the Domestic Private Funds' limited partnership agreements and subscription agreements and the Offshore Private Funds' subscription agreements. In the case of Accounts and Registered Funds, discretionary authority is granted in the IMAs. Investment limitations imposed by Registered Funds will be disclosed in the relevant Registered Fund's offering documents. Notwithstanding its broad discretionary powers, KCM invests the assets of all Clients in accordance with the investment policies and objectives and the restrictions described in the relevant Client's offering documents or IMAs (as appropriate).

Item 17 – Voting Client Securities

KCM has adopted a policy governing the voting of proxies that is designed to ensure that KCM votes securities in the best interest of its Clients and to address any potential conflicts. While retaining final authority to determine how each proxy is voted, KCM has reviewed its proxy voting practices and determined to follow in most instances the proxy voting policies and recommendations (the "Guidelines") of ISS Corporate Services, Inc. ("ISS") retained by KCM. ISS will track each proxy that KCM is authorized to vote on behalf of its Clients and will make a recommendation to management of KCM as to how KCM should vote such proxy in accordance with the Guidelines. Unless otherwise directed by KCM, ISS will vote on such matters on its behalf in accordance with its recommendations. KCM will monitor the recommendations from ISS and may override specific recommendations or may modify the Guidelines in the future. In the case of Accounts, KCM will

vote proxies on behalf of its clients unless otherwise determined by the IMA. These clients may direct a vote in a particular solicitation if such arrangement is established in the IMA. Other than as described above, Clients delegate voting responsibility to KCM, and thus do not generally instruct KCM how to vote a particular solicitation. In respect of a Registered Fund, KCM may vote proxies in accordance with policies adopted by the Registered Fund's board of directors or trustees. Clients may obtain a copy of KCM's proxy voting policies, including the Guidelines, as well as information about how KCM has voted the client's proxies by calling (212) 507-9790.

Item 18 – Financial Information

KCM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.