

## Shannon River Fund Management LLC

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This brochure provides information about the qualifications and business practices of Shannon River Fund Management LLC (“**Shannon River**”). If you have any questions about the contents of this brochure, please contact the Chief Compliance Officer (“**CCO**”) Robert Zurl, at (212) 331-6555 or [rob@shannonpartners.com](mailto:rob@shannonpartners.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Shannon River can be found on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

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There are no material changes to report at this time. In the future, we will use this section to report any material changes.

**Item 3: Table of Contents**

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#### Item 4: Advisory Business

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Shannon River Fund Management LLC, Doonbeg Global Management LLC and Shannon River Global Management LLC (collectively “**Shannon River**”, the “**Adviser**”, “**we**”, “**us**” “**our**” or the “**Firm**”) are the investment advisers to the Shannon River and Doonbeg funds.

Shannon River Fund Management LLC is registered with the SEC as an investment adviser. Shannon River Capital Management LLC, Doonbeg Capital Management LLC, Doonbeg Fund Management LLC, Doonbeg Global Management LLC and Shannon River Global Management LLC operate in the course of the Firm’s investment management business as though they are registered investment advisers and are deemed “Relying Advisers” pursuant to the January 18, 2012 no-action letter issued by the SEC staff to the American Bar Association.

Shannon River provides investment management services to private pooled investment vehicles based upon specific investment objectives and strategies via master feeder structures and a separately managed fund (each a “**Fund**” and collectively the “**Funds**”). Shannon River does not tailor advisory services to the individual needs of its Investor Clients (each an “**Investor**” or “**Client**” and collectively “**Investors**” or “**Clients**”).

The Funds generally invest in long and short equity securities, focused on Technology, Media and Telecommunications. The primary objective of the Funds is to achieve capital appreciation while carefully managing risk and mitigating market exposure.

The managing member of the Firm is Spencer Waxman.

As of December 31, 2012, Shannon River managed Regulatory Assets under Management (“**RAUM**”) of approximately US \$1,102,534,000 on a discretionary basis on behalf of the Funds.

#### Item 5: Fees and Compensation

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Shannon River generally charges each Fund a quarterly management fee at an annual rate of 1.5% of the net assets of the Fund. Management fees are charged each quarter in advance based on the total market value of the assets in the Funds’ accounts (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the first day of the quarter. The management fee will be prorated for additions to and withdrawals from a Fund during a particular quarter.

Fees are deducted from the Funds’ accounts by instructing the Funds’ prime broker.

##### Expenses

The Funds shall pay for their organizational and initial offering expenses as well as for their operating expenses, including but not limited to, all accounting, auditing, tax preparation, legal, administration, research, borrowing charges for short sale trades and other trading costs. The Funds may incur brokerage and other transaction costs. For further details on the Firm’s brokerage practices refer to Item 12 of this brochure.

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

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An affiliate of the Firm receives an annual performance allocation with respect to each Fund that is calculated based upon a percentage of the net capital appreciation of the relevant Fund. The performance allocations are charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”).

Net asset value includes net realized and unrealized profits and losses. Net profits are calculated net of management fees, but before the performance allocation.

Performance-based fee arrangements may create an incentive for Shannon River to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. We have policies and procedures in place which are intended to ensure that all Clients are treated fairly and equally, to prevent this conflict from influencing the allocation of investment opportunities among Clients and to effect fair and equitable allocation among accounts. Our policies and procedures require that accounts which are managed in a similar fashion generally participate in investment opportunities on a pro rata basis based upon asset size (or as adjusted by leverage), and to the extent orders are aggregated, that the Fund orders are average priced. If the Firm deviates from these policies and procedures, a rationale is required. These areas are monitored by the CCO.

No other hourly, flat or asset-based fees are charged to the Funds.

**Item 7: Types of Clients**

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The Firm’s Clients include eligible high net worth individuals and institutional investors. The Firm’s Investors make investments in the Firm’s Funds. The initial and additional subscription minimums for each Fund are disclosed in the offering documents for the Fund.

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

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***Methods of Analysis & Investment Strategy***

In managing the Funds, we adopt a sector specific long/short equity investment strategy, focused on Technology, Media and Telecommunications. The Funds’ objectives are to provide significant capital appreciation via exposure to our focus sectors with an overlay of sound risk management.

Our investment strategy involves identifying and analyzing, significant technology trends and seeking companies that are well positioned to build shareholder value over a realistic timeframe. We perform extensive and ongoing industry and company due diligence which includes meetings and discussions with senior and middle management, customers and partners, and attendance at industry as well as Investor events. We maintain a disciplined value approach with a focus on asset value and cash generation potential.

Companies that are priority investment opportunities may share some of the following characteristics:

- They are trading at compelling valuations;
- They have a core management team with proven success in related businesses;

- They have a recurring revenue and customer bases from which to grow;
- They have strong industry reputations and the potential to achieve leadership positions in their industries;
- They are situated in markets that have high growth potential and significant barriers to entry; and
- They are restructuring/divesting money losing businesses to focus on core operations.

Although the Funds have a long bias, there may be periods in which we believe that the securities of companies in the industries it follows are dramatically over-priced. During such periods, it may become more difficult to find new investments at valuations we believe are reasonable. Accordingly, the percentage of assets invested in equities may decline, and we may become more aggressive in hedging the portfolio by shorting individual equities, exchange traded tracking stocks, and possibly stock index futures. Factors that we may consider when identifying short opportunities for the Funds' portfolios include overextended valuations relative to earnings potential, increasing balance sheet risk, unfavorable marketplace developments for a company's products, management instability, customer concentration, extreme speculative market moves, or the emergence of deteriorating industry-wide or competitive conditions.

### ***Risk Factors of our Business***

The following are the material risks involved in our investment strategy. This list does not purport to be a complete enumeration or explanation of the risks involved in such strategy.

- Certain investments may be very illiquid, and may not be able to be sold at prices that reflect our assessment of their value. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale and other factors. Furthermore, the nature of certain investments, especially those in financially distressed companies, may require a long holding period prior to profitability.
- The Fund will frequently require longer-term holding periods for its positions in order to be successful and positions may experience considerable price volatility over such holding periods. An investment in the Fund, therefore, may not be appropriate for Investors requiring short-term liquidity or stable returns.
- Our investment program involves entering into transactions known as "short sales," in which a Fund sells a security it does not own in anticipation of a decline in the market value of the security. Short sales that are not made "against the box" theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. Under adverse market conditions, it may be difficult or impossible to purchase securities to meet short sale delivery obligations. Furthermore, a Fund might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.
- We may invest in derivative instruments. Derivative instruments, or "derivatives," include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an Investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in

the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading, including liquidity risk and counterparty risk.

- We may invest in foreign securities. Investments in foreign securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the securities will be denominated and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and certain foreign securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (iii) political, social or economic instability; and (iv) the extension of credit, especially in the case of sovereign debt.
- Our investment program involves borrowing funds in order to make additional investments, which increases both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the investments would be amplified. Interest on borrowings will be a portfolio expense of the Funds and will affect the operating results of the Funds. Investing in options and other derivatives provides significantly more market exposure than investing directly in the underlying asset. Accordingly, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Funds to the possibility of a loss exceeding the original amount invested. In addition, the value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof.
- Our investment program will not necessarily be widely diversified. Accordingly, the investment portfolio of the Funds may be subject to more rapid changes in value than would be the case if the Funds maintained a wide diversification among companies, securities and types of securities.
- We may leverage investment positions by borrowing funds from securities broker-dealers, banks or others. While leverage presents opportunities for increasing the total return on an investment, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment by the Fund(s) would likely be magnified to the extent that any of them are leveraged.

#### **Item 9: Disciplinary Information**

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Neither we nor any of our management personnel are subject to, or have in the past been subject to, any criminal or civil action in any domestic or foreign court, and neither we nor any of our management personnel have been subject to any administrative proceedings before the SEC or any other state, federal or foreign financial regulatory authority.

#### **Item 10: Other Financial Industry Activities and Affiliations**

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As stated in Item 4, the Firm considers Shannon River Capital Management LLC, Doonbeg Capital Management LLC, Doonbeg Fund Management LLC, Doonbeg Global Management

LLC and Shannon River Global Management LLC to be “Relying Advisers” pursuant to the January 18, 2012 no-action letter issued by the SEC staff to the American Bar Association.

Shannon River and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

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### ***Participation or Interest in Client Transactions***

We serve as the investment adviser to the Funds. Employees, affiliates of the employees, and relatives of the employees may make investments in the Funds.

Employees, affiliates of the employees, and relatives of the employees may from time to time make personal investments in securities in which the Firm may invest the Funds’ assets. They may buy, sell, or hold securities for their own accounts while entering into different investment decisions for one or more Funds. They may have investments in some Funds but not in others or may have different levels of investments in the various Funds at any given time. And, they may invest in eligible Funds of their choosing and such investments may change over time. Therefore, potential conflicts also may arise where such a person is in a position to trade in a manner that could adversely affect the Funds (e.g., by placing its own trades before or after Fund trades are executed in order to benefit from any price movements due to the Fund’s trades). In addition to affecting the person’s objectivity, these practices could potentially harm Funds by adversely affecting the price at which the Funds’ trades are executed.

We have adopted a pre-clearance policy in an effort to minimize such conflicts.

The Firm, its principals and employees do not purchase or sell any securities for their own accounts to or from the Funds. However, subject to Funds investment guidelines and restrictions, we may effect rebalancing or internal cross transactions between the Funds. In such cases, one Fund will purchase securities held by another Fund. We intend to effect these transactions at all times in a manner which is consistent with our valuation policy and procedures. We effect these transactions based on the closing price of the security on the last business day of the month or, in certain cases, upon the prevailing market price.

Neither the Firm nor any related party receives any compensation in connection with these rebalancing transactions. To the extent that such transactions could be viewed as principal transactions due to the ownership interest in a Fund by the Firm and its personnel, Shannon River complies with the requirements of Section 206(3) of the Advisers Act, including that the Firm will notify the Fund (or an independent representative of the Fund) in writing of the transaction and obtain the consent of the Fund (or an independent representative of the Fund).

### ***Code of Ethics & Personal Trading***

We have adopted a Code of Ethics and an Employee Investment Policy that establishes various procedures with respect to investment transactions in accounts in which our employees or related persons have a beneficial interest or accounts over which an employee has investment discretion.



The foundation of the Code of Ethics and Employee Investment Policy is based on the underlying principles that:

- Employees must at all times place the interests of the Clients first;
- Employees must make sure that all personal securities transactions are conducted consistent with the Code of Ethics and Employee Investment Policy; and
- Employees should not take inappropriate advantage of their position at Shannon River.

All Shannon River employees are deemed to be “Access Persons” and are required to adhere to a comprehensive Code of Ethics and Employee Investment Policy, which covers the duty of confidentiality as well as personal trading. All employees are required to certify their adherence to the Code of Ethics and Employee Investment Policy upon commencement of employment and quarterly thereafter.

In general, employees (and members of their immediate households) are permitted to invest in equities, options or futures but must obtain written pre-approval from the CCO. The spirit of the Code of Ethics and the Employee Investment Policy is to discourage frequent trading in employee personal accounts.

This policy does not apply to transactions involving government securities or open-end mutual funds, ETFs or other instruments which afford the Investor no discretion over individual securities transactions.

All Shannon River employees must direct their brokers to send duplicate copies of trade confirmations and brokerage statements to the CCO. These records are used to monitor compliance with the foregoing policies.

Employees must also obtain pre-approval from the CCO before engaging in any outside business activities or receiving an allocation of an Initial Public Offering (“IPO”).

#### ***Insider Trading Policies and Procedures***

Shannon River maintains Insider Trading policies and procedures (the “**Insider Trading Policies**”) that are designed to prevent the misuse of material, non-public information. Among other things, such policies seek to control and monitor the flow of inside information to and within Shannon River, as well as prevent trading based on inside information. On a periodic basis, our employees are required to certify to their compliance with the Compliance Manual, Code of Ethics and Employee Investment Policy, including the Insider Trading Policies.

Our Code of Ethics and Employee Investment Policy is available to Clients upon request.

#### ***Privacy Policy***

We are committed to maintaining the confidentiality, integrity and security of our Investors’ personal information and we maintain a privacy policy which is distributed to our Investors on an annual basis.

It is our policy to collect only information necessary or relevant to our management business and use only legitimate means to collect such information. We do not disclose any non-public personal information about our Investors or former Investors to anyone except for servicing and processing transactions and as required by law. We restrict access to non-public personal information about Investors to those employees with a legitimate business

need for the information. We maintain security practices, physical, electronic, and procedural safeguards to guard Investor's non-public personal information.

Upon request, we will provide you with a copy of our privacy policy.

## **Item 12: Brokerage Practices**

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As an adviser and a fiduciary to the Funds, we require that the Funds' interests must always be placed first and foremost, and our trading practices and procedures prohibit unfair trading practices and seek to disclose and avoid any actual or potential conflicts of interests or resolve such conflicts in the Funds' favor. We have adopted the following policies and practices to meet the Firm's fiduciary responsibilities and to ensure our trading practices are fair to all Funds and that no Fund or account is advantaged or disadvantaged over any other.

### **Aggregation**

The aggregation or blocking of Client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to the Funds. Our policy is to aggregate Fund transactions where possible and when advantageous to the Funds. In these instances, Funds participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis.

### **Allocation**

Our policy prohibits any allocation of trades in a manner that results in more favorable treatment for our proprietary accounts, affiliated accounts or any Fund.

We have adopted a policy for the fair and equitable allocation of transactions that generally analyses each trade, taking into consideration the specifics of each trade and the characteristics of each Fund. To the extent that multiple Funds participate in a particular transaction such transaction will generally be allocated pro-rata among such Funds, unless facts specific to the transaction and Funds warrant an alternative allocation methodology.

### **Best Execution**

As an investment advisory firm, we have a fiduciary duty to seek best execution for Client transactions. As a matter of policy and practice, we seek to obtain best execution for Client transactions, i.e., seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances. Other components that we analyze in seeking best execution are timeliness of having a transaction executed by a broker, the value of research provided, the responsiveness of the broker to us and the financial responsibility of the broker.

### **Soft Dollars**

We currently use "soft dollars" generated by our trading activities to purchase research services or products that would otherwise have been an expense of Shannon River. We intend to keep any such arrangements within the parameters of Section 28(e) of the United States Securities Exchange Act of 1934, as amended.

Generally, research services provided by broker-dealers may include information on the economy, industries, groups of securities, individual companies, statistical information,

accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts, industry conferences, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, software, and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives. The receipt of such research services (and brokerage) will be subject to, and limited by, prevailing interpretive guidance provided by the SEC as falling within Section 28(e).

### ***Trade Errors***

As a fiduciary, we have the responsibility to effect orders correctly, promptly and in the best interests of the Funds. In the event any error occurs in the handling of any Fund transactions, due to our actions, or inaction, or actions of others, our policy is to correct the trade error promptly and to resolve the trade error so as to avoid incurring a loss to the Fund. The goal of the error correction is to make the Fund “whole”, regardless of the cost to the Firm.

In correcting trade errors, any hedge fund gains from trade errors may not offset losses from trade errors, unless the underlying transactions constitute a single transaction. Any hedge fund gains caused by trade errors will be credited to the affected Fund(s). In addition, soft dollars may not be used to pay for correcting an investment adviser’s trading errors.

## **Item 13: Review of Accounts**

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### ***Review of Accounts***

We review the Funds on a continual basis to assure conformity with investment objectives and guidelines. We engage in active management for the Funds and we review our transactions, positions and cash balances on a daily basis.

### ***Reporting***

We will distribute an audited financial report for each Fund with respect to the previous fiscal year to all Investors in such Fund within 120 days of year-end. In addition, each Fund will generally distribute net asset value updates and performance reports on a monthly basis.

## **Item 14: Client Referrals and Other Compensation**

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We may compensate, either directly or indirectly, persons for Client referrals or referrals of Investors in the Funds.

From time to time, we may enter into written agreements with third parties who solicit potential advisory Clients on behalf of us. Such agreements will comply with Rule 206(4)-3 under the Advisers Act and, in entering into such agreements, we will comply with that rule and with other applicable requirements of the Advisers Act and applicable state securities law requirements. Generally, those agreements will provide for a percentage of certain of the investment management fees we collect from Clients who become Clients as a result of the solicitor’s efforts. Generally, Clients are not responsible for any part of the compensation that solicitors receive, and we generally do not charge Clients introduced by

such solicitors any higher fee or any additional amount as a result of obligations to pay such solicitors for their solicitation services.

We currently have such agreements with Barclays Capital Inc. (acting through Barclays Wealth) and J.P. Morgan Securities LLC.

In addition, we may also compensate employees for Client referrals so long as such arrangements comply with the Advisers Act and its rules, and any applicable state securities laws. Clients will not be charged a higher fee as a result of these arrangements.

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**Item 15: Custody**

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We will comply with the requirements of the Rule 206(4)-2 of the Advisers Act with regards to custody of assets of the Funds (“**Custody Rule**”).

We currently use Goldman Sachs & Co. and BNP Paribas Prime Brokerage, Inc. as our prime brokers and custodians. Through these arrangements Goldman Sachs & Co. and BNP Paribas Prime Brokerage, Inc. will provide among other things, clearing, custodial and record keeping services. In addition, we maintain cash accounts with JPMorgan Chase Bank, N.A. Annually, upon completion of each hedge fund’s annual audit, we will distribute the audited financials along with copies of the limited partners K-1s.

The CCO shall ensure that the Funds’ audited financials are delivered to all Investors (within 120 days of the fiscal year end).

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**Item 16: Investment Discretion**

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We generally have discretionary authority to determine, without obtaining specific consent, securities to be bought or sold, the amount of securities to be bought or sold, broker-dealer to be used and the commission rates paid. Any limitations on authority are included in each Funds’ investment management agreement, or governing documents, as applicable.

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**Item 17: Voting Client Securities**

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To the extent we have been delegated proxy voting authority on behalf of our Clients, we comply with our proxy voting policies and procedures that are designed to ensure that in cases where we vote proxies with respect to Client securities, such proxies are voted in the best interest of the Funds. The Investors in the Fund may not direct voting of proxies.

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

Upon request, we will provide Clients with a copy of our proxy voting policies and procedures and/or a record of all proxy votes cast by the Funds.

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**Item 18: Financial Information**

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Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. Shannon River has no financial

commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.