

Breeden European Ventures LLC

100 Northfield Street
Greenwich, CT 06830
(203) 618-0065
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This Brochure provides information about the qualifications and business practices of Breeden European Ventures LLC. If you have any questions about the contents of this Brochure, please contact us at (203) 618-0065 or by email at nhogan@breedenco.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.

Breeden European Ventures LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. Additional information about Breeden European Ventures LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

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

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Nandita Hogan, Chief Compliance Officer at (203) 618-0065 or nhogan@breedenco.com. Our Brochure is also available on our web site www.breedenco.com, also free of charge.

Additional information about Breeden European Ventures LLC (the “Adviser”) is also available via the SEC’s web site www.adviserinfo.sec.gov.

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Item 4 – Advisory Business

Breeden European Ventures LLC (the “Adviser”) is owned by the Honorable Richard C. Breeden, former Chairman of the Securities and Exchange Commission from 1989 to 1993. Mr. Breeden serves as Chief Executive Officer, Chief Investment Officer, Managing Member and Chairman of the Investment Committee of the Adviser. The Adviser currently provides investment supervisory services to one client: Breeden European Partners (California) LP, a Delaware limited partnership (the “Fund”). The Adviser expects eventually to provide such services to other investment vehicles. The General Partner of the Fund is Breeden European Capital Partners LLC, a Delaware limited liability company and an affiliate of the Adviser (the “General Partner”). The Fund invests primarily in securities of publicly-traded companies organized and headquartered in the United Kingdom or Europe, excluding Russia and the former Soviet republics (such countries, collectively, “European Countries” and such companies, collectively, “European Companies”).

The Adviser has engaged Breeden European Capital Management LLP (“BECM” or “Sub Advisor”) to act as sub advisor to the Adviser for the benefit of the Fund. BECM has received authorization as an adviser/arranger from the United Kingdom Financial Services Authority (the “FSA”) and operates pursuant to the FSA regulations governing advisers and arrangers. BECM (1) provides proprietary research and analysis to the Adviser which the Adviser utilizes to execute the Fund’s investment strategy; and (2) in accordance with local and U.K. laws, may also introduce and refer investors to the Fund or to other funds that will be managed by the Adviser (collectively, the “Sub Advisor Services”).

As of February 28, 2011, the Adviser had approximately \$ 221,700,000 under management.

The Adviser’s management of the Fund, and the terms of any investor’s investment in the Fund, are governed exclusively by the terms of the Fund’s organizational documents, confidential offering memorandum, limited partnership agreement, management agreement, and subscription agreement (collectively, the “governing documents”). **All discussions in this brochure of the Fund, its investments, the strategies the Adviser uses in managing the Fund, and the fees associated with an investment in the Fund are qualified in their entirety by reference to the Fund’s governing documents.**

Item 5 – Fees and Compensation

Management Fee. The Adviser generally charges the Fund a fee (the “Management Fee”) equal to 1.55% of the Fund’s capital under management (which includes contractually committed capital that has not yet been contributed to the Fund) calculated and payable quarterly in

advance. The Management Fee is deducted directly from the Fund. Any commitment accepted from an investor after the first business day of a quarter is subject to a pro-rated Management Fee for that quarter. In addition to the Management Fee, the Fund is also charged a performance-based allocation or fee (an “Incentive Allocation”) payable to the Adviser or an affiliate of the Adviser consisting of a percentage of realized and unrealized profits. For a more detailed discussion of the Incentive Allocation, see Item 6 below.

In certain circumstances, the Adviser may reduce, modify, waive, or defer the Management Fee with respect to one or more investors in the Fund. Management Fees may be negotiated by investors depending on size of the investment, duration of lock up and other limited circumstances. Except as agreed otherwise, investments by the Adviser, affiliates of the Adviser and each of their respective employees will not be subject to a Management Fee. All compensation to the Sub Advisor for the Sub Advisor Services will be borne, directly or indirectly, by the Adviser and the General Partner.

Expenses. The Fund pays all out-of-pocket expenses relating to their operations. The Fund also pays the out-of-pocket costs associated with researching, making and realizing investments including travel expenses related to the analysis, purchase or sale of investments whether or not such investment is consummated. Any investment expense relating specifically to a proposed or actual special situation investment will be charged to the base capital accounts of the investors participating in the special situation investment and/or their respective special situation capital accounts, as determined by the General Partner in its sole discretion, in proportion to each such investor’s relative participation. In the event the Fund invests in a master fund, the Fund will bear its *pro rata* share of the organizational and other expenses of the master fund. Each of the Adviser, Sub Advisor and the General Partner pays compensation costs of its employees, rent and other overhead expenses of the Adviser, Sub Advisor and the General Partner.

Other Expenses of the Fund. The Adviser generally is not responsible for any expenses or fees in connection with the management of the Fund other than as set forth in the Fund’s governing documents. Any fees received by the Adviser or its principals as a result of the Fund’s investment in a portfolio company (including directors’ fees) will reduce the Management Fee (but not below zero) to be paid by such Fund.

More Information. A more complete description of the fees and expenses paid in connection with an investment in the Fund, as well as the expenses of the Fund, is available in the confidential offering memorandum and other governing documents of the Fund, which is made available to each prospective investor before, or by the time of, any investment in the Fund.

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

In addition to the Management Fee, the General Partner receives an annual Incentive Allocation generally equal to 20% of the cumulative net realized and unrealized profits for the fiscal year

after deduction of all expenses (including Management Fees) applicable to that investor's investment in the Fund. In accordance with the Fund's documents, the Incentive Allocation is deducted or allocated directly from the Fund and paid or allocated to the General Partner.

If any investor makes a partial or total withdrawal from the Fund as of a date other than the last business day of a fiscal year, the Incentive Allocation is calculated as of the withdrawal date with respect to the amount withdrawn. Additionally, to the extent that a withdrawing investor continues to participate in an investment after withdrawal, an Incentive Allocation applicable to net realized gains, if any, on such investment will be applied once such investment is realized or deemed realized.

The Incentive Allocation is subject to a "net loss carry-forward" provision under which any accumulated net losses and Management Fee expense applicable to an investor's investment in the Fund as of the end of each fiscal year are carried forward to subsequent fiscal years (subject to pro rata reduction upon withdrawals made by the investor and acquisitions and dispositions of certain investments), and must be recouped before an Incentive Allocation is payable in any fiscal year until with respect such investment in the Fund. The Adviser or the General Partner generally does not receive an Incentive Allocation with respect to an investor's interest in the Fund in any fiscal year until, and only to the extent that, the investor's share of subsequent net profits exceed the investor's previous net loss carry-forward amounts.

The Adviser may waive, reduce or modify all or a part of the Incentive Allocation otherwise due with respect to any Fund investor. The Adviser also may negotiate modified Incentive Allocation arrangements with investors, and has agreed to modified terms relating to the Incentive Allocation with the initial investor. Those modified terms include the requirement that the Fund they invest in outperform a hurdle rate (in addition to the requirement that the Fund make up for any losses under the "net loss carry-forward" provision) before the General Partner is entitled to an Incentive Allocation with respect to such investor's investment in the Fund. Except as agreed otherwise, investments by the Adviser, affiliates of the Adviser and each of their employees will not be subject to an Incentive Allocation.

The Adviser and the General partner will comply with the applicable requirements of Rule 205-3 under the Investment Advisers Act of 1940 (the "Advisers Act") in connection with the structuring of all Incentive Allocations.

Please see Item 8 under the heading "Incentive Allocation" for the risks associated with the Incentive Allocation.

Item 7 – Types of Clients

Currently, the Adviser provides investment advice exclusively to the Fund (which is referenced in Item 4 above). The Fund's interests are privately placed and only offered to those investors

that are accredited investors for the purposes of Regulation D of the Securities Act of 1933 as amended and qualified purchasers as defined in Section 2(a)(51) of the Investment Company Act as amended. In the future, the Adviser may, in its discretion, manage other types of funds or accounts with differing investment strategies, higher or lower fees, and different fee structures, than those applicable to the Fund.

The Adviser generally requires that each investor make a minimum initial capital commitment of \$10 million in a Fund. However, the Adviser or the General Partner in their sole discretion may accept lesser minimum capital commitments.

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

General. The Adviser manages the Fund in accordance with the investment objectives and strategies disclosed in the applicable Fund’s confidential offering memorandum. Investors and prospective investors in the Fund should consult the confidential offering memorandum to see the methods of analysis, investment strategies and risks.

Methods of Analysis. The Adviser utilizes fundamental analysis and a research-intensive approach to identifying and evaluating investment opportunities. The Adviser generally conducts its own “bottom up” analysis of investment opportunities, which includes a detailed financial and corporate governance analysis.

Investment Strategy. The Adviser seeks to achieve the Fund’s objectives of superior long-term capital appreciation, primarily by investing in the publicly-traded companies organized and headquartered in the United Kingdom or Europe, excluding Russia and the former Soviet republics (such countries, collectively, “European Countries” and such companies, collectively, “European Companies”). The Adviser’s strategy with respect to the Fund is generally to invest in a limited number of public companies where the Adviser believes that there is the possibility for significant appreciation in value and that it can be an effective catalyst to create change in the companies’ business policies and/or governance practices in order to unlock or restore value in a reasonable period of time.

The Adviser seeks to implement this strategy by applying the skills and techniques of its management team to eliminate value-diminishing management actions; these techniques include, but are not limited to, working with company management and boards to take corrective action such as share buybacks, scaling back acquisition strategies, improvements in disclosure practices and compliance programs and changes in personnel or compensation. The Adviser seeks to encourage and support management teams and boards in taking corrective actions that are likely to enhance value. However, if persistent underperformance continues and a company is not willing to end its value-diminishing actions, the Adviser is prepared to consider other actions including, for example, sponsoring shareholder proposals, seeking changes in the composition of a company’s board of directors or obtaining one or more seats on the board of directors.

Principal Risks.

The Adviser's strategy entails significant risks and an investment in the Fund is suitable only for sophisticated individuals and institutions for whom an investment does not represent a complete investment program and who fully understand and are capable of bearing the risks of an investment in this strategy. Investing in securities involves risk of loss that the Fund and their investors should be prepared to bear. The following is a description of certain of the most significant risks involved in the Adviser's strategy. For a more complete description of the risks associated with investing in the Fund managed by the Adviser, please refer to the Fund's confidential offering memorandum.

No Assurance of Investment Return. The Adviser's investment strategy requires a long-term commitment with no certainty of return. Investors generally may not withdraw an investment in the Fund for at least thirty-six months from the date of the investment. There is no assurance that the Adviser will be able to generate returns for the Fund or that the returns will be commensurate with the risks of investing in the type of companies and transactions in which the Fund invests. An investment in the Fund should only be considered by persons or entities who can afford a loss of their entire investment. Any past performance of persons or investment entities associated with the Adviser and its affiliates is not necessarily indicative of the future results and may not be construed as an indication of future results.

Active Shareholder Strategy. The success of the Adviser's activist shareholder strategy generally requires, among other things: (i) that the Adviser properly identify portfolio companies whose equity prices can be improved through corporate and/or strategic action, (ii) that the Adviser acquire for the Fund sufficient shares of the securities of such portfolio company at a sufficiently attractive price, (iii) that the Adviser acquire sufficient shares to allow the Fund to influence company management, (iv) a positive response from management of portfolio companies to shareholder activism, (v) a positive response by other shareholders to shareholder activism and the Fund's proposals and (vi) a positive response by the markets to any actions taken by portfolio companies in response to shareholder activism. None of the foregoing elements can be guaranteed to succeed and, in addition, the management of portfolio companies may take defensive or other measures that erode, rather than increase, shareholder value. Moreover, even if the prices for a portfolio company's securities have increased, no guarantee can be made that there will be sufficient liquidity in the markets to allow the Adviser to dispose of all or any of its securities therein or to realize any increase in the price of such securities held by it.

Management Opposition. The success of the Adviser's investment strategy is in part premised on its ability to create additional value in portfolio companies by working with management to improve the strategy and operations of these companies and by otherwise applying the tools and rights of active and constructive shareholder ownership. There can be no assurance that the management of any portfolio company will agree to the Adviser's proposed strategic initiatives or that the strategy or strategies that Adviser helps to implement will be effective. In addition,

implementation of the Adviser's investment strategy may subject clients and its affiliates to potential risks and liabilities to which they would otherwise not be subject, including the costs of litigation and other claims. Target companies may respond to the Adviser's proposals by taking defensive measures designed to prevent shareholders from realizing value through initiating a new business strategy or a restructuring program. These defensive measures may adversely affect the value of the investment or frustrate implementation of its operating plan.

Limited Information. In general, the Adviser's investments will be made based on information available to the public at large. By comparison, privately negotiated transactions, the type of transactions pursued by most private equity and corporate buy-out funds, are usually completed based on information gathered through contact with and access to the counter-party's records, facilities and personnel. Therefore, there is greater risk that the Adviser may invest on the basis of incomplete or inaccurate information that may adversely affect the investment performance, particularly with respect to adverse information not disclosed to the public, which could impact both initial and ultimate valuation, as well as implementation of the operating plan.

Higher Investment Expenses. The Adviser's investment strategy could produce higher investment expenses that will be borne by the Fund, particularly if the Adviser faces management opposition or the Adviser resorts to measures to protect the value of its minority investments that involve litigation or shareholder governance activities, such as a proxy solicitation.

Adverse Publicity. If the Adviser on behalf of the Fund must resort to measures, such as litigation or proxy solicitations, in order to protect the value of the investments, such activities could produce negative publicity. While the Adviser believes that the confidentiality of the investors in the Fund will be protected, there is no certainty that such adverse publicity might not have adverse consequences for the investors, the Adviser and the Fund.

Impact of Uncertainty. The Adviser's attempts to realize value through initiating a new business strategy or a restructuring program for a portfolio company may introduce uncertainty into the company's relations with its employees, customers and suppliers, which may adversely affect the company's business and its share price.

Availability of Suitable Investments. There can be no assurance that investments will be available for the Adviser's investment activities or that available investments will meet investment guidelines. Changes in various factors (including, among others, general economic conditions, general political conditions, securities markets conditions, tax burdens or domestic or foreign instability) may also adversely affect the availability of suitable and attractive investment opportunities. The activity of identifying, completing and successfully disposing of attractive strategic minority investments is competitive and involves a high degree of uncertainty. Furthermore, the Adviser cannot provide assurance that it will be able to choose, make and realize investments in any particular company or portfolio of companies. Investors do not have

an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made and, accordingly, will be dependent upon the judgment and ability of the Adviser to identify suitable investments. The Adviser on behalf of the Fund may make investments which the Adviser ultimately determines would not benefit from the application of the tools and rights of active and constructive share ownership, and thus, the Adviser cannot provide assurance that it will implement the intended activist investment strategy with respect to any portfolio investment.

Minority and Non-Controlling Investments. In general, the Adviser intends to invest in minority non-controlling positions of companies, generally owning less than 10% of a portfolio company's voting shares and typically foregoing board seats in order to retain its ability to easily transact in such shares of the portfolio company on behalf of its clients. As a result, the Adviser typically has a limited ability to exert significant influence over its portfolio companies. In such cases, the Adviser is reliant on the existing management and board of directors of such companies, which may include representation of other investors with whom the Adviser is not affiliated and whose interests may conflict with the interests of the Adviser and its clients. Therefore, the Adviser's abilities are limited in creating additional value in portfolio companies by effecting changes in the strategy and operations of these companies or to protect its positions in such portfolio companies. However, in some cases, the Fund may own more than 10% and the Adviser's principals may hold a board seat on a portfolio company which may limit the Fund's ability to transact in such portfolio company.

General Economic Conditions and Financial Market Fluctuations. General economic and business conditions may affect the Adviser's activities. Interest rates, the price of securities, general market fluctuations and participation by other investors in the financial markets may adversely affect the value of the investments held by the Adviser. Instability in the securities markets may also increase the risks inherent in the investments.

Investments in European Companies. The Fund invests primarily in public securities of public European Companies. Investments in the securities of European Companies are affected by risk factors generally not thought to be present in the United States. These risks may be increased to the extent that the Fund invests in issuers in emerging markets in European Countries. Such factors include, but are not limited to, the following: varying custody, brokerage and settlement practices; difficulty in valuation and pricing; less public information about European Companies; less governmental regulation and supervision over the issuance and trading of securities; the unavailability of financial information regarding the European Companies or the difficulty of interpreting financial information prepared under accounting standards in European Countries; smaller, less liquid and more volatile securities markets in certain European Countries; the possibility of expropriation or nationalization; the imposition of withholding and other taxes; adverse political, social or diplomatic developments; limitations on the movement of funds or other assets of the Fund between different countries; difficulties in invoking the legal process outside of the United States and enforcing contractual obligations; and the difficulty of assessing

economic trends in European Countries. Investment in European Countries also involves higher brokerage and custodian expenses than does investment in U.S. securities traded on a U.S. securities exchange or market.

Foreign Currency Risks. The Fund invests its assets in instruments quoted or denominated in currencies other than the U.S. dollar or the price of which is determined with reference to currencies other than the U.S. dollar, changes in the U.S. dollar exchange rate will affect the dollar value of securities in the Fund's portfolio and the realized and unrealized appreciation or depreciation of investments. The Fund values its securities and other assets in U.S. dollars. The Fund may, but is not required, to engage in foreign currency transactions. To the extent that the Adviser does not sufficiently hedge the currency exposure inherent in the Fund's investments, the value of the Fund's assets will fluctuate with U.S. dollar exchange rates as well as the price changes of the Fund's investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the Fund makes its investments will reduce the effect of increases and magnify the effect of declines in the values of Fund's securities denominated in currencies of their local markets. Conversely, a decline in the value of the U.S. dollar will have the opposite effect on the Fund's non-U.S. dollar-denominated securities. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the foreign exchange markets, the relative merits of investments in different countries, changes in interest rates and other factors. Currency exchange rates can also be affected by intervention, or the failure to intervene, by U.S. and foreign governments or central banks, or by currency controls or political developments in the United States and abroad. The exchange rate between the currencies of various emerging market countries and the U.S. dollar has changed substantially in the last two decades and may fluctuate substantially in the future.

General Business and Management Risk. Investments made by the Adviser on behalf of the Fund or accounts will be subject to the risks associated with the business in which the portfolio companies are engaged, including market conditions, changes in regulatory requirements, general economic downturns and other factors.

Restrictions on Liquidity of Investments. In some cases, the Adviser may be prohibited by contract or regulatory reasons from selling certain securities for a period of time. Although, the Adviser invests in publicly traded securities, the aggregate position may represent a significant portion of the outstanding public float of a particular company, creating a degree of illiquidity when the Adviser wishes to dispose of or reduce its position in such company by selling shares into the market. In the event that the Adviser acquires an interest in a company and an officer or employee of the Adviser serves as an officer or director thereof, the filing of various forms required by Section 16(b) of the Exchange Act as part of the process of buying or selling shares may impact negatively the price of the shares that can be obtained by the Adviser. If the Adviser were forced to sell such an investment, it may not receive fair value for such investment. In addition, the Adviser's employees as part of their duties as directors may receive material non

public information and the Adviser may not be able to transact in the security without violating the security laws.

Risks Arising from Provision of Managerial Assistance. The Adviser has and may in the future designate one or more directors to serve on the board of directors of portfolio companies. The designation of directors and other measures of attempting to exert influence over a portfolio company could expose the assets of the Fund to claims by a portfolio company, its security holders and its creditors.

Portfolio Company Leverage. The portfolio companies may have capital structures with significant leverage. Consequently the leveraged capital structure of such portfolio companies will increase their exposure to adverse factors such as rising interest rates, downturns in the economy or a deterioration in the business of a portfolio company or its industry, and may impair such companies' ability to meet their debt obligations.

Concentration. The Adviser's strategy generally limits the number of investments made on behalf of the Fund. Thus, the Fund may be heavily concentrated at any time, in only a limited number of industries, geographies or investments. To the extent the Adviser concentrates investments in a particular issuer, the Fund's portfolios may become more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting that particular issuer.

Investments in Undervalued Securities. The Adviser's primary strategy is to invest in the securities of underperforming companies. The identification of investment opportunities in the securities of underperforming companies is a difficult task, and there can be no assurance that such investment opportunities will be successfully recognized or acquired. While investments in the securities of underperforming companies offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and may result in substantial losses. Returns generated from the investments may not adequately compensate investors for the business and financial risks assumed. Investors should be aware that they may lose all or part of its investment and the Adviser may be forced to sell, at a substantial loss, the securities of underperforming companies that have not achieved projected value. In addition, the Adviser may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of a Fund's assets would be committed to the securities purchased, thus possibly preventing the Adviser from investing in other opportunities on behalf of such Fund.

Risk Arbitrage. Some portfolio companies in which the Adviser invests may be the subject of mergers, takeovers, bankruptcies, reorganizations, spin-offs, or other special investors. Substantial transactions failure risks are involved in these situations. Certain transactions are dependent on one or more factors to become effective, such as market conditions, shareholder approval, regulatory and other factors. No assurance can be given that the investments in such

portfolio companies or proposed transactions will result in profitable investments or that the investment will not incur substantial losses as a result.

Derivative Instruments. In order to hedge currency exposure, the Fund uses currency derivative instruments, in connection with its hedging techniques. Use of derivative instruments presents various risks which include the following:

- **Tracking**—When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Fund from achieving the intended hedging effect or expose the Fund to the risk of loss.
- **Liquidity**—Derivative instruments may not be liquid in all circumstances, so that in volatile markets the Fund may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which the Fund may conduct its transactions in derivative instruments may prevent prompt liquidation of positions, subjecting the Fund to the potential of greater losses.
- **Leverage**—Trading in derivative instruments can result in leverage. Thus, the leverage offered by trading in derivative instruments may magnify the gains and losses experienced by the Fund and could cause the Fund's net asset value to be subject to wider fluctuations than would be the case if the Fund did not use the leverage feature in derivative instruments.
- **Over-the-Counter Trading**—Derivative instruments that may be purchased or sold by the Fund may include instruments not traded on an exchange. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which the Fund can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange traded instrument. In addition, significant disparities may exist between "bid" and "asked" prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions.

Legal, Tax and Regulatory Risks. The Fund must comply with various legal requirements, including those imposed by securities laws, tax laws and pension laws. Should any of such laws change over the term of the Fund, the legal requirements to which the Fund and the investors may be subject could differ materially from the current requirements and adversely affect the investors and the Fund.

The Fund's investment activities will be subject to compliance with federal and applicable local securities laws in the jurisdiction of each respective issuer which may, among other things, restrict or prohibit the Fund's ability to sell a portfolio investment. For example, applicable securities law considerations relating to trading while in the possession of material non-public

information or the attribution of holdings of persons acting as a group may limit the ability of the Fund to buy or sell securities of target companies or otherwise affect the implementation of the Fund's objectives with regard to specific company.

In accordance with local securities laws, the Fund may be required to make certain disclosures to the issuer, the applicable local regulatory agency and/or the applicable local securities exchange with respect to the Fund's beneficial ownership in a company. Generally, these filings require disclosure of the identity of the purchaser of such securities. In certain circumstances, the Fund may be required to aggregate its investment position in a given portfolio company with the beneficial ownership of that company's securities by other parties, which could require the Fund, together with such other parties, to make certain disclosure filings or otherwise restrict the Fund's activities with respect to such portfolio company securities.

Antitrust or other regulatory requirements may impose filing fees and other additional expenses on the Fund and may adversely affect the Fund's ability to acquire or dispose of investment positions (including, without limitation, in situations where an employee of the Advisor or of an affiliate serves as a director of a portfolio company or the Fund maintains certain levels of share ownership or control).

Counterparty and Financial Institutions Risks Generally. The Fund enters into many transactions with third parties in which the failure of the third party to perform its obligations under a contract could have a material adverse effect on the Fund. Although the Adviser intends to engage in transactions with responsible counterparties, there are no counterparty credit constraints on the Fund and there can be no assurance that any such counterparties will not default on their obligations.

The Fund's assets are generally held in "street name." by the Fund's custodian. Bankruptcy or fraud at the custodian could impair the operational capabilities or the capital positions of the Fund.

The current credit environment is unpredictable and there is no assurance that the Adviser or its agents will effectively evaluate the credit risks associated with all brokerage firms, banks, broker-dealers and counterparties with which the Fund engages in transactions. This exposes the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. Such counterparty risk is accentuated where the Adviser has concentrated the Fund's transactions with a single or small group of counterparties. The Adviser is not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. The ability of the Adviser to transact business with any one or number of counterparties, the lack of any meaningful or independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the

Fund.

Systems Risks. The Adviser relies on computer programs and systems to trade, clear and settle securities transactions for the Fund, to evaluate certain securities based on real-time trading information, to monitor its portfolio and net capital, and to generate risk management and other reports. In addition, certain of the Adviser's operations interface with or depend on systems operated by third parties including its custodians, administrators, prime brokers and market counterparties and their sub-custodians and other service providers, and the Adviser may not be in a position to verify the risks or reliability of such third party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by worms, viruses and power failures. Any such defect or failure could have a material adverse effect on the performance of the Fund. For example, such failures could cause settlement trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the Adviser's ability to monitor the Fund's investments and their risks.

Operational Risks. Operational risks arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or other similar disruption in the Adviser's operations may cause the Fund to suffer financial loss, the disruption of its business, liability to the Fund or third parties, regulatory intervention or reputational damage. The Adviser relies heavily on its own (as well as those of its administrators', custodians' and prime brokers') financial, accounting and other data processing systems.

Potential Conflicts of Interest. Various potential and actual conflicts of interest may arise from the overall investment activities of the Adviser, the General Partner and their respective affiliates, principals, members, managers, officers, directors and employees. The following briefly summarizes some of these conflicts, but is not intended to be an exclusive list of all such conflicts. For a more detailed discussion of such potential conflicts of interest, an investor should refer to the Fund's confidential offering memorandum.

Allocation of Personnel; Other Activities. The Adviser will cause its personnel to devote such time as it deems in good faith to be reasonably necessary to conduct the business affairs of the Fund. Mr. Breeden and certain of the Adviser's executives and personnel may from time to time perform services for affiliates of the Adviser and the General Partner other than the Fund (*e.g.*, BCM and RCB & Co. (each, as defined below under Item 10)) and for other third parties. The Adviser also shares office space with its affiliates. It is intended that none of these activities will materially interfere with the Adviser's responsibilities to the Fund. Investors should refer to Item 10 below for a further description of the Adviser's affiliates and other business activities.

Diverse Investor Group. The Fund and investors in the Fund may have conflicting investment, tax and other interests with respect to their investments. The conflicting interests of investors may relate or arise from, among other things, the nature of investments made by the Fund, the structuring or the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with the decisions made by the Adviser, including with respect to the nature or structuring of investments that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Fund, the Adviser will consider the investment and tax objectives of the Fund and their investors as a whole; not the investment, tax or other objectives of any investor individually. Interests in the Fund may be held by relatively few investors with substantial investments in the Fund, and voting power may be concentrated in a relatively small number of investors from time to time. The Adviser has agreed to provide more detailed and more frequent information about the Fund, its holdings, proxy voting and performance to certain investors in the Fund from time to time.

Incentive Allocation. As described above under Item 6, the Fund is charged an Incentive Allocation payable to the General Partner. The Incentive Allocation differs from and may be greater than the fees associated with investments in more traditional investment vehicles (*e.g.*, mutual funds). The existence of an Incentive Allocation may create an incentive for the Adviser to make investments that are more speculative than would be the case in the absence of such performance-based compensation. In addition, in certain circumstances, the Adviser or General Partner may be entitled to receive an Incentive Allocation to the extent the performance of an investor's investment in a Fund exceeds an agreed-upon market benchmark, even where the overall performance of the investor's investment is at a loss. The existence of this arrangement could influence the timing of realizations of investments by the Adviser which may be unfavorable to other investors in the Fund.

Concentration of Interests in the Fund. Interests in the Fund may be held by a relatively small number of investors, including certain investors who have made substantial capital commitments. As a result, it may be possible for one or a small group of investors to heavily influence or control any vote of investors in the Fund or the Fund's Advisory Committee.

Material, Non-Public Information. By reason of their responsibilities in connection with other activities and while pursuing the investment strategy the Adviser's personnel may acquire confidential or material non-public information. Under the federal securities laws, the Fund will not be free to act upon any such information. Due to these restrictions, the Adviser may not be able to initiate a transaction on behalf of the Fund that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. The activities of BCM and RCB & Co., each of which are affiliates of the Adviser may restrict the ability of the Fund to invest if employees of the Adviser are also employees of BCM and/or RCB & Co. and the

Adviser become aware of material non-public information as a result of an employee's work for BCM or RCB & Co.

Item 9 – Disciplinary Information

There is no information regarding the Adviser that requires disclosure pursuant to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Breeden Capital Management LLC (“BCM”) is an SEC-registered investment adviser affiliated with the Adviser and principally owned by Mr. Breeden. Mr. Breeden is the managing member of BCM and serves as BCM's President and Chief Executive Officer, and Chairman of BCM's Investment Committee. BCM serves as investment adviser to private investment funds for which BCM employs an investment strategy similar to the strategy employed by the Adviser, except that BCM's strategy focuses on investing in the securities of companies in the United States and Canada.

Richard C. Breeden & Co., LLC (“RCB & Co.”) is a consulting firm founded by Mr. Breeden in 1996 to work with troubled and undervalued companies. Mr. Breeden is the Chairman and principal owner of RCB & Co. RCB & Co. specializes in financial advisory services involving turnarounds, workouts and financial restructurings, as well as strategic consultancy regarding corporate governance, accounting and public disclosure requirements.

RCB Fund Services, LLC is a provider of claims administration services primarily for SEC Fair Funds and Department of Justice forfeiture funds. Mr. Breeden is the Chairman and principal owner of RCB Fund Services, LLC.

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

General. The Adviser does not buy or sell securities for its own account. However, the Adviser, the General Partner or one of their affiliates may have an interest, as general partner or otherwise, in the Fund or other account managed by the Adviser or an affiliate. In addition, certain officers, members and employees of the Adviser and its affiliates are permitted to own, buy and/or sell interests in the Fund. Accordingly, the Adviser and/or its affiliates and employees may from time to time have a substantial interest in the Fund or other accounts managed by the Adviser or its affiliates. If the Adviser's or its affiliates' interests in the Fund are substantial, the Fund may be treated as a proprietary account of the Adviser for certain purposes. To the extent any such proprietary account participates in transactions in securities or other instruments in which the Fund or other accounts participate, the Adviser seeks to ensure that such proprietary account participates in accordance with the Adviser's policies and

procedures.

Code of Ethics and Personal Trading

The Adviser has adopted a Code of Ethics that reflects the firm's basic governing principle that the interests of the Fund must at all times be placed first, ahead of the interests of the Adviser, its affiliates, and their respective directors, officers, members, managers, employees and any other associated persons (including without limitation, members of the Adviser's Investment Committee). All directors, officers, members, managers, employees and associated persons of the Adviser and certain of its affiliates (including but not limited to BCM) (each, a "Covered Person," and collectively, "Covered Persons") are subject to the Code of Ethics. The Code of Ethics addresses the Adviser's policies and procedures regarding personal account trading, outside business activities and gifts. The Code of Ethics permits Covered Persons to invest for their personal accounts, and sets forth guidelines and restrictions reasonably designed to help prevent such trading from conflicting with the Covered Person's duties to the Fund.

The Code of Ethics prohibits Covered Persons from causing the Fund to take action, or not to take action, for their personal benefit rather than the benefit of the Fund. Covered Persons must avoid taking inappropriate advantage of their position for their personal benefit, such as by using their knowledge of the Fund's portfolio transactions to profit based upon the market effect of those transactions.

All personal securities transactions by Covered Persons, certain immediate family members, and other accounts in which Covered Persons have a financial interest or investment discretion must be conducted in accordance with the requirements of the Code of Ethics. Among other things, the Code of Ethics requires that all personal securities transactions by Covered Persons be approved in advance by the Chief Compliance Officer, with certain exceptions. Covered Persons are generally prohibited from trading in securities that are held by the Fund or that are being considered or reviewed by the Adviser or BCM for possible purchase or sale by the Fund or the BCM managed funds. Exceptions require the written approval of the Adviser's Chief Compliance Officer. If a Covered Person recommends that a security be bought or sold for the Fund or the BCM managed funds, the Covered Person must inform the Adviser's Compliance Officer if the Covered Person holds a position in that security in a personal account, and the Compliance Officer may restrict such person from buying or selling that security until after the Fund or the BCM managed funds no longer has a position in the security.

Covered Persons must report their personal securities holdings upon employment (or other association with the Adviser or its affiliates) and periodically thereafter, and arrange for duplicate confirmations of all securities transactions and account statements to be sent to the Chief Compliance Officer.

Investors and prospective investors in the Fund may obtain a copy of the Adviser's Code of

Ethics by submitting a written request to the Adviser.

The Adviser's personnel involved in research, trading or other investment-related matters may, from time to time, consult with other investment professionals in the financial industry and discuss investment ideas, including ideas generated by third-party research paid for by the Fund, subject to any applicable confidentiality obligations. The Adviser believes that on balance, the Fund benefits from such discussions by providing different perspectives on particular industries or companies. However, there is no guarantee that this approach will be successful or that such discussions will not work to the detriment of the Fund. Any such discussions must be conducted in accordance with and subject to the Adviser's Code of Ethics, the Adviser's policies regarding the prevention of trading on material non-public information and applicable laws.

Item 12 – Brokerage Practices

General. The Adviser has complete discretion with respect to all investment decisions made for the Fund, and also with respect to the selection of brokers, dealers and other counterparties for such transactions, and the amount of commissions or other compensation to be paid by the Fund. The Adviser may cause the Fund to invest in parallel with other accounts managed by the Adviser and its affiliates if believed to be in the best interests of the Fund.

Brokerage and Best Execution. The Fund bears its *pro rata* share of brokerage commissions and related transaction costs for its portfolio transactions. The Adviser has a duty to seek best execution for the Fund's securities transactions. The Adviser will consider a wide range of factors in judging whether a broker-dealer can provide the best execution; whether the lowest possible commission is paid is not determinative. Brokerage transactions for the Fund are executed by brokers and dealers generally selected by the Adviser on the basis of obtaining the best overall terms available based on a variety of factors, including the following: the ability to hold and work orders with anonymity; research and market color provided on current and potential portfolio companies; access to management of current and potential portfolio companies and relevant research conferences; the ability to achieve prompt and reliable execution at favorable prices; the operational efficiency with which transactions are effected; the financial strength, integrity and stability of the broker; the quality and comprehensiveness of related services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying the Adviser's other selection criteria.

The Adviser's investment strategy with respect to the Fund generally requires long-term holding of securities and therefore, the Adviser's trading volume does not generate significant commissions. Accordingly, if the Adviser determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and research products or services provided by such broker, the Fund will pay commissions to such broker in an amount greater than the amount another broker might charge. Subject to the

Adviser's duty to seek best execution, the Adviser generally will only use one broker in the early morning hours in the United States where only the European markets are open.

Certain Fund investors may request that a portion of the brokerage be directed to certain types of brokerage firms, such as firms in certain locations or minority-owned firms. The Adviser may direct brokerage to such firms subject to its duties to seek best execution.

Use of Soft Dollars to Obtain Research. The Adviser causes the Fund to trade with broker-dealers that provide research or execution related products or services (collectively, "Soft Dollar Items") to the Adviser in addition to effecting trade execution. Soft Dollar Items include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, on-line quotations, news and research services, and other services providing assistance to the Adviser in the performance of its investment decision-making responsibilities on behalf of the Fund. The Adviser maintains procedures pursuant to which it may use commissions generated by the Fund to pay for Soft Dollar Items within the safe harbor under Section 28(e) of the Exchange Act.

The Adviser may use research obtained with soft dollars generated by the Fund to service the accounts of other funds or the client accounts of an affiliated adviser. The Fund shares in the benefits from Soft Dollar Items regardless of the amount of commissions generated by a particular Fund. Generally, if a product or service obtained with commission dollars provides both research and non-research elements, the Adviser will make a reasonable allocation of the costs that may be paid for with soft dollars.

Other Investment Vehicles and Relationships and Allocation of Opportunities. The Adviser may manage and advise other investment vehicles (including other collective investment vehicles in which the adviser or its employees or principals may have an equity interest), accounts and clients which may have objectives similar, in whole or in part, to those of the Fund. The Adviser may hold interests in, and furnish advisory, consulting, and/or management services to, other persons or entities and with respect to similar or different investments. In addition, the Adviser may form one or more new investment vehicles with the same, similar, or different investment strategies. The Adviser does not have any obligation to engage in any transaction or investment for the Fund or to recommend any transaction to the Fund for which the Adviser may engage in for its own account or the account of any other customer. Thus, from time to time, other funds and accounts including those that have investments by the Adviser (and its members, principals, employees and affiliates) may outperform the Fund.

To the extent legally permissible, the Adviser is authorized to combine purchase or sale orders for the Fund and other accounts. The Adviser will allocate the securities or other assets purchased or sold, in accordance with its policies and procedures designed to provide for fair and equitable access to the securities purchased or sold, by allocation, rotation, or otherwise. The Adviser allocates investments on a *pro rata* basis, but may allocate in a different manner if the

Adviser determines appropriate as a result of differences in available capital, cash flow (including to fund redemptions), investment objectives and policies, tax considerations or as otherwise permitted by law, and the Adviser's policies and procedures

Item 13 – Review of Accounts

All trades conducted for the Fund are authorized by the Adviser's Investment Committee and are reviewed by the Chief Investment Officer or his designee. The Chief Investment Officer also receives and reviews a daily report with respect to the Fund's holdings, performance and other statistical information. The Adviser also assigns an investment team member to each portfolio position for purposes of regularly monitoring developments affecting such investment. The following Adviser personnel are involved in the review of the Fund's portfolios: the Chief Investment Officer; the Adviser's Director of Research and Trading; BCM's Director of Research and Trading and the Chief Financial Officer. In addition, the Investment Committee periodically reviews the strategy, risk and other considerations relating to the Fund's positions.

Investors in the Fund will be provided with annual audited financial statements prepared by the Fund's auditor, which is an independent public accounting firm. Upon request, on a quarterly basis, the investors may be provided with unaudited reports of financial information relating to the Fund, including valuation of the Fund's portfolios. Investors in the Fund will also be provided on an annual basis with such information as is necessary for investors to complete U.S. federal and state income tax or information returns, along with any other tax information required by applicable laws. In addition, the Fund's initial investor receives more frequent and more detailed reporting with respect to the Fund's holdings, performance and proxy voting. Upon request, other investors in the Fund may receive more frequent and/or detailed reporting as described above.

Item 14 – Client Referrals and Other Compensation

The Adviser or an affiliate has entered into arrangements to compensate certain persons in connection with the introduction and referral of Fund investors, and it may enter into arrangements to compensate other persons (including broker-dealers through which trades are executed for clients of the Adviser or Fund investors) for introducing, referring, soliciting or finding investors for the Fund.

Item 15 – Custody

The Fund's cash and securities are held by qualified custodians. As noted above in Item 13, within 120 days of the end of the Fund's fiscal year investors will receive the Fund's annual financial statements. The Fund's annual financial statements are prepared in accordance with

generally accepted accounting principles and audited by an independent public accountant that is registered with and subject to regular inspection by the Public Company Accounting and Oversight Board. Investors in the Fund are urged to carefully review such financial statements.

Item 16 – Investment Discretion

The Adviser has complete discretion with respect to all investment decisions made for the Fund. The Adviser also has complete discretion with respect to the selection of brokers, dealers and other counterparties for transactions by the Fund, and the amount of commissions or other compensation to be paid by the Fund. The Adviser may cause the Fund to invest in parallel with each other, and/or alongside client accounts managed by BCM, if believed to be in the best interests of the Fund and other client account.

Item 17 – Voting Client Securities

The Adviser's proxy voting policies and procedures address material conflicts of interest between the Adviser or its employees and the Fund with respect to the subject of a proxy vote. In the event of such a conflict, conflicted personnel are prohibited from participating in evaluation of the proxy vote, and the Adviser may follow recommendations of the Advisory Committee or an independent third-party voting specialist. Given the nature of the Fund's investment strategy, the Adviser does not consider it to be a conflict of interest to vote the Fund's shares in favor of the election of its officers and/or employees (or officers and/or employees of its affiliates) who are nominees for directorships of portfolio companies. It is expected that the Adviser generally will, consistent with its fiduciary role, seek to enhance the value of the Fund's portfolio by voting each company proxy in a manner that is designed to maximize the company's stock price.

The Adviser may determine not to vote proxies where the cost of participating in such vote restricts liquidity (*i.e.*, prevents the ability to sell) or where the cost of lodging a vote is significant (requires the Adviser to send an individual to lodge the vote or requires translation).

Investors in the Fund and other clients may obtain copies of the Adviser's proxy voting policies and procedures, and information about how the Fund's proxies were voted, by submitting a written request to the Adviser.

Item 18 – Financial Information

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