

LG CAPITAL MANAGEMENT, LP
Part 2A of Form ADV: Firm Brochure

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This brochure provides information about the qualifications and business practices of LG Capital Management, LP (“LG”). If you have any questions about the contents of this brochure, please contact us at 410-696-7580 or glessing@lgcapitalmgmt.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or any other state securities authority.

Additional Information about LG Capital Management, LP is also available on the SEC’s website at www.adviserinfo.sec.gov.

MATERIAL CHANGES

This is the initial filing of the brochure associated with LG's registration with the SEC in March of 2014. Changes have been made to reflect LG's transition from registration with the State of Maryland to registration with the SEC and to update the assets under management.

LG also notes that effective January 1, 2014, the offering of interests associated with the LG Capital Fund, LP will rely on an exclusion from the definition of investment company under Section 3(c)(7) of the Investment Company Act. Previously, interests associated with LG Capital Fund, LP were offered under the exemption from registration afforded under Section 3(c)(1) of the Investment Company Act.

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ADVISORY BUSINESS

LG Capital Management, LP, a Delaware limited partnership (“LG Capital” or “LG”), began operations as an investment adviser in July 2011. LG Capital launched LG Capital Fund, LP (“LGCF”), a registered investment partnership, in August 2011. Effective January 1, 2014, LGCF was restructured as a feeder fund in a master-feeder structure. LG Capital Offshore Fund, Ltd., a recently-formed Cayman Islands exempted company (“LGOF”), for which LG Capital also serves as investment manager, is also a feeder fund in the master-feeder structure. LGCF and LGOF (together, the “Feeder Funds”) invest substantially all of their assets in LG Capital Master Fund, Ltd., a recently-formed Cayman Islands exempted company (the “Master Fund” or “Fund”, or collectively with LGCF and LGOF, the “Funds”), for which LG Capital also serves as investment manager. In addition, LG currently manages a separate account client alongside the Master Fund and generally implements the investment strategy identified below for both the Master Fund and the separate managed account client. Management of additional separate account clients remains subject to the discretion of LG.

Michael Levitt and Andrew Grossman either directly, or indirectly through the general partner of LG Capital, LG Capital Management, LLC, a Delaware limited liability company, own 100% of LG.

On behalf of the Master Fund, LG trades a variety of securities, derivatives and other instruments, including stocks, convertible securities, bonds, structured instruments and over-the-counter derivatives. LG will take both long and short positions in these instruments. Although Fund investments generally focus on a long/short event-driven strategy, there are no material limitations on the instruments that LG may trade on behalf of the Fund.

LG has full discretion in trading on behalf of the Funds. It does not require, and does not seek, approval from the Funds or the investors in the Funds with respect to the Funds’ trading.

Separate managed account clients may place reasonable restrictions on the types of investments that LG may recommend.

As of January 1, 2014, LG manages \$292 million of client assets on a discretionary basis.

FEES AND COMPENSATION

LG receives asset-based management fees from the Master Fund and the separate managed account. LG also receives performance based incentive fees from the separate managed account and performance based allocations from the Master Fund. LG’s fee schedule is omitted because this brochure is being delivered only to qualified purchasers as defined in the Investment Company Act of 1940. With respect to the Master Fund, LG Capital receives management fees calculated and paid monthly as of the beginning of each month. Net asset value for such purposes will not be reduced by any accrued incentive allocations or by the

management fee being calculated but will be reduced by all other Funds expenses. In each of the Feeder Funds, a Founder's Class was previously offered to investors making net capital contributions (capital contributions minus withdrawals) aggregating \$5 million. Founder's Class interests are subject to a reduced management fee.

Fees for any separate managed account clients will be negotiated on a case-by-case basis at the discretion of LG. LG currently assesses a negotiated, discounted quarterly management and performance fee for the separate account currently managed by LG compared to the quarterly management and performance fees assessed to the Master Fund.

For additional information on performance-based compensation, see "Performance Fees and Side-by-Side Management" below.

Method of Payment of Fees. All fees or allocations related to the Funds received by LG are deducted directly from the Funds.

LG does not have custody of assets maintained by separate account clients. Separate client accounts will receive an invoice quarterly in arrears for any management fees as well as an annual invoice documenting any applicable performance fees.

Organization and Offering Expenses.

The expenses of the organization and the initial offering of the Funds were paid by LG Capital. The Funds have not and will not reimburse LG for such expenses, but the Funds are responsible for any ongoing offering expenses, including expenses related to updating each Fund's confidential private placement memorandum from time to time.

Fund Operating Expenses, Including Brokerage and Other Transaction Costs.

In addition to compensation payable to LG, the Funds pay all expenses incurred in connection with each Fund's trading, operations and administration. The Fund's trading, operations and administrative costs and expenses include, without limitation:

- (i) investment and trading expenses (including, without limitation, all commissions, clearing fees, all other costs of executing transactions, interest charges, financing charges, trade-reporting costs and expenses and applicable withholding and other taxes) related to the purchase, sale, transmittal or custody of Fund assets and related items;
- (ii) audit and tax preparation fees and expenses and the costs of preparing, printing and distributing annual and periodic reports and other investor communications;
- (iii) any taxes and duties payable in any jurisdiction in connection with each Fund's operations and any entity-level taxes;
- (iv) insurance for LG, its related parties and relevant third-parties for actions taken by such parties on behalf of the Funds and for which the Funds has indemnified such parties (including for liabilities arising in connection with the operation of the Funds);
- (v) administrative costs (including the fees and out-of-pocket expenses of third-party administrators), as well as the costs of paying agency, transfer agency and accounting verification services (if any);
- (vi) all litigation expenses;
- (vii) the fees and out-of-pocket expenses of any service providers incurred in performing services for the Funds;
- (viii) any other expenses related to accounting, research, data and exchange feeds, due diligence or reporting;
- (ix) costs and expenses relating to regulatory and self-regulatory registrations and memberships, compliance, including, without limitation, costs of compliance programs, examinations, regulatory inquiries and regulatory filings (such as Form PF);
- (x) any indemnification payments; and
- (xi) Board of Directors' fees.

In some cases LG Capital will pay expenses on behalf of the Funds, and in these cases the Fund, except as otherwise noted, will reimburse LG for these payments.

The Fund and separate account clients are charged brokerage commissions, bid-ask spreads and other transaction costs and expenses in connection with its trading and investment activities, and custodian fees for assets held in cash or securities at various banks, broker-dealers and other financial institutions. For a discussion of the brokerage

arrangements that LG Capital enters into on behalf of the Funds and other charges applicable to separate account clients, see “Brokerage Practices” below.

Negotiation of Fees; Waivers. Compensation payable to LG Capital is generally not negotiable, but under certain circumstances, LG Capital may, in its discretion, waive all or a portion of its management fees, performance-based compensation and/or expenses for a particular investor.

Pre-Payment of Fees. Monthly management fees are paid by the Funds in advance. Investors who withdraw from the Funds will not need to seek refunds of management fees because the permitted date for a withdrawal from the Funds will always be a month-end, at which time the management fee will have been earned.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Master Fund makes a “High Water Mark” incentive allocation to LG Capital of any “New Appreciation” in the net asset value of each investor’s capital account over the “High Water Mark” attributable to such capital account, calculated on an annual basis as of each December 31 and upon withdrawals from the Funds by investors. In each of LGCF and LGOF, a Founder’s Class was previously offered to investors making net capital contributions (capital contributions minus withdrawals) aggregating \$5 million. Founder’s Class interests are subject to a reduced incentive allocation.

“New Appreciation” equals the amount by which the net asset value of a capital account (after payment of the management fee and all other fund expenses but prior to reduction for any accrued incentive allocation) exceeds the “High Water Mark” — *i.e.*, the highest net asset value of such capital account (after reduction for the incentive allocation then made) as of any previous December 31 (or the aggregate capital contributions attributable to such capital account, if greater).

Net asset value, for purposes of calculating the incentive allocation, includes realized as well as unrealized gain and loss.

In addition, performance fees are assessed to separate account clients in accordance with their investment management agreement with LG Capital.

The incentive allocation, once made, is not subject to refund. LG Capital being eligible to receive the incentive allocation creates a conflict between LG Capital’s interest earning a profit in the short term with the long-term interests of the Funds, its investors and LG Capital’s separate account client. Specifically, LG Capital may have an incentive to invest assets in investments that are riskier or more speculative than would be the case if LG Capital were only compensated based on a flat percentage of capital, because these investments may allow LG Capital to collect larger incentive allocation.

LG does not currently manage any accounts that have a different fee structure, such as accounts that pay only an asset-based fee. However, LG reserves the right to waive the

assessment of performance and management fees for employees of LG and their families with respect to interests in the Funds.

TYPES OF CLIENTS

LG provides discretionary investment advice to the Funds and currently one separate account client. The investors in the Funds and the separate account clients are limited to high net worth individuals. The Funds limit its investors to persons who are “qualified purchasers” as defined in the Securities Act of 1933, as amended. The Funds require a minimum initial investment of \$1 million, although this minimum can be reduced in LG’s sole discretion so long as permitted by law.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Summary of Strategies Employed by LG

The Fund’s objective is to generate superior, risk-adjusted rates of return with lower than average correlation to the broad market indices by investing in a diversified portfolio of securities which have been impacted by, or which LG believes are likely to undergo, a “corporate event.” The Fund also invests in securities that it believes are trading at a discount to their fair value. The Fund shorts those securities which LG believes are trading at a premium to their fair value. The Fund’s strategy is inherently flexible and opportunistic. LG defines investable corporate events broadly to include, without limitation, those events that change or could potentially change (positively or negatively) a company’s ownership, structure, management, competitive environment, regulatory environment, legal environment or political environment.. There, however, are no material limitations on the instruments, markets or countries in which the Fund may invest, in the course of LG pursuing its core event-driven strategy.

The Fund’s investment strategy is primarily event-driven; it attempts to invest in situations where actions taken (or expected to be taken) by or against an issuer may cause inefficiencies to develop in an issuer’s securities. The strategies pursued by the Fund include “risk” or merger arbitrage, whereby it invests in situations involving mergers, tender offers, exchange offers and other transactions in which one company is attempting to acquire another. The Fund also invests in situations in which a company is undertaking a reorganization, liquidation, spin-off or any transaction that may have an impact on the company’s valuation. Finally, the Fund also invests in securities that it believes are trading at a discount to their fair value. The Fund may, from time to time, attempt to capture this discount while simultaneously trying to hedge out unwanted risk. The Fund shorts those securities it believes are trading at a premium to their fair value.

The common characteristic of all these types of situations in which the Fund invests is that because of the “event” taking place with respect to the issuers involved, there is potential for inefficient markets or changes in the underlying value of one or more of the parts of an issuer’s capital structure. Any of these situations can cause short- and/or long-term inefficiencies to develop in an issuer’s capital structure. Through its research and

qualitative risk management techniques, the Fund seeks to achieve superior risk-adjusted performance.

The Fund's strategy is not true arbitrage. The "arbitrage" aspects of the strategy involve assessment of the likelihood that an "event" will, in fact, be consummated and the likelihood of how large an exposure to acquire, when to do so as well as how and when to hedge such exposure.

Each of the different "event" transactions in which the Fund may invest — exchange offers, mergers, tender offers, corporate restructurings and liquidations (among others) — has its distinguishing characteristics, but in each case the objective of the Fund is the same: to balance the need to move quickly in order to acquire a position which would generate a substantial profit if the transaction is consummated against the risk of non-consummation and the expected time (and related financing costs) until the transaction either occurs or is terminated. In assessing the risk of non-consummation, the Fund relies on publicly available information, combined with the market judgment and experience of the principals. Analysis of the likelihood of an event-driven investment being successfully completed is highly judgmental. However, certain of the hedging techniques that are used may protect the Fund against the risk of non-consummation.

"Event" transactions are characterized by an asymmetry of returns in that the rates of return achieved on successful transactions are generally well below the losses incurred on unsuccessful transactions. Consequently, a principal aspect of LG's strategy is risk control, and attempting to avoid the major losses which could have a long-term effect on performance. Investors in the Fund must expect that non-consummation may lead to losses.

Within the context of LG's core event-driven strategy, LG has flexibility in managing the Fund's investment activities. While LG primarily employs event-driven strategies, there are no material restrictions on the strategies, instruments, leverage or markets which may be incorporated into the Fund's portfolio or the percentage of the Fund's assets that may be committed to any particular strategy, market or instrument.

Risk Management

The emphasis in the LG's investing is to generate superior, risk-adjusted rates of return with lower than average correlation to the broad market indices. The Fund's overall portfolio is reviewed on an ongoing basis in an effort to maximize the Fund's returns relative to risk.

LG may not hedge all market or other risks to which the Fund's portfolio is subject, and is not compelled to follow any formal diversification policy. The length of time for which a position is maintained varies significantly and may range from seconds to years, based upon a variety of factors including the nature of the underlying investment strategy, market conditions, and LG's subjective judgment of the appropriate point at which to liquidate a position.

There is no assurance that even robust risk management will mitigate or prevent the Fund's portfolio from experiencing significant losses. By investing in the Fund, investors must be prepared to bear these losses. By investing in the Fund, subscribers are relying on the discretionary, market judgment of LG, trading in a wide range of strategies and markets, as well as in investing in positions with a wide range of different durations, without being subject to diversification, leverage or any other form of mandatory trading policies.

Leverage

The Fund may borrow funds from brokers, banks and other lenders to finance its investment operations. The Fund may also obtain leverage through trading securities on margin, futures, swaps and other derivatives, bank borrowings and other means.

Through the use of leverage, LG may acquire positions with market exposure significantly greater than the amount of capital committed to the transaction. Leverage magnifies both the gains and the losses from LG's trading positions. There is no internal limitation on the amount of leverage that may be utilized by the Fund, but LG expects leverage will not exceed two times the Fund's Net Asset Value.

The Fund's ability to maintain its leveraged positions is dependent upon having sufficient assets to meet margin calls and the liquidity demands of investors, as well as on the continued availability of dealer credit. Dealers have significant discretion over the amount of credit which they extend and they can tighten their credit requirements with varying degrees of notice — which they regularly do during periods of market disruption.

Material Risks of LG's Strategies

Investing in securities involves a risk of loss that investors in the Funds should be prepared to bear. The following is a summary of some of the material risks associated with the strategies expected to account for a significant portion of the Funds' trading. This summary does not attempt to describe all of the risks associated with an investment in the Funds, or even all risks associated with the Funds' strategy. Although no summary can fully describe all of the risks associated with an investment in the Funds, the confidential private placement memorandum for the Funds contains a more complete description of the risks associated with an investment in the Funds.

Event-Driven Strategy Risks. If and when LG determines that it is probable that a proposed transaction will be consummated, the Funds will purchase securities at prices often only slightly below the anticipated value to be paid or exchanged for the securities in the proposed merger, exchange offer, cash tender offer or other similar transaction. The purchase price to the Funds may be substantially above the prices at which such securities traded immediately prior to the announcement of such merger, exchange offer, cash tender offer or other similar transaction. If the proposed merger, exchange offer, cash tender offer or other similar transaction appears likely not to be consummated or in fact is not

consummated or is delayed, or if the value of a transaction is reduced, the market price of the security to be tendered or exchanged may, and likely will, decline sharply by an amount greater than the difference between the Funds' purchase price and the anticipated consideration to be paid. In addition, where a security to be issued in a merger or exchange offer has been sold short in the expectation that the short position will be covered by delivery of such security when issued, failure of the merger or exchange offer to be consummated may force the Funds to cover its short sale, with a resulting, and perhaps significant, loss.

In addition, if LG determines that the offer price for a security which is the subject of a tender offer is likely to be increased, either by the original bidder or by another party, the Funds may purchase securities above the offer price, thereby exposing the Funds to an even greater degree of risk of loss.

Where LG determines that it is probable that a transaction will not be consummated, the Funds may sell the securities of the target company short, at times significantly below the announced tender or offering prices for the securities in the transaction. If the transaction, or another transaction, such as a "defensive" merger or a "friendly" tender offer, is consummated at the announced price or a higher price, the Funds may be forced to cover the short position in the market at a higher price than the short sale price, with a resulting, and perhaps significant, loss.

The consummation of mergers, exchange offers, cash tender offers or other similar transactions can be prevented or delayed by a variety of factors. An exchange offer or a cash tender offer by one company for the securities of another will often be opposed by the management or shareholders of the target company on the grounds that the consideration offered is inadequate or for a variety of other reasons, and this opposition may result in litigation which may significantly delay or prevent consummation of the transaction by alleging, among other things, that the offering material supplied by the offeror contains inadequate, false or misleading disclosures, that the offeror has, by its activities in connection with the offer, violated federal and/or state securities or takeover laws, or that the proposed acquisition would violate federal antitrust laws, margin regulations or other statutes or regulations. Even if the business terms and other relevant matters necessary to consummate the transaction have been agreed upon by the management of the companies involved, the consummation of such transaction may be prevented by: the intervention of a government regulatory agency which might have regulatory power over the companies or the transaction, such as, in the case of a U.S. issuer, the SEC, the Antitrust Division of the U.S. Department of Justice or the U.S. Federal Trade Commission; litigation brought by a shareholder or, in the case of a merger, the failure to receive the necessary shareholder approvals, market conditions resulting in material changes in securities prices; and other circumstances, including, but not limited to, the failure to meet certain conditions customarily specified in acquisition agreements. Even if the defensive activities of a target company or the actions of regulatory authorities fail to defeat a transaction, such activities may cause significant delays, during which the Funds' capital will be committed to the transaction and interest charges on any funds borrowed to finance the Funds' activities in connection with the transaction may be incurred.

Transactions may also be contingent on certain contractual conditions precedent such as available financing for an acquirer or the absence of any material adverse changes between the date the transaction is agreed to and the closing date of the transaction. The future of any such conditions precedent could result in non-consummation or delay in the closing of such transactions resulting in potentially significant losses to the Funds.

Offerors in tender or exchange offers customarily reserve the right to cancel such offers in the above and a variety of other circumstances, including an insufficient response from shareholders of the target company.

The consummation of a transaction may be delayed for various other reasons, including compliance with the Hart-Scott-Rodino Antitrust Improvements Act of 1976, which requires certain waiting periods before the transaction may be completed, waiting periods required under state takeover laws, and, with respect to mergers, exchange offers and recapitalization plans in which securities are to be offered, the need to register the offered securities under the Securities Act.

An exchange offer or a cash tender offer may be made for less than all of the outstanding securities of an issuer, with the provision that, if a greater number is tendered, securities will be accepted on a *pro rata* basis. Thus, after the completion of the offer, and at a time when the market price of the securities has declined below its cost, the Funds may have returned to it, and be forced to sell at a loss, a portion of the securities it tendered.

The risk/reward profile of the Funds' event-driven strategy is "asymmetric" in that LG anticipates incurring substantially greater losses on failed transactions than the gains it anticipates recognizing on consummated transactions. The success of the Funds' event-driven strategy depends on LG's ability to identify and cause the Funds to participate in a sufficient number of consummated transactions (even assuming that they are available in the market) to offset the losses incurred on the transactions which are not completed.

Arbitrage Transaction Risks. Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. LG may employ any one or more of these arbitrage strategies. 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 Funds is employing leverage. Arbitrage trading is often highly leveraged due to the small absolute price differentials which it seeks to exploit. Consequently, arbitrage traders can be particularly vulnerable to a reduction in credit availability. Moreover, arbitrage strategies often depend upon identifying favorable "spreads," which can also be identified, reduced or eliminated by other market participants.

Long/Short Strategies. The use of certain "long/short" strategies in no respect should be taken to imply that the Funds' investments in such strategies are without risk. Substantial losses may be recognized on "hedge" or "arbitrage" positions, and illiquidity and default on one side of a position can effectively result in the position being transformed into an

outright speculation. Every long/short strategy involves exposure to some second-order risk of the market.

Unannounced Transactions. The Funds may make speculative purchases of securities. These may include securities which the Funds believes to be undervalued by the marketplace, securities in which a significant position has been acquired by one or more other persons, or securities of an issuer in the same or a related industry as other companies that have been the subject of an attempted acquisition. If the Funds purchase securities in anticipation of an acquisition attempt or reorganization which does not occur, the Funds may sell the securities at a substantial loss. In addition, when securities are purchased in anticipation of an acquisition attempt or reorganization, substantial time may elapse between the Funds' purchase of securities and the acquisition or reorganization. In such cases, a portion of the Funds' funds would be committed during this period to the securities purchased, and the Funds would incur an interest expense on the funds it borrowed to purchase the securities.

Special Situations. LG anticipates that the Funds will frequently invest in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security with a value less than the purchase price to the Funds of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Funds may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Funds may invest, there is a potential risk of loss by the Funds of its entire investment in such companies.

Risks Related to Investments in Entities Experiencing Financial Difficulty. LG may invest in securities or other instruments of entities experiencing financial or business difficulties. The Funds may lose a substantial portion or all of its investment in such entities or may, as a return on its investment in such entities, be required to accept cash or securities with a value less than the Funds' original investment. Among the risks inherent in investments in entities experiencing financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such entities. Such investments also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of the securities or other instruments of such entities may also be subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such securities or instruments may be greater than normally expected.

Equities. Equities in which the Funds may invest may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses.

Short Sales. The Funds may enter into transactions, known as “short sales,” in which it sells a security it does not own in anticipation of a decline in the market value of the security. Losses from short sales are potentially unlimited. In particular, a tender offer or similar transaction in respect of a company whose securities the Funds has sold short could cause the value of such securities to rise dramatically, resulting in substantial losses to the Funds. Brokers may also require the Funds to “cover” a short position at an inopportune time. Further, U.S. and non-U.S. regulatory authorities recently instituted several new rules and regulations with respect to short sales, including temporary bans and ongoing reporting requirements. It is unclear the long term impact of such reporting requirements on strategies that implement short sales, but if bans are reinstituted, such bans may make it impossible or uneconomic to implement the Funds’ investment strategy.

Non-U.S. Securities and Currencies. The Funds may invest in securities of non-U.S. issuers and securities denominated in non-U.S. currencies and related derivative contracts and/or currency contracts or other derivative contracts, such as futures contracts. Investing in non-U.S. securities, derivatives and/or currencies may present a greater degree of risk than investing in U.S. securities due to possible exchange rate fluctuations, possible exchange controls, less publicly available information, more volatile markets, less regulation, less favorable tax provisions (including possible withholding taxes), war, or expropriation. In particular, the U.S. dollar value of portfolio securities of non-U.S. issuers fluctuates with changes in market and economic conditions outside the United States and with changes in relative currency values.

Over-the-Counter Derivatives. The Funds may enter into swap and other over-the-counter derivative transactions. A swap transaction is an individually negotiated, non-standardized agreement between two parties to exchange cash flows (and sometimes principal amounts) measured by different rates or prices with payments generally calculated by reference to a principal (“notional”) amount or quantity. Swap contracts and other over-the-counter derivatives are not traded on exchanges; rather, banks and dealers act as principals in these markets. As a result, the Funds are subject to the risk of the inability or refusal to perform with respect to such contracts on the part of any counterparties with which the Funds trade. Over-the-counter derivatives may also expose the Funds to additional liquidity risks. The over-the-counter derivatives market is generally not regulated by any U.S. or non-U.S. governmental authority. Participants in these markets are not required to make continuous markets in the contracts they trade.

Leverage. The use of leverage also exposes the Funds to increased operational and market risks. Small hedging errors may be amplified by leverage into major duration imbalances that render a portfolio exposed to directional shifts in the yield curve and may lead to a total loss of the leveraged investment. Hedges may fail to track target investments due to uncorrelated changes in spreads between various instruments, resulting in large unexpected losses. In addition, from an operations standpoint, it is difficult to manage a leveraged portfolio of complex instruments not only because the positions must be monitored for asset performance, but also prices must be determined and valuation disputes with counterparties must be resolved to assure adequate maintenance of collateral for hedging or funding contracts. Failure to do so can lead to defaults on margin

maintenance requirements and can expose the Funds to the withdrawal of credit lines necessary to fund asset positions. Furthermore, if the Fund becomes required to reduce its leverage as a result of the unavailability of refinancing or other factors, it may be forced to dispose of assets or positions at prices or on terms that are unfavorable to the Fund.

Hedging Transactions. The Funds may utilize a variety of financial instruments, both for investment purposes and for hedging purposes. Hedging involves special risks including the possible default by the other party to the transaction, illiquidity, and, to the extent LG's assessment of certain market movements is incorrect, the risk that the use of hedging could result in losses greater than if hedging had not been used. Nonetheless, with respect to certain investment positions, the Funds may not be sufficiently hedged against market fluctuations, in which case an investment position could result in a loss greater than if the Funds had been sufficiently hedged with respect to such position. Moreover, it should be noted that the Funds' portfolio will always be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular securities and counterparties).

DISCIPLINARY INFORMATION

Not applicable.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Not applicable.

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

LG has adopted a Code of Ethics pursuant to the SEC's rule 204A-1. The Code of Ethics includes LG's policies as they relate to personal investment and trading by LG management and employees. The Code defines material and nonpublic information and the restrictions on trading on any material and nonpublic knowledge and sets forth the responsibilities of all supervised persons relative to insider trading. The Code includes policies and procedures on issues of security as they relate to sensitive and confidential materials and record retention of all documents and electronic information.

All principals and employees of LG must acknowledge understanding and agree to comply with the Code of Ethics initially upon employment and must certify on an annual basis that they have read and understand the code and have complied with it.

LG's Code of Ethics is available to all clients, investors and potential clients/investors upon request.

LG as well as certain of LG's management and employees may invest capital in the Funds. While not prohibited, LG generally discourages trading in reportable securities in employee accounts in order to avoid the appearance of any perceived impropriety and any trading in reportable securities by employees is subject to substantial policies and procedures detailed in the firm's Compliance Manual.

BROKERAGE PRACTICES

LG selects its brokers based on their industry experience, reputation, and fees and/or commissions. LG determines brokers or dealers to be used and negotiates commission rates to be paid to those brokers without investor involvement.

Except as described below, portfolio transactions for clients are allocated to brokers on the basis of best execution. In negotiating commission rates, however, LG may take into consideration brokers' provision of, or payment of the costs of, certain services that are of benefit to the Funds and such other accounts. These services may take the form of research services, special execution capabilities, clearance, settlement, reputation, financial strength and stability, efficiency of execution and error resolution, quotation services and the availability of stocks to borrow for short trades, as well as payment of all or a portion of the Funds' or LG's costs and expenses of operation such as office equipment, news wire and data processing charges, quotation services, periodical subscription fees, and custody, recordkeeping and similar services. Clients may pay for research and these other services with "soft" or commission dollars. Although LG will only enter into such arrangements which LG believes benefit the Funds, other clients of LG, as well as LG itself, may benefit directly or indirectly from some or all of these services and certain of such services may not benefit the Funds. LG may also direct Funds brokerage transactions to brokers who refer prospective investors to the Funds.

Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, provides a "safe harbor" to investment managers who use commission dollars generated by their advised accounts to obtain investment research and brokerage services from companies that provide lawful and appropriate assistance to the manager in the performance of investment decision-making responsibilities. LG intends to conduct any "soft dollar" activities within the safe harbor of Section 28(e).

Section 28(e) permits the use of soft dollars to obtain brokerage and research services that provide lawful and appropriate assistance to an investment adviser in the performance of its investment decision-making responsibilities. Soft dollar arrangements are generally understood to be those where products or services other than the mere execution of securities transactions are obtained by an investment adviser from a broker-dealer in exchange for the direction of client brokerage transactions by the investment adviser to such broker-dealer. Soft dollars are the portion of brokerage commissions that exceed the lowest rate available from other broker-dealers for basic execution services. In such instances, the commissions or equivalents paid to any one broker-dealer may be greater than the amount charged by another firm for executing the same transactions if LG determines in good faith that the amount of commissions charged by such broker-dealer are reasonable in relation to the value of the brokerage and research services provided. Selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than may otherwise be obtainable.

To the extent it receives products or services in consideration for soft dollars, LG receives a benefit because it does not have to pay for the products or services, such as research. In addition, LG may have an incentive to recommend broker-dealers based on benefits that it receives from brokers, even in the absence of soft dollar arrangements, rather than the interests of the Funds in receiving the most favorable execution. Any products or services that LG receives from broker-dealers will be used in connection with its management of all client accounts, not just selected accounts. Brokers utilized by LG on behalf of separate account clients will be negotiated on a case-by-case basis.

LG will aggregate sale and purchase orders of securities held by the Master Fund and managed account clients with similar orders being made simultaneously for other accounts in accordance with LG's fiduciary duty to treat each client in a fair and equitable manner subject to any potential investment restrictions that may be imposed by a client.

LG on occasion effects transactions with or otherwise utilizes brokers that have referred investors to LG. For example, J.P. Morgan acts as a prime broker for the Funds and LG has used J.P. Morgan's Capital Introduction Group for some investor introductions. However, LG does not enter into any formal or informal arrangements under which it receives investor referrals in consideration for soft dollars. The referral of investors to LG by brokers nonetheless creates a conflict of interest because LG has an incentive to direct more business to brokers who refer investors to LG, because this will result in additional compensation to LG. However, LG will only utilize a broker that may provide investor referrals if it has otherwise determined that utilizing the broker is in the best interests of the Funds, taking into consideration the criteria described above.

The Funds reserve the right to select, without notice, one or more duly registered selling agents, on either an exclusive or non-exclusive basis, to distribute the interests. All affected investors will be informed of any such arrangements prior to the acceptance of their subscriptions.

REVIEW OF ACCOUNTS

LG has developed risk management systems which allow Andrew Grossman and Michael Levitt to oversee trading for the firm. At any point during the day Andrew Grossman and Michael Levitt are able to review the day's trading in terms of actual trades, netted trades and daily, monthly and yearly profit and loss. These reviews, which are conducted daily, or in many cases throughout the day, are used in place of a formal monthly or quarterly review of activity in all client accounts.

Each investor in the Funds will receive a written monthly statement summarizing the Funds' performance during the preceding month, as well as including such other information as LG may deem appropriate. In addition, audited financial statements for the Funds, together with all related federal income tax information, will be delivered to all investors in the Funds within ninety (90) days of each fiscal year-end.

Each investor in a separately managed account will receive a written monthly statement summarizing the account's performance during the preceding month, as well as including such other information as LG may deem appropriate.

CLIENT REFERRALS AND OTHER COMPENSATION

Not applicable.

CUSTODY

All client assets are held in physical custody by unaffiliated broker-dealers or banks. While LG does not take possession of funds or securities on behalf of the Funds, LG has access to, and is deemed to have custody of, the Funds' assets as a result of its sponsorship of the Funds.

INVESTMENT DISCRETION

Pursuant to the Limited Partnership Agreement for each of the Funds, LG, as general partner, has complete investment authority with respect to all securities owned by the Funds. LG is responsible for managing the business and investment of the Funds as set forth in the Funds' offering documents.

Separate client accounts may place restrictions on their accounts as agreed upon by LG. Any client restrictions will be documented in the client's investment management agreement or agreed upon in writing by the client and LG. Any separate account client must notify LG in writing related to any changes to its current investment restrictions.

VOTING CLIENT SECURITIES

LG has the authority to vote the securities held by the Funds by virtue of the Limited Partnership Agreement of the Funds. Neither the Funds nor any investor in the Funds may direct LG's vote with respect to any particular solicitation.

LG will vote proxies prudently and solely in the economic interests of, and for the exclusive purpose of providing economic benefits to, the Funds. It will not consider social, political, or other objectives unrelated to the value of the Funds' investments.

In voting proxies, LG will follow procedures designed to identify and address material conflicts that may arise between LG's interests and those of the Funds before voting proxies. Specifically, LG will monitor the potential for conflicts of interest on the part of LG with respect to voting proxies on behalf of the Funds as a result of personal relationships, significant client relationships, or special circumstances.

The responsibility to vote proxies on behalf of separate account clients will be documented in the client's investment management agreement. Proxies for these accounts will be voted consistent with votes submitted on behalf of the Funds unless a potential conflict of interest has been identified.

If LG determines that a conflict of interest exists with respect to a particular issuer, LG's chief compliance officer will determine whether the conflict of interest is material. If it is determined that the conflict of interest is not material, LG may vote proxies notwithstanding the existence of the conflict. If it is determined that the conflict of interest is material, LG will resolve the conflict in one of several possible ways, such as by engaging a third party to recommend a vote with respect to the proxy.

Separate client accounts and investors in the Feeder Funds may request a copy of LG's Proxy Voting Policy, as well as relevant proxy voting records, by making a written request to:

Gary Lessing
LG Capital Management, LP
100 Painters Mill Road, Suite 414
Owings Mills, MD 21117

FINANCIAL INFORMATION

There are no financial conditions that are reasonably likely to impair LG's ability to meet contractual commitments to its clients.