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This brochure provides information about the qualifications and business practices of Spencer Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 212-586-4190, or by email at [kss@spencercapital.com](mailto:kss@spencercapital.com). 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.

Spencer Capital Management, LLC is a Federally registered investment adviser. (Such registration does not imply a certain level of skill or training.)

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

03/25/2011

# Material Changes

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## Annual Update

Spencer Capital Management, LLC is providing this information as part of our annual updating amendment, which contains material changes since the Investment Adviser registered in August of 2010.

## Material Changes since the Last Update

The Securities and Exchange Commission adopted amendments to Part 2 of Form ADV effective October 2010. The newly revised Part 2 consists of Part 2A (the "Brochure") and Part 2B (the "Brochure Supplement"). Each update of the Brochure must now include a summary of all material changes since the last annual update.

This Brochure, dated March 25, 2010, is materially different in structure and contains certain new information that our previous brochure did not require. Following is a summary of additional material changes: the Spencer Capital Opportunity Fund and the Spencer Capital Offshore Opportunity Fund are in liquidation. The Adviser is launching a new managed fund, Spencer Capital Fund, LLC described below.

## Full Brochure Availability

This Firm Brochure for Spencer Capital Management, LLC is available by contacting Kenneth Shubin Stein, [kss@spencercapital.com](mailto:kss@spencercapital.com) or 212-586-4190

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## Advisory Business

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### Firm Description

Spencer Capital Management, LLC (the "Investment Adviser") is a Delaware limited liability company with its principal office in New York City that offers discretionary investment advisory services to individuals and other clients ("Clients") through separate accounts ("Separate

Accounts") since 2002. Clients with certain similar investment objectives are managed through discretionary accounts that are part of a managed account program (the "Managed Account Program"). In addition to the Managed Account Program, the Investment Adviser also offers separately managed discretionary and non-discretionary accounts with investment objectives and on terms and conditions that may be agreed upon between the Investment Adviser and each such Client.

The Investment Adviser has in the past and may in the future also provide investment advisory services to other certain private investment funds, organized as limited partnerships, limited liability companies, or other legal entities in which most investors are accredited investors, qualified clients or qualified purchasers. Specifically, the Investment Adviser will advise the Spencer Capital Fund, LLC ("Fund") whose investors must be accredited as that term is defined in Federal securities laws. The Fund is scheduled to be launched on May 1, 2011.

Investment decisions for discretionary accounts and recommendations for nondiscretionary accounts are made by Dr. Kenneth Shubin Stein, the Managing Member of the Investment Adviser.

## **Principal Owners**

Kenneth Shubin Stein, MD, CFA – Managing Member

## **Types of Advisory Services**

Generally, for clients in the Managed Account Program and for the Fund, the investment objective is to achieve long-term capital appreciation commensurate with moderate risk, primarily by investing in a concentrated portfolio of securities, typically 5 to 15 securities, or less. Typical investments take six months to three years to mature. Investment opportunities in which the Managed Account Program and Fund invest are often created by events that obscure a company's near-term earnings power but do not impact its three year forward economics, including: spin-offs, bankruptcies, recapitalizations, product or production problems, supply-chain problems, accounting scandals, market panics, extreme valuations and companies engaging in fraud or other deceitful accounting practices. No assurance can be given that the account will achieve its investment objective, and investment results may vary substantially over time and from period to period.

The investment Adviser seeks to provide the Fund and other client accounts in the Managed Account Program with superior and sustainable returns combined with effective risk management. Although the strategy and asset allocation used for accounts are primarily centered on the purchase and sale of publicly traded securities, the Investment Adviser intends to follow a flexible approach in order to place the accounts in what in our judgment is the best position to capitalize on opportunities in the financial markets. Accordingly, the Investment Adviser may take advantage of opportunities in other asset classes if they meet the Investment Adviser's standards of investment merit.

## **Tailored Relationships**

Certain separate account Clients, not in the Managed Account Program, may impose restrictions on investing in certain securities or types of securities if previously agreed upon by the Investment Advisor and the Client. Generally, the Investment Advisor does not tailor the advisory services to the individual needs of clients.

## **Client Assets**

As of March 25, 2011, the Adviser has 24 separately managed accounts with \$9,800,000 under management.

As for March 25, 2011, the Adviser has 5 nondiscretionary accounts with \$40,000,000 under management.

# **Fees and Compensation**

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## **Description**

Fees are negotiable.

Generally, unless the Client and Investment Adviser agree otherwise, for Clients in the Managed Account Program the fee for the advisory services ("Management Fee") is calculated separately for each account as follows: The Management Fee is one-half of one percent (0.50%) per quarter (i.e. approximately two percent (2%) per annum) of the net asset value of the assets in each account.

For the Spencer Capital Fund, LLC investors, there is no annual management fee for advisory services, only a profit allocation. The fund reimburses the Investment Adviser for expenses pursuant to the terms of its Operating Agreement. The Fund does not charge a separate annualized management fee. An affiliate of the Investment Adviser receives a profit allocation ("Profit Allocation") equal to 25% of net profits above a 6% cumulative hurdle. For example, if the fund has a return of 10% for the quarter, the performance fee assessed is 1% of the return.

## **Fee Billing**

For the Managed Account Program, the management fee is prorated and paid quarterly, in advance, for the initial period based upon the net asset value of the assets in the account when designated to the Investment Adviser, and for subsequent quarterly periods on the first day of each calendar quarter, based on the net value on the last day of the pervious calendar quarter. The Management Fee is generally deducted from clients' assets.

For the Fund, the profit allocation is payable at the end of each fiscal year or part thereof.

## **Other Fees**

Clients may incur brokerage and other transaction costs – see section on brokerage (on page 12 below). The fees charged to the Client by the Custodian are exclusive of, and in addition to, the Management Fee or Performance Fee and other charges discussed herein.

## **Fees Paid in Advance**

For the Managed Account Program, Clients must pay the Management Fee in advance. The Management Fee for the first and last calendar quarters is calculated on a pro rata based on the actual number of days during the quarter that the assets are under the management of the investment advisor. If assets are withdrawn from an account after the inception of a calendar quarter, Fees will be calculated and paid as of the date of such withdrawal with respect to such withdrawn assets. Any unearned fees will be rebated to the client.

### **Additional Compensation**

The investment advisor does not accept compensation for the sale of securities or other investment products.

## **Performance-Based Fees & Side-by-Side Management**

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### **Sharing of Capital Gains or Capital Appreciation**

The Fund is subject to the Profit Allocation, described above, while the Separate Accounts incur only management fees. There is a potential conflict of interest due to the incentive to favor the performance-based fee accounts. This potential conflict is addressed by having similar accounts share the same strategy and the same investments, where possible and where in the best interest of each client regardless of the fee structure.

## **Types of Clients**

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### **Description**

Generally, the Investment Advisor provides investment advice to individuals, high net worth individuals, corporations, and pooled investment vehicles.

### **Account Minimums**

The Separate Accounts and the Fund are governed by provisions negotiated with each account holder. Generally, unless otherwise agreed with the Investment Adviser, the minimum investment in the Fund is \$50,000. There is no minimum investment for the Managed Account Program.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

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### **Methods of Analysis**

The Investment Adviser believes that to generate consistent and verifiable results a good research process should be measurable, repeatable, and improvable. The Investment Adviser's standard operating procedures are a research process that consists of formal steps, procedures and confirmations; is flexible enough to handle different types of ideas; seeks continuous improvement through review of investment processes and considerations; and has a formal review of mistakes to identify additional areas of improvement in analysis and process.

In terms of idea generation, the Investment Adviser internally selects ideas and has developed qualitative and quantitative screens to identify companies undergoing events, which appear to obscure near term earnings. After the thesis is developed, the Investment Adviser works on

defining the thesis by identifying specific dislocations and events that may obscure near-term earnings but may not inhibit long-term value. A strategy is then developed to support or refute this by identifying the events or opportunities that might exacerbate or mitigate the current situation. Data is collected by rigorous bottom-up fundamental analysis, data-driven, balance sheet focus, and comprehensive industry reviews. The data is then analyzed and the thesis is tested based on risk/return profile, by focusing on entire capital structure, with built-in checks to attempt to minimize the effect of cognitive bias.

## Investment Strategies

The Investment Adviser invests in opportunities that are often created by events that obscure a companies near-term earnings power but do not impact its three year forward economics, including: spin-offs, bankruptcies, recapitalizations, product, production or supply-chain problems and accounting scandals. The Investment Adviser attempts to identify catalysts that we expect will resolve the problems and generate a twofold or greater return within three years or that may generate a 50% return within one year, although there can be no guarantee that these results can be achieved. We strive to invest in ideas for which the realistic low-case outcome will result in a return of capital, and we only invest in our best ideas, which are typically 5-15 securities.

The Investment Adviser's multi-year time horizon looks out longer than most of Wall Street, and we only invest in companies we know very well through extensive research and due diligence. Using our significant experience analyzing complex companies and situations, process-oriented analysis and strategy, we continually monitor the companies and seek data contrary to our investment strategy. The investment Adviser focuses on capital preservation by not using margin and is willing to take an active role in portfolio companies when necessary.

## Risk of Loss

The Investment Adviser cannot guarantee future performance, the success of any investment decision or strategy used, including the Investment Strategy, or the success of the overall management of the account or fund. Investments are subject to risks that each client should be prepared to bear, including the risk of illiquidity and the risk of loss of part or all of the investment. Separate accounts or the Fund are subject to various market, currency, economic, political and business risks, and investment decisions will not always be profitable.

The Investment Adviser and our clients may incur losses or suffer illiquidity due to the following risks:

(i) Concentration/Non - Diversification Risks: The Investment Adviser may invest in a small number of positions, issuers, industries, foreign currencies, and types of securities, and that may increase risks, including, but not limited to risks associated with a single economic, political or regulatory occurrence that may lead to substantial liquidity, credit or other risks.

(ii) Hedge Fund Risks: In comparison to other investment options, hedge funds such as the Investment Adviser may have higher levels of risks, including derivatives risk, leveraging risks, counterparty/credit risks, illiquidity, and other risks. Hedge funds can employ strategies that involve, but are not limited to the following: limited liquidity; limited disclosure of underlying investments and investment strategies; higher management fees; high performance fees that can lead to higher risk taking; higher use of leveraging and derivatives. Hedge funds are also generally granted a

large amount of control in their documents that can lead to increased illiquidity.

(iii) Market Risks: The risk that the price of underlying funds and securities may go up and down, sometimes rapidly and unpredictably, due to factors affecting the financial and securities markets generally or factors affecting particular industries.

(iv) Counterparty/Credit Risks: The risk that the issuer or guarantor of a security, or the counterparty to a contract, including but not limited to a derivatives contract, repurchase agreement, or the borrower of securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Litigation, legislation or other political events, local business or economic conditions, or the bankruptcy of the issuer could have a significant effect on an issuer's ability to make payments of principal and/or interest.

(v) Derivatives Risks: The risks of investments in derivatives, including liquidity risks, interest and currency rate risks, credit and counterparty risks, and the risk that losses could exceed the amount of the investment.

(vi) Asset Backed Security Risks: The risks of investments in asset backed securities, including securities backed by mortgages, credit cards and other loans, including liquidity risks and credit and counterparty risks.

(vii) Commodities Risks: The risks of investments in commodities, including rapid and unpredictable fluctuations in value due to Market and other risks.

(viii) Foreign Market Risk: The risks of investments in foreign and emerging market securities, including rapid and unpredictable fluctuations in value due to Market and other risks.

(ix) Exchange Traded Fund/Index Fund Risk: The risk of investments in exchange traded funds and index funds, which are subject to market and other risks, and including the risk the net asset value of the funds is different than the value of underlying assets and securities.

(x) Liquidity Risks: The risk that underlying funds or securities are or may become difficult to purchase or sell. Investments in illiquid securities may cause losses because it may be difficult or impossible to sell the illiquid securities at an advantageous time or price and the market for certain investments may become illiquid under adverse market or economic conditions.

(xi) Leveraging Risks: The risks incurred by leveraging and borrowing, including but not limited to causing the Investment Adviser to liquidate portfolio positions to satisfy obligations or to meet segregation requirements when it may not be advantageous to do so. In addition, leveraging and borrowing may cause an investment to be more volatile than if the investment had not been leveraged, because it tends to exaggerate the effect of any increase or decrease in the value of an investment or portfolio of securities.

(xii) Regulatory Risks: The risk that legislative, regulatory, or tax developments may affect the investment techniques available to the Investment Adviser, and the underlying fund or separate account, and may adversely affect the client's investments' liquidity and investment objectives.

(xiii) Fraud Risks: The risk that even if the Investment Adviser attempts to minimize fraud risks and use prudent business and may or may not hire third - party specialists to perform due - diligence, that there is no way to guarantee that the companies and securities in which it invests will not have any exposure to fraud or malfeasance.

(xiv) Reliance on Data Provided By Third Parties: The risk of reliance on data provided by third - parties, including auditors, administrators, custodians, and data and research providers, and others, which although believed to be reliable, may not be independently verified, and its accuracy and completeness is not guaranteed and losses may result from reliance on such information and data.

(xv) Other Risks: The foregoing list of risk factors does not purport to be a complete enumeration or explanation of all of the risks involved in investing in the Investment Adviser.

# Disciplinary Information

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NA

## Other Financial Industry Activities and Affiliations

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NA

## Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

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### **Code of Ethics**

The Investment Adviser has adopted a code of ethics imposing on each employee a duty to place the interests of the Separate Accounts and the Fund first and to report to the Investment Adviser any actual or potential conflict of interest. The code of ethics requires each officer and employee of the Investment Adviser with access to nonpublic information about the securities and portfolio holdings of the Separate Accounts and the Fund (each an “Access Person”) to report certain accounts, securities holdings and transactions to the Company’s Chief Compliance Officer. The rule is designed to ensure that employees with access to information that is not public do not use that information for their personal benefit. The code of ethics also imposes restrictions and safeguards on the use of material nonpublic information. In addition, each Access Person must pre-clear any personal trades with the Portfolio Manager and/or the Chief Compliance Officer.. A copy of the code of ethics may be obtained by writing to the Investment Adviser or calling 212-586-4190.

### **Recommend Securities with Material Financial Interest**

Investment Adviser may recommend that the Fund or Separate Accounts buy or sell securities in which related persons and entities have some financial interest. However, related persons and entities are prohibited from profiting at the client’s expense.

### **Invest in Same Securities Recommended to Clients**

The same recommendations may be made for the Fund and Separate Accounts; related

persons and entities, including officers, employees, owners and affiliates of the Investment Adviser may buy or sell securities that the Investment Adviser recommends to the Fund or Separate Accounts; and, officers, employees, owners and affiliates of the Investment Adviser may also be permitted to invest in the Fund.

Employees are prohibited from “front running” (i.e. purchasing a security for a personal account while knowing that a Separate Account or Fund is about to purchase the same security, and then selling the security at a profit upon the rise in the market price following the purchase by the Separate Account). Employees are similarly prohibited from engaging in short selling when they have access to the confidential information that a Separate Account or Fund is about to sell a particular security. Employees are prohibited from “intermarket front running” (e.g., trading in an option for personal account when a Separate Account or Fund is trading in the underlying security and vice versa). When applicable, restrictions with regard to securities are also considered to extend to options, rights or warrants relating to those securities and any securities convertible into those securities.

The Investment Adviser also reserves the right to require the disgorgement of any profits from a transaction deemed after the event to conflict with the interests of the Separate Accounts.

### **Personal Trading Policies**

Personal investments in any customer or supplier of goods or services which has a credit or other relationships with the Investment Adviser (for example, its advisory clients) should not be made by an employee except for investments in securities which are actively traded on recognized markets, or upon approval of the CCO or Portfolio Manager.

Even if an investment in a customer or supplier has been approved, an employee may not take part in a company decision or attempt to influence a decision about that customer or supplier’s relationship with the Investment Adviser.

The Investment Adviser reserves the right to prevent employee purchases or sales of a security for any reason it deems appropriate. In the event that the Investment Adviser’s procedures and policies are not complied with, the Investment Adviser may break the applicable trade and charge the employee with all relevant costs relating to the applicable transaction (trades of 100 shares or less or for \$5,000 or less will be presumed not to require breaking).

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

The Investment Adviser is responsible for the placement of portfolio transactions, selection of brokers and the negotiation of any commissions. Portfolio securities normally are purchased through brokers on securities’ exchanges or directly from the issuer or from an underwriter or market maker for the securities. Purchases of portfolio instruments through brokers involve a commission to the broker. Purchases of portfolio securities from dealers serving as market makers include the spread between the bid and the asked price. The Investment Adviser will not commit to provide any level of brokerage business to any broker. The Investment Advisor

may use the services of one or more introducing brokers who will execute brokerage transactions through the broker and custodian who will clear transactions.

In placing portfolio transactions, the Investment Adviser will seek to obtain the best execution, considering a wide range of criteria including the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; positioning and distribution capabilities; the Investment Adviser's risk in positioning a block of securities; the broker's ability to handle difficult trades; the financial strength, integrity and stability of the broker; the quality, comprehensiveness and frequency of available research services considering to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying the Investment Adviser's other selection criteria. The Investment Adviser does not have and therefore does not use affiliated brokers.

### **Research and Soft Dollars**

The Investment Adviser has an affirmative duty to obtain best execution of the transactions executed for the Separate Accounts and the Fund. The Investment Adviser does not pay increased commissions in order to directly cover the cost of research provided by the broker or other parties. However, it may direct brokerage business to parties that provide research and conference attendance services and may consider the value of those services, among other things, in its decisions to use certain brokers. This is a benefit to the Investment Adviser because it would not have to pay for this research or service. Therefore, while commission rates are an important consideration in determining whether "best execution" is being obtained, under Section 28(e) of the Securities and Exchange Act of 1934, as amended "the Exchange Act", in effecting transactions the Investment Advisor is not obliged to obtain the lowest commission rate if it has determined in good faith that the amount of commission paid was reasonable in relation to the value of brokerage and research services provided either in connection with a particular transaction or in connection with transactions for all accounts. These research services would be used to benefit all accounts, not just those accounts generating the soft dollars. In the past fiscal year, the Investment Adviser has not directed client transactions to a particular broker in return for soft dollar benefits.

### **Brokerage for Client Referrals**

The Investment Adviser may direct some brokerage business to brokers who refer prospective investors to the Investment Adviser but will not do so where investor referrals are the primary reason for such transaction. Because such referrals, if any, are likely to benefit the Investment Adviser or its affiliates but will provide an insignificant (if any) benefit to the Separate Accounts or Fund, the Investment Adviser will have a conflict of interest with the Separate Accounts or Fund when allocating brokerage business to a broker who has referred investors to it. To prevent brokerage commissions from being used to pay investor referral fees, the Investment Adviser will not allocate brokerage business to a referring broker unless the Investment Adviser determines in good faith that the commissions payable to such broker are reasonable in relation to those available from non-referring brokers offering services of substantially equal value.

In certain cases, the Investment Adviser and its affiliates reserve the right to pay or charge a sales fee, on a fully disclosed basis, to a broker-dealer or placement agent based upon the capital contribution of a client introduced by such a broker-dealer or agent.

## Order Aggregation

The Investment Adviser may aggregate purchase and sale orders for one Client with those for other accounts or entities, if in the Portfolio Manager's reasonable judgment the aggregation is likely to be of benefit to the Fund and Separate Accounts, for example, when aggregation results in a lower commission rate, better price or better execution. The Portfolio Manager may allocate securities among the Fund and Separate Accounts it manages on any basis that it considers to be fair under the circumstances, including but not limited to, the risks or likely reward profile of the security, and the strategy, size or policies of the Fund or Separate Accounts. If the transactions are completed at slightly different prices, the Portfolio Manager, at his sole discretion, may charge or credit each fund or account with an average transaction price. Similarly, if a transaction is only partially executed, the Portfolio Manager endeavors to allocate in good faith the transactions as they are completed and may consider the relative size of, and relative appropriateness for, the Fund or Separate Accounts. As much as possible, allocation instructions are given before the aggregated transaction; if instructions are not given or followed in advance, the Controller is responsible for allocating the trades with the Portfolio Manager in as fair an equitable a manner as possible and as soon as possible (no later than two business days barring unforeseen circumstances).

# Review of Accounts

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## Periodic Reviews

The Investment Adviser, on a daily basis (subject to exceptions) and for internal use, reviews and reconciles the holdings of the Fund and Separate Accounts and generates a report detailing, for each the following: the value of all types of positions (e.g., long market value, calls, swaps, short market value, puts, derivatives and cash) and net assets under management; a breakdown of all significant positions; economic exposure; allocations; foreign currency exposure; futures and options. The sources of pricing for this report may include the prime broker's statements, a third party independent pricing service and reports for contracts maintained with counterparties other than the prime broker (such as swaps and derivatives). The Portfolio Manager or his delegate reviews these reports and ensures that the holdings are consistent with his directions and the strategy or guidelines, if any, for the Separate Accounts and Fund. The Portfolio Manager also regularly monitors developments that may affect current or potential investments, industries and the general market.

Quarterly, the Investment Adviser reviews the activity and holdings of the Fund and any Separate Accounts to determine if there have been any abusive trading practices such as: (1) strategies to improve the appearance of the portfolio or performance (often called window-dressing and including, for example, the purchase of popular stocks before a disclosure event to boost investor confidence, or the purchase of government securities before a disclosure event to create an appearance of conservative investing or on which to blame performance); (2) artificial performance boosting (often called portfolio pumping and including, for example, the

purchase of stocks already held by the Fund or Separate Account on the last day of a reporting period to boost performance); or (3) allocation of trades based on subsequent market events (often called cherry picking and including, for example, allocating a trade after a market loss to a better performing Fund or Separate Account simply because it can more smoothly accommodate the loss). The Investment Adviser also considers its review of access person's holding reports and trading in employee and proprietary accounts to ensure that employee or proprietary trades, if any, are not abusive.

Quarterly, the Investment Adviser reviews any allocation decisions and cross trades and related party transactions for fairness and propriety.

Quarterly, the Investment Adviser reviews the investment mandates and restrictions, if any, of all Fund or Separate Accounts over which the Investment Adviser has discretionary authority (as reflected in the Fund's private placement memoranda or advisory agreements for Separate Accounts) and the trade reports to assure that trades and holdings have been and are consistent with that mandate. The current portfolio strategy is reviewed for its consistency with the investment mandate. The Investment Adviser documents all information and communications about any noted violations of the investment portfolios' investment objectives or restrictions. It should be noted that the investment mandate, as reflected in the private placement memoranda for the Fund or Investment Management Agreement for the Separate Accounts, provides the Portfolio Manager with virtually complete discretion.

## Regular Reports

In the Fund, each limited partner will receive the following: (i) annual financial statements of the Fund audited by an independent certified public accounting firm, (ii) in the discretion of the Investment Adviser, a quarterly letter from the Investment Adviser discussing the results of the Fund for the previous quarter, (iii) copies of such investor's Schedule K-1 to the Fund's tax returns, and (iv) other reports as determined by the Investment Adviser in its sole discretion. In addition, investors will be provided quarterly account statements showing unaudited performance information.

The Investment Adviser may agree to provide certain shareholders and other clients with additional information on the underlying investments of the Fund or other accounts, as well as access to the Investment Adviser and their employees for relevant information.

The Investment Advisor also annually either delivers or offers to deliver a copy of its Form ADV Part 2 to Clients. Should the Investment Advisor have affirmative answers to certain disciplinary disclosures on the Form ADV as required by the Securities and Exchange Commission, such disclosures will be made available to the client with Form ADV Part 2.

# Client Referrals and Other Compensation

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NA

# Custody

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## Account Statements

Pursuant to the agreements between the Investment Adviser and its Separate Accounts clients, the Investment Adviser shall not maintain physical custody of their assets, which will be held in the custody of a custodian meeting the requirements of a “qualified custodian” under Rule 206(4)-2 of the Advisers Act (“Custodian”). Clients will receive account statements from the broker-dealer, bank or other qualified custodian, and Clients should carefully review those statements. The Client will also receive account statements from the Investment Adviser on a quarterly basis. The client is urged to compare the account statements they receive from the qualified custodian with those they receive from the Investment Adviser.

In the Fund each limited partner will receive the following: (i) annual financial statements of the Partnership audited by an independent certified public accounting firm, (ii) in the discretion of the general partner, a quarterly or monthly letter from the Investment Adviser discussing the results of the Partnership for the previous quarter or month, (iii) copies of such limited partner’s Schedule K-1 to the Partnership’s tax returns, and (iv) other reports as determined by the general partner in its sole discretion. In addition, limited partners are currently provided monthly account statements showing unaudited performance information.

# Investment Discretion

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## Discretionary Authority for Trading

The Investment Adviser has discretionary authority over pooled investment vehicles and the Separate Accounts. The Investment Adviser is authorized to give instructions to the Custodian with respect to all investment decisions regarding the Assets and the Custodian is authorized and directed to effect transactions, deliver securities, make payments and otherwise take such actions as the Investment Adviser shall direct in connection with the performance of the Investment Adviser’s obligations with respect to the Assets.

## Limited Power of Attorney

Before assuming discretionary authority for Separate Accounts, the Investment Management Agreement must be fully executed. Dependent on the custodian, a Limited Power of Attorney will also need to be executed. Before assuming discretionary authority for any pooled investment vehicles, the applicable Subscription Documents must be fully executed.

# Voting Client Securities

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## Proxy Voting

For any security of which the Fund advised by the Investment Adviser own more than a combined \$5,000 worth of shares at the time of a proxy solicitation, and over which it has voting discretion, the Investment Adviser analyzes the solicitation. The Investment Adviser votes securities in order to improve (in the judgment of the Investment Adviser) shareholder value and considers all relevant facts and circumstances in making its voting decision (where the Fund own less than \$5,000 worth of shares it is presumed that the Investment Adviser would vote with management). Whether the Investment Adviser has authority to vote proxies for Separate Accounts is set in the advisory agreement; if it does have such authority, that authority is exercised in a manner consistent with this Section.

Except as otherwise agreed, generally the Client will be responsible for: (a) directing the manner in which proxies solicited by issuers of securities held in Separate Accounts shall be voted, and (b) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the securities in the account. Conflicts are reviewed and resolved by the Portfolio Manager and CCO. Clients may obtain a copy of the Investment Adviser's policies and procedures upon request.

## Financial Information

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NA