

**S. Muoio & Co. LLC
Form ADV Part 2A
Firm Brochure**

March 2018

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This brochure provides information about the qualifications and business practices of S. Muoio & Co. LLC. If you have any questions about the contents of this brochure, please contact us at (212)297-2555 or email smuoio@sminvestors.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about S. Muoio & Co. LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Item 2 Material Changes

Since the filing of our Part 2A of Form ADV in March 2017, there have been no material changes to the firm that require disclosure in this Item.

Item 3 Table of Contents

| Table of Contents | |
|--------------------------|--|
| Item 1 | Cover Page 1 |
| Item 2 | Material Changes 4 |
| Item 3 | Table of Contents 5 |
| Item 4 | Advisory Business 6 |
| Item 5 | Fees and Compensation 8 |
| Item 6 | Performance-Based Fees and Side-By-Side Management 10 |
| Item 7 | Types of Clients 11 |
| Item 8 | Methods of Analysis, Investment Strategies and Risk of Loss 12 |
| Item 9 | Disciplinary Information..... 21 |
| Item 10 | Other Financial Industry Activities and Affiliations 22 |
| Item 11 | Code of Ethics, Participation or Interest in Client Transactions and Personal Trading..... 23 |
| Item 12 | Brokerage Practices 26 |
| Item 13 | Review of Accounts 30 |
| Item 14 | Client Referrals and Other Compensation..... 31 |
| Item 15 | Custody 32 |
| Item 16 | Investment Discretion 33 |
| Item 17 | Voting Client Securities..... 35 |
| Item 18 | Financial Information 37 |
| Item 19 | Requirements for State-Registered Advisers..... 38 |

Item 4 Advisory Business

A. General Description of Advisory Firm

S. Muoio & Co. LLC ("the Firm," "us," "we," or "the Adviser") is an investment adviser with its principal place of business in New York, New York. The Adviser commenced operations as an investment adviser on August 1, 1997. Salvatore Muoio is the majority owner and Managing Member of S. Muoio & Co. LLC.

B. Description of Advisory Services

The Adviser provides investment management services, on a discretionary basis, to its clients, which include pooled investment vehicles intended for sophisticated investors, institutional investors, and institutions and individuals with separately managed accounts. Specifically, the Adviser is the general partner to and investment adviser of SM Investors, L.P., SM Investors II, L.P., SM Merger/Arbitrage, L.P., SM Investors Broadcast Partners, L.P. and SM Broadcast Partners MidAmerica, L.P., and serves as the investment adviser to the offshore entities SM Investors Offshore, Ltd. and SM Merger/Arbitrage Offshore, Ltd. (collectively, the "Investment Funds"), and a managed account (the "Managed Account").

In addition, from time to time, the Adviser prepares customized research reports that provide statistical analysis, and investment opinion on specific industries, companies or securities.

When appropriate, we will also provide opinions on the attractiveness of investment opportunities uncovered by client(s). This outsourced investment research capability can regard either specific investment special situations and/or broader industry coverage.

C. Availability of Customized Services for Individual Clients

The Adviser provides advice to client accounts based on specific investment objectives and strategies. In our partnerships, we do not customize advisory services for individual clients, nor have we been instructed by clients to impose restrictions on investing in certain securities or types of securities. Under certain circumstances, in a separate account, we may customize services to the individual needs of the client.

D. Wrap Fee Program - Not applicable

E. Assets Under Management

As of December 31, 2017

| | |
|--|----------------------|
| SM Investors, L.P. | \$ 38,396,681 |
| SM Investors II, L.P. (Includes SM Investors Offshore, Ltd. of \$ 3,253,382) | \$ 98,852,249 |
| SM Merger/Arbitrage, L.P. (Includes SM Merger/Arbitrage Offshore, Ltd. of \$ 587,615) | \$ 23,764,679 |
| SM Broadcast Partners, L.P. | \$ 15,078,549 |
| SM Broadcast Partners MidAmerica, L.P. | \$ 10,813,445 |
| Managed Account | <u>\$ 19,966,676</u> |
| TOTAL | \$206,872,279 |

All of the assets under management are managed on a discretionary basis.

Item 5 Fees and Compensation

A. Advisory Fees and Compensation

Asset-Based Compensation

The Adviser charges each client an investment management fee based on the value of the client's assets under management.

Currently, the investment management fee charged to clients ranges from 1.0% to 1.5% per annum.

Investment management fees are charged each quarter in arrears based on the total market value of the net assets in the client account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the last day of the quarter. If a new client account is established during a quarter or a client makes an addition to its account during a quarter, the investment management fee will be prorated for the number of days remaining in the quarter. If a client's investment management agreement is terminated, or a withdrawal is made from a client account during a quarter, the fee payable to the Adviser will be calculated based on the value of the assets on the termination or withdrawal date and prorated for the number of days during the quarter in which the investment management arrangement was in effect, or such amount was in the account.

Performance-Based Compensation

The Adviser may also receive performance-based compensation, which is based on a share of capital gains on, or capital appreciation of, the assets of a client (such as a client that is an investment partnership or other pooled investment vehicle.) This compensation may be paid to the adviser or to a related person of the Adviser. The performance-based compensation is currently equal to 20% of net profits, and is computed and charged on an annual basis. All performance-based compensation is subject to a loss carryforward provision, whereby an Investment Fund Client or Managed Account will not be charged a performance fee or allocation until the amount of a loss previously allocated has been recouped. Under certain circumstances, receipt of performance-based compensation may be subject to a hurdle rate.

The General Partner or Investment Manager may reduce or waive any or all fees without the consent of or notice to the other investors.

B. Payment of Fees

The Adviser deducts the investment management fee quarterly and the performance-based compensation annually, from Investment Fund accounts, by instructing the Investment Fund's custodian.

For the Managed Account, we bill quarterly for management fees and on an annual basis for the performance-based compensation.

C. Additional Fees and Expenses

In addition to paying investment management fees and, if applicable, performance-based compensation, client accounts will also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; research fees, interest expenses; borrowing charges on securities sold short, taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees (including, investment advisory and other fees charged by investment advisers with, or funds in, which the client's account invests) associated with products or services that may be necessary or incidental to such investments or accounts. Investors invested in the Investment Funds will bear their pro rata share of the Investment Fund's operating and other expenses including, in addition to those listed above: sales expenses, legal expenses; internal and external accounting, audit and tax preparation expenses; organizational expenses, and any other reasonable expenses related to the purchase, sale, or transmittal of the Investment Fund's assets. Client assets may be invested in money market mutual funds, ETFs or other registered investment companies. In these cases, the client will bear its pro rata share of the investment management fee and other fees of the fund, which are in addition to the investment management fee paid to the Adviser. Client assets may be invested in a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund. Annual expenses of the Investment Funds are set forth in their certified annual financial statements. Please refer to Item 12 of this Firm Brochure for a discussion of the Adviser's brokerage practices.

D. Prepayment of Fees - Not applicable**E. Additional Compensation and Conflicts of Interest - Not applicable**

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

The Adviser and its investment personnel provide investment management services to multiple portfolios for multiple clients. The Adviser is entitled to be paid performance-based compensation by the Investment Funds and the Managed Account. In addition, the Adviser's investment personnel may be compensated on a basis that includes a performance-based component. When the Adviser and its investment personnel manage more than one client account a potential exists for one client account to be favored over another client account. The Adviser and its investment personnel have a greater incentive to favor client accounts that pay the Adviser (and indirectly the Adviser's investment personnel) performance-based compensation or higher fees. Because the Adviser may receive higher performance-based compensation or management fees from certain clients the Adviser may have a conflict of interest when allocating investments between clients.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities pro rata based on asset size and require that, to the extent orders are aggregated, the client orders are price-averaged. These areas are monitored by the Adviser's Chief Compliance Officer.

Item 7 Types of Clients

The Adviser currently provides investment advice and portfolio management services to private investment funds and a managed account.

The minimum investment for Investment Fund clients is generally \$500,000, subject to the discretion of the Adviser of such client to accept lesser amounts.

The minimum investment for a separately managed account is \$10,000,000.

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

A. Methods of Analysis and Investment Strategies

Our investment process is based on bottom-up fundamental securities analysis that includes tracking and projecting operating and financial results, reading SEC filings and other company specific information and trade magazines, attending industry trade shows, events, and conferences, participating in conference calls and company sponsored analyst meetings and visiting individual companies one-on-one. We analyze balance sheets and seek to uncover undervalued or hidden assets, and income and cash flow statements to estimate free cash generation. The foundation of our approach is security analysis and value investing.

We utilize a number of investing methodologies and strategies in our investment decision process. Most of our investment ideas are generated internally and result from an intensely focused and independent research process. Valuations and fundamentals are continuously monitored as they relate to risk and returns.

Equities. We focus on buying stocks when they are considered “bargain-priced” relative to our assessment of underlying business values. We establish positions when we have a clear sense as to a catalyst that will act to surface value.

We are patient and generally look for situations where the valuation gap we’ve identified will begin to close in under two to three years. Based on our experience and proprietary research, we have strong convictions in our investment decisions and therefore tend to tolerate and attempt to embrace market volatility as an opportunity to establish value positions that enhance long-term returns. We tend, therefore, to buy and hold securities for a relatively longer period of time, regardless of short term factors such as fluctuations in the market or volatility of the share price.

Private Investments. We will, on occasion, allocate a portion of our assets to private investments, in either equity or senior instruments. These types of investments are relatively illiquid.

Fixed Income. We will, to a lesser degree, also purchase fixed income securities including convertible and non-convertible

corporate debentures or bonds, and preferred securities, which we deem to be undervalued.

Options. The Adviser engages in various option trading investment strategies. Options are investments whose ultimate value is determined from the value of the underlying investment. We generally buy or sell calls and/or puts to either enhance, or hedge, an existing equity position.

Short Selling. We also engage in short selling strategies. In a short transaction, the Adviser sells a security it does not own in anticipation that the market price of that security will decline. When selling short, our focus is on fundamentally over-priced securities, on companies with deteriorating balance sheets and liquidity positions, and companies in over-competitive industries. We, in addition, sell securities short as a form of hedging to offset potential declines in long positions in similar securities.

Arbitrage. Finally, we allocate a significant portion of our capital to non-market correlated securities, in the areas of special situation merger arbitrage, capital structure arbitrage, and work-outs, which include liquidations and stub opportunities. Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar securities or financial instruments, on different markets or in other forms. Liquidations involve investing in securities of companies that voluntarily decide to sell all, or most, of their assets, returning net proceeds to shareholders before eventual dissolution. Stub securities are formed as the incidental or irregular portion of a corporate restructuring or of the proceeds of a merger arbitrage transaction, and can take the form of contingent value rights or earn-outs, or litigation related rights. SM Merger/Arbitrage, L.P. and SM Merger/Arbitrage Offshore, Ltd. invest exclusively in these areas.

Leverage. The Adviser's investment program can, at times, utilize a significant amount of leverage, which involves the borrowing of funds from brokerage firms, banks, or other institutions in order to be able to increase the amount of capital available for marketable securities investments.

The above strategies involve risk of loss and clients must be prepared to bear the loss of their entire investment.

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

Issuer-Specific Changes. Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic, regulatory or political conditions can negatively impact the business prospects of, or increase the risk of default by, an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

Lack of Diversification. Client accounts will not be diversified among a wide range of types of securities, countries or industry sectors. In addition, the Adviser has no limits on the percentage of total capital represented by a single position, issuer, industry sector, or category of security and client portfolios may be concentrated. Accordingly, client portfolios are subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments. Because a portfolio may be heavily weighted in certain securities and/or industry groups, it may be subject to greater volatility than if the sector weightings were divided in line with those of the overall stock market.

Arbitrage Transaction Risks. If the requisite elements of an arbitrage strategy are not properly analyzed or unexpected events or price movements intervene, losses can occur which can be magnified to the extent the Adviser is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable "spreads", which can also be identified, reduced or eliminated by other market participants.

Short Selling Risk. The Adviser's investment program includes a meaningful amount of short selling. Short selling transactions expose the client accounts to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Adviser might be compelled, at

the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Hedging. There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser's investment portfolios than if the Adviser did not engage in any such hedging transactions.

Interest Rate Risks. Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.

Illiquidity. Investments in private transactions generally, have limited liquidity that would limit the ability of the Adviser to sell the underlying securities in the event of adverse developments affecting the issuer, or on short notice, if at all.

Leverage. While the use of borrowed funds can substantially improve the return on invested capital, their use may also increase the adverse impact to which the investment portfolio of the client account may be subject. Performance may be more volatile if a client's account employs leverage.

C. Risks Associated with Particular Types of Securities

The following listed risks may be associated with our purchase of certain securities:

Equity Securities. The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or

the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

Fixed-Income and Debt Securities. Investment in fixed-income and debt securities such as bonds, notes and convertible securities, subject a client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Investments in unrated or low-grade debt securities will subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy. Investments in unrated or low grade debt securities, therefore, are subject to greater risk of loss of principal and interest than higher-rated debt securities and are generally more likely to become worthless than the securities of more financially stable companies.

Risk Arbitrage and Workout Securities. A merger, other restructuring, tender, or exchange offer proposed at the time the Adviser invests in risk arbitrage securities may not be completed on the terms or within the time frame contemplated, resulting in losses. If an anticipated transaction does not in fact occur, the client account may be required to sell its investment at a loss. In addition, we invest in business enterprises involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerably more time than anticipated, or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the client account of the security or other financial instrument in respect of which such distribution is received. Because there

is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the client account may invest, there is a potential risk of loss by the client account of its entire investment in such companies.

Illiquid Instruments. Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Adviser's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Adviser to obtain market quotations based on actual trades for the purpose of valuing the client's portfolio.

Non-U.S. Securities. We may invest in securities of companies domiciled or operating in one or more foreign countries, including in emerging markets. Investing in these securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States, including instability of some foreign governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of foreign taxes laws, including the imposition of withholding taxes on dividend or interest payments, or confiscatory taxation, may also affect investments in non-U.S. securities, or the foreign operations of domestically domiciled companies. Higher expenses may result from investment in foreign securities than would from investment in domestic securities due to the costs that must be incurred in connection with conversions between various currencies, and foreign brokerage commissions may be higher than in the United States. Trading, settlement, custodial and other operational risks may be higher than in the United States and foreign securities markets may possess less stringent investor protection and disclosure standards, and less governmental oversight. Investments in foreign countries could be affected by other factors not present in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

In addition, the risks of foreign investments typically are greater in less developed countries, sometimes referred to as

emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments.

Currency Risks. Investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to the U.S. Dollar or to one or more other currencies. Among the factors that may affect currency values are fiscal and monetary policy, trade balances, the relative level of interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

Options and Derivatives. Purchasing put and call options, as well as writing such options, and establishing other derivative positions, while often utilized to hedge investments, are highly specialized activities and entail greater than ordinary investment risks. Options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in options and derivative instruments entail a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the option or derivative contract. Options and derivative securities can also be highly volatile. The prices of options or derivative instruments and the investments underlying them may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the client or the Adviser. Further, transactions in options or other derivative instruments may not be undertaken on recognized exchanges, and will expose the client's account to greater risks than regulated exchange

transactions that provide greater liquidity and more accurate valuation of securities. In connection with the use of options or other derivative contracts, there may be an imperfect correlation between the change in market value of a security and the prices of the options or derivative contract in the client account. In addition, the Adviser's investments in options or derivative contracts may encounter a lack of a liquid secondary market and the resulting inability to close an option or other derivative position prior to its expiration or maturity date.

Cybersecurity Risk - The Investment Funds, the Adviser, the General Partner, and third-party service providers are all subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that can result in damage or interruption from computer viruses, network failures, computer and telecommunications failures, infiltration by unauthorized persons, and security breaches and usage errors by their respective professionals. A cybersecurity breach could expose the Investment Funds, the Adviser, and the General Partner to substantial costs (including, without limitation, those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity services, identity theft, unauthorized access to and use of proprietary information, litigation, the dissemination of confidential and proprietary information, and reputational damage), civil liability, and regulatory inquiry and/or action. While the Adviser has established a business continuity plan and cybersecurity policy including risk management strategies, systems, and policies and procedures to seek to prevent cybersecurity breaches, there are inherent limitations in such plans, strategies, systems, and policies and procedures including the possibility that certain risks have not been identified. In addition, since the Adviser does not directly control the cybersecurity systems of third-party service providers, there can be no assurance that the cybersecurity practices of these providers will protect the Investment Funds, the Adviser, or the General Partner from any potential breaches.

For a complete list of risk factors specific to the Investment Funds, please refer to the applicable Investment Fund's offering documentation.

Item 9 Disciplinary Information

This item is not applicable.

Item 10 Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration Status: Not applicable.

B. Futures Commission, Commodity Pool Status: Not applicable.

C. Material Relationships or Arrangements with Industry Participants:

Each of the Investment Funds has and may in the future enter into agreements, or "side letters," with certain prospective or existing limited partners or shareholders whereby such limited partners or shareholders may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the Investment Fund. For example, such terms and conditions may provide for special rights to make future investments in the Investment Fund or other investment vehicles; special redemption rights, relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the limited partner or shareholder and/or other terms; rights to receive reports from the partnership on a more frequent basis or that include information not provided to other limited partners or shareholders (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Investment Fund and such limited partners or shareholders. The modifications are solely at the discretion of the Investment Fund and may, among other things, be based on the size of the limited partner's or shareholder's investment in the Investment Fund, an agreement by a limited partner or shareholder to maintain such investment in the partnership or fund for a significant period of time, or other similar commitment by a limited partner or shareholder to the Investment Fund.

D. Material Conflicts of Interest Relating to Other Investment Advisers: Not applicable.

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

A. Code of Ethics. The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser and its related persons to put the interests of the Adviser's clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All of the Adviser's personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Salvatore Muoio, Chief Compliance Officer, by email at smuoio@sminvestors.com, or by telephone at (212) 297-2555. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management and other activities (i.e., board or equity or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that the Adviser possesses such information), or not using such information for the client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

The Managing Member or employees of the Adviser may serve as a director (or similar position) on the board of companies. The Adviser's client accounts may invest in the securities of such companies.

B. Client Transactions in Securities in which the Adviser has a Material Financial Interest. This item is not applicable.

C. Investing in Securities owned by Clients. The Adviser or its employees are permitted to invest or transact in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser invests in for clients. Such practices present a conflict where, because of the information an Adviser has, the Adviser or its employees are in a position to trade in a manner that could adversely affect clients (i.e., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting the Adviser's or its employees' objectivity, these practices by the Adviser employees may also harm clients by adversely affecting the price at which the clients' trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: The Adviser requires its employees to preclear all transactions in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. The Adviser's Code also prohibits the Adviser or its employees from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. In addition, all of the Adviser's employees are required to provide brokerage confirmations of each transaction in which they engage and monthly brokerage statements that list such transactions and current holdings.

To the extent that the Adviser or a related person or any of their employees' own securities that the Adviser or its related person also has purchased for clients, such clients' proxies will be voted according to predetermined guidelines rather than subject to the Adviser's (or its related person's) discretion. Please refer to Item 17 for further information regarding the Adviser's proxy voting policy and procedures.

D. Conflicts of Interest Created by Contemporaneous Trading.

The Adviser, or a related person, from time to time buys or sells securities for client accounts at, or about, the same time that the Adviser or related person buys or sells the same securities for its own account, in accordance with the procedures described above in order to minimize the conflicts stemming from situations where the contemporaneous trading results in an economic benefit for the Adviser or its related person to the detriment of the client.

Item 12 Brokerage Practices

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

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealers compensation. Such factors include net price, financial strength, stability and reputation, efficiency of execution and error resolution and offering to the Adviser on-line access to computerized data regarding client accounts. In selecting a broker-dealer to execute transactions (or a series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus the Investment Funds and Managed Account may be deemed to be paying for research, brokerage, or other services provided by a broker-dealer which are included in the commission rate.

1. Research and Other Soft Dollar Benefits. The Adviser receives research or other products or services other than execution from broker-dealers in connection with client securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit

orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

When the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser's Chief Compliance Officer and portfolio manager meets periodically to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for clients.

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of other client accounts. The Adviser does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

During the Adviser's last fiscal year, as a result of client brokerage commissions (or markups or markdowns), the Adviser acquired research services which include research reports and updates, attendance at certain seminars and conferences, meetings with corporate executives, data services (including services providing market data, company financial data and

economic data) and advice from broker-dealers on order execution. During the Adviser's last fiscal year, as a result of client brokerage commissions (or markups or markdowns), the Adviser also acquired custodial, as well as brokerage services which include services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

In determining whether to direct client brokerage transactions to particular broker-dealers, the Adviser's Chief Compliance Officer and portfolio manager meets periodically to review and evaluate the soft dollar practices of the Adviser and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer.

2. Brokerage for Client Referrals. Not applicable.

3. Directed Brokerage. Not applicable.

B. Order Aggregation.

The Adviser often purchases or sells the same security for more than one of its Investment Fund or Managed Account clients at or near the same time and using the same executing broker. It is the Adviser's practice, where possible, to aggregate client orders for the purchase or sale of the same security submitted at or near the same time for execution using the same executing broker. The Adviser will also aggregate in the same transaction, the same securities for accounts where the Adviser has brokerage discretion. Such aggregation may enable the Adviser to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. In cases where trading or investment restrictions are placed on a client's account, the Adviser may be precluded from aggregating that client's transaction with others. In such a case, the client may pay a higher commission rate and/or

receive less favorable prices than clients who are able to participate in an aggregated order. When an aggregated order is completely filled, the Adviser allocates the securities purchased or proceeds of sale pro rata among the participating accounts, based on the relative capital, investment strategy and available cash of each participating account. Adjustments or changes may be made under certain circumstances, such as to rebalance or match position weightings between and among accounts, including to prepare for capital additions or redemptions to one or more pooled investment vehicles, or to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating clients.

The Adviser or its related persons may also participate in an aggregated order.

Item 13 Review of Accounts

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

Each of the Investment Funds and the Managed Account are continually reviewed by Salvatore Muoio, the portfolio manager of each client account and the Managing Member of the Adviser, to determine whether securities positions should be maintained or adjusted in view of current market conditions. Matters reviewed include the fundamentals and valuation of specific securities held, adherence to investment objectives and the performance of each client account.

B. Factors Prompting Review of Client Accounts Other than a Periodic Review - Not applicable

C. Content and Frequency of Account Reports to Clients

A client's investors receive reports from the client pursuant to the terms of each client's offering memoranda or as otherwise described in the offering document of the client. Each client that is a separate account will receive the reporting set forth in the management agreement entered into with that client.

Tax estimate reports for each individual investor are sent in November of each year and annually, investors are sent audited financial statements of their respective Investment Fund.

Item 14 Client Referrals and Other Compensation

A. Economic Benefits for Providing Services to Clients

The Adviser receives certain research or other products or services from broker-dealers through "soft-dollar" arrangements. These "soft-dollar" arrangements create an incentive for the Adviser to select broker-dealers based on the Adviser's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its clients. Please see Item 12 for further information on the Adviser's "soft-dollar" practices.

B. Compensation to Non-Supervised Persons for Client Referrals

The Adviser makes cash payments to third-party solicitors for client referrals, provided that, to the extent required, each such solicitor has entered into a written agreement with the Adviser pursuant to which the solicitor will provide each prospective client with a copy of the Adviser's Form ADV Part 2, and a disclosure document setting forth the terms of the solicitation arrangement, including the nature of the relationship between the solicitor and Adviser and any fees to be paid to the solicitor. Where applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act and related SEC staff interpretations, to the extent applicable.

Item 15 Custody

Due to our access to client funds and authority to deduct fees and other expenses from a client's account, we are deemed under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, to have custody of our clients' funds. In this section, "client" includes both our client funds and the investors in those funds.

We utilize the services of a bank or other qualified custodian defined under Rule 206(4)-2 to hold all assets of any of our clients. We also ensure that the qualified custodian maintains client funds in accounts that contain only clients' funds and securities, under our name as agent or trustee for the clients. In addition, we maintain a separate record for each account that shows the dates and amount of all deposits and withdrawals and a list of each client's beneficial interest in the account.

While Rule 206(4)-2 generally requires an investment adviser to ensure that a qualified custodian sends account statements to all its clients whose funds it holds at least quarterly, we are not subject to that requirement because all client funds managed by us are subject to audit at least annually by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. In connection with that exemption, we must distribute audited financial statements to all limited partners, members or other beneficial owners of our client funds within 120 days of the end of the fiscal year of the fund.

In the event of a Fund closure, we will ensure that the Fund undergoes a final liquidation audit and such audit is distributed to all limited partners holding a position in the Fund as of its closing date.

Item 16 Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to clients. Please see Item 4 for a description of any limitations clients may place on the Adviser's discretionary authority.

Prior to assuming full discretion in managing a client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. The Adviser may consider the following factors, among others, in allocating securities among clients: (i) client investment objectives and strategies; (ii) client risk profiles; (iii) tax status and restrictions placed on a client's portfolio by the client or by applicable law; (iv) size of the client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is the Adviser's policy to allocate investment opportunities to eligible client accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser to allocate securities to client accounts in varying amounts. Even client accounts that are typically managed on a pari passu basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

Allocations will be made among client accounts eligible to participate in initial public offerings (IPOs) and secondary offerings on a pro rata basis, except when the Adviser determines in its discretion that a pro rata allocation is not appropriate, which may include a client's investment guidelines

explicitly prohibiting participation in IPOs or secondary offerings and a client's status as a "restricted person" under applicable regulations.

Securities acquired by the Adviser for its clients through a limited offering will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that the Adviser will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those client accounts eligible to hold such securities. Eligibility will be based on the legal status of the clients and the client's investment objectives and strategies.

The Adviser may effect cross transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable the Adviser to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. The Adviser may have a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. In addition, cross transactions are not permitted for benefit plan or other similar accounts that are subject to ERISA.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that clients are treated fairly and, following error correction, are in the same position they would have been if the error had not occurred. The Adviser has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that a client account incurs a trade error as a result of the Adviser's gross negligence, willful misconduct, or fraud, trade errors will be corrected by the Adviser as soon as practicable, in a manner such that the client incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the client account.

Item 17 Voting Client Securities

A. Policies and Procedures Relating to Voting Client Securities

The Adviser has the right to exercise any and all voting rights pertaining to the securities held by any of the Investment Funds and Managed Accounts that it manages. In voting proxies, the Adviser generally votes in favor of routine corporate housekeeping proposals, including the election of directors (where no corporate governance issues are implicated) and the selection of auditors. The Adviser will vote against proposals that make it more difficult to replace members of a board of directors. For all other proposals, the Adviser will determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others:

(i) whether the proposal was recommended by management and the Adviser's opinion of management, (ii) whether the proposal acts to entrench existing management, (i.e., instituting or removing a poison pill, classified board of directors and/or other anti-takeover measure) and (iii) whether the proposal fairly compensates management for past and future performance. It is the policy of the Adviser to vote all proxies in the best interests of each Fund and Managed Account client, which may result in different voting results for proxies for the same issuer. In addition, the Adviser may determine to abstain from voting a proxy if he believes that such action is in the best interests of a particular Fund or client.

If the Adviser deems that the issue being voted upon is not material to its clients, the Adviser will not be obligated to vote on such matter.

The Adviser's clients are not permitted to direct their votes in a particular solicitation.

If a material conflict of interest regarding proxy voting between the Adviser and a client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in its proxy voting policies and procedures is in the best interest of the client or take some other appropriate action.

The Firm will maintain files relating to its proxy voting procedures. Records will be maintained and preserved in an easily accessible place at the Adviser's main office for 5 years from the end of the fiscal year during which the last

entry was made on a record. Records of the following will be included in the files.

Clients may obtain a copy of the Adviser's proxy voting guidelines and information about how the Adviser voted a client's proxy by contacting Salvatore Muoio , the Adviser's Chief Compliance Officer, by e-mail at smuoio@sminvestors.com , or by telephone at (212) 297-2555.

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

The Adviser has full authority to vote all proxies.

Item 18 Financial Information

This item is not applicable.

Item 19 Requirements for State-Registered Advisers

This item is not applicable.