

FOUNDATION ASSET MANAGEMENT, LP

Part 2A of Form ADV: Firm Brochure

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This brochure provides information about the qualifications and business practices of Foundation Asset Management, LP (“Foundation”). If you have any questions about the contents of this brochure, please contact us at (914) 574-2923 or bbres@foundationlp.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.

Registration with the SEC does not imply a certain level of skill or training.

Additional information about Foundation Asset Management, LP is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

There have been no material changes to Foundation's operations and/or its ADV Part 2A since March 31, 2015, the date of Foundations last brochure.

Item 3. Table of Contents

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Item 4. Advisory Business

Foundation Asset Management, LP, a Delaware limited partnership that we refer to herein as “Foundation,” was formed in November of 2011 as Foundation Asset Management, LLC, a Delaware limited liability company, in order to serve as a discretionary investment adviser to private funds. On July 1, 2014, Foundation Asset Management, LLC, converted to a limited partnership pursuant to the Delaware Revised Uniform Limited Partnership Act. The funds that are offered to investors are Foundation Onshore Fund, L.P., which we refer to herein as the “U.S. Fund,” and Foundation Offshore Fund, Ltd., which we refer to herein as the “Offshore Fund.” The U.S. Fund and the Offshore Fund are organized in a “master-feeder” structure, which means that they invest substantially all of their assets in Foundation Offshore Master Fund, Ltd., which we refer to herein as the “Master Fund.” We refer to all of the above funds collectively herein as the “Funds.”

Foundation acts as the investment manager for the Offshore Fund and the Master Fund, both of which are Cayman Islands exempted companies, and the U.S. Fund, which is a Delaware limited partnership. In this brochure we generally refer to the trading activities of the Funds, but all of the trading activity of the Funds occurs at the Master Fund level.

David Charney and Sky Wilber are the principal owners of Foundation and the managing members of Foundation’s general partner. Messrs. Charney and Wilber are also the managing members and principal owners of an affiliate of Foundation, Foundation Asset Management GP, LLC, the general partner of the U.S. Fund that we refer to as “Foundation GP.”

The investment objective of the Funds is to maximize risk-adjusted returns over economic cycles. Foundation seeks to achieve this goal by investing, generally, in an opportunistic long/short value equity portfolio of companies that it believes are mispriced and provide a catalyst for achieving attractive risk-adjusted returns, irrespective of market performance. The Funds may also invest in distressed debt on an opportunistic basis. Foundation employs a fundamentally-oriented long/short strategy based on, among other things, in-depth research and fundamental analysis and will seek a continuous supply of non-correlated opportunities. While the Funds are expected to invest primarily in equities and equity-related securities globally, as well as in distressed debt, the Funds have broad and flexible investment authority and Foundation may trade a variety of instruments on behalf of the Funds. For additional details on the strategies and material risks of the Funds, see Item 8 of this brochure entitled “Methods of Analysis, Investment Strategies and Risk of Loss.”

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

As of December 31, 2015, Foundation managed regulatory assets under management of \$615,190,915. All of these assets are managed by Foundation on a discretionary basis.

Item 5. Fees and Compensation

Compensation for Advisory Services.

Foundation's fee schedule is omitted because this brochure is only being delivered to qualified purchasers as defined in the Investment Company Act of 1940.

Deduction of Fees.

Investors in the Funds will be subject to management fees paid quarterly in advance and incentive allocations made annually in arrears as of each year-end. All management fees will be received by Foundation and will be deducted directly from the Funds at the Master Fund level. All incentive allocations will be received by Foundation GP (as a special shareholder in the Master Fund). The incentive allocation takes the form of a reallocation of profits to Foundation GP's capital account at the Master Fund level. For additional information on performance-based compensation, see Item 6 of this brochure, "Performance-Based Fees and Side-by-Side Management."

Operating Expenses.

In addition to compensation payable to Foundation or Foundation GP, the Funds bear all of their ongoing direct and indirect offering, investment, administrative and operating expenses. These expenses may include, without limitation: (i) legal, compliance (including compliance programs, surveillance and systems in connection with regulatory compliance and examinations), administrator, audit and accounting expenses (including third party accounting services), tax preparation expenses; (ii) shareholder proxy voting services; (iii) organizational expenses; (iv) investment expenses such as brokerage commissions, research fees and expenses; (v) interest on margin accounts and other indebtedness; (vi) borrowing charges on securities sold short; (vii) custodial fees; (viii) bank services fees; (ix) insurance costs related to the Funds (including D&O and E&O insurance for Foundation, Foundation GP and outside directorship liability); (x) directors' fees and expenses; (xi) any other expenses reasonably related to the purchase, sale or transmittal of assets of the Funds; and (xii) with respect to the U.S. Fund and the Offshore Fund, their *pro rata* share of the operating expenses of the Master Fund.

For a discussion of the brokerage arrangements that Foundation enters into on behalf of the Funds, see Item 12 of this brochure entitled "Brokerage Practices," which further describes the factors that Foundation will consider in selecting broker-dealers to be used for securities transaction for the Funds.

Negotiation of Fees; Waivers.

Compensation payable to Foundation or Foundation GP will not generally be negotiable. Foundation or Foundation GP, as applicable, may waive or modify its management fees or incentive allocations for investors that are members, employees or affiliates of Foundation or Foundation GP, relatives of these persons, and for certain large or strategic investors.

Pre-Payment of Fees.

For securities that may be redeemed during a quarter, management fees will be refunded on a *pro rata* basis if an investor redeems before the end of the quarter.

Item 6. Performance-Based Fees and Side-by-Side Management

The Master Fund will make an annual incentive allocation to Foundation GP equal to a percentage of the net profits attributable to each investor's interest in a particular class of securities in the U.S. Fund or the Offshore Fund. This annual incentive allocation will be subject to a loss carryforward provision, and for certain classes of securities, a three year "clawback" provision. If an investment has a loss chargeable to it during any fiscal year, and during a subsequent fiscal year there is a profit allocable to the investment, no incentive allocation will be paid until the amount of the loss previously allocated to such investment has been recouped. This loss carryforward is subject to a *pro rata* reduction to reflect redemptions made by an investor. For certain classes of the Funds, any incentive allocations earned during a three-year period will be subject to a rolling clawback provision where the incentive allocations may be subject to reversal, less any tax distributions made over the period.

The performance-based compensation received by Foundation GP will create a conflict between Foundation's interest in earning a profit in the short term with the long-term interests of the Funds and their investors. Specifically, Foundation may have an incentive to invest Fund assets in investments that are riskier or more speculative than would be the case if Foundation GP were only compensated based on a flat percentage of capital, because these investments may allow Foundation GP to collect larger performance-based compensation.

Item 7. Types of Clients

Foundation provides discretionary investment advice to the Funds. The investors in the Funds are expected to consist of high net worth individuals, fund of funds, pension plans, endowments, foundations, family offices, institutions, and trusts. The U.S. Fund will limit its investors to persons who are both “qualified purchasers” as defined in the Investment Company Act of 1940 and “accredited investors” as defined in the Securities Act of 1933. Investors in the Offshore Fund must be either both qualified purchasers and accredited investors, or non-United States persons. These funds each require a minimum initial investment of \$5 million, although this minimum can be reduced in Foundation’s sole discretion.

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

Methods of Analysis and Investment Strategy.

David Charney and Sky Wilber, as co-portfolio managers, lead the investment team and have final responsibility for all investment decisions regarding the Funds' portfolios. The investment team seeks to identify mispriced securities, thereby providing risk adjusted returns on capital.

Foundation will focus on companies where it believes misunderstood events are causing under or overvaluation, and where Foundation believes it has identified a catalyst for change.

Core attributes of the investment strategy generally includes, but will not be limited to:

- Mispricing – the core of the investment philosophy is that the larger the value gap, the lower the risk and the higher the potential reward; consistent with the margin of safety principle;
- Having a fact-based understanding of how the value gap is going to be closed;
- Using proprietary, non-correlated idea generation;
- Deploying capital when attractive risk/reward opportunities exist;
- Balancing in-depth research, fundamental analysis, and bottom-up security selection; and
- Carefully considering the portfolio impact of any potential new investments.

Foundation seeks non-correlated opportunities and studies industry experts' actions to find investment opportunities, whether by closely monitoring management trading and changes, buybacks and mergers and acquisitions or by talking with company managers about what they think is misvalued/misunderstood in their industry of expertise. Foundation also screens for companies that may be under or over earning due to cyclical/transitory factors.

Portfolio Construction and Risk Management.

Responsibility for the construction of the Funds' portfolios and risk management resides with Foundation's portfolio managers. Risk management is an essential part of the investment process. Risk management is accomplished on an "upfront" or pre-trade basis in two primary forms: portfolio construction and exposure limitations. Post-trade statistical risk monitoring by Foundation's portfolio managers is designed to test the pre-execution assumptions. With a fundamentally-oriented long/short strategy, Foundation's emphasis is on the selection of individual stocks with a bottom-up focus while paying close attention to the correlation of the overall portfolio construct and to the impact of each position added to the portfolio. Liquidity of the portfolio is monitored by Foundation's portfolio managers on an ongoing basis. Foundation takes into account macro considerations as one of the risk factors the Funds are exposed to but, under ordinary circumstances, do not expect to adjust portfolio exposure specifically as part of an overall macro-oriented risk management program.

The Funds' investments are expected to be comprised of a limited number of positions in the portfolio. A degree of concentration is expected; however, limitations are used to govern minimum diversification across sectors and industries with prudent maximum position sizes on individual positions. Drawdown parameters are in place that require a full thesis review by Foundation's portfolio managers to reassess information and assumptions under such circumstances; however, specific stop-loss requirements may not be used. Foundation's portfolio managers oversee an ongoing risk management framework supported through compliance monitoring. While the various forms of risk management tools to be used by Foundation are essential tools, assumptions based on ex-ante expected returns; volatility and correlation estimates must always be married with practical portfolio judgment of market and liquidity risks.

Material Risks of Foundation's Strategy.

Investing in securities and derivatives 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 strategy 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. Although no summary can fully describe all of the risks associated with an investment in the Funds, the confidential explanatory memoranda for the U.S. Fund the Offshore Fund contain a more complete description of the risks associated with an investment in the U.S. Fund or the Offshore Fund.

Nature of Investments. Foundation has broad discretion in making investments for the Funds. Investments will generally consist of equity securities, equity-related instruments, debt securities, derivatives and other assets that may be affected by business, financial market or legal uncertainties. For the avoidance of doubt, the types of instruments in which Foundation invests may also change over time. There can be no assurance that Foundation will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments or unexpected company-specific events, may significantly affect the results of the Funds' activities and the value of their investments. In addition, the value of the Funds' portfolio may fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that the Funds' investment objective will be achieved.

Equity-Related Instruments in General. Foundation may use equity-related instruments in its investment program. Certain options and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risks of loss.

Use of Leverage. The Funds may utilize leverage. This results in the Funds' controlling substantially more assets than the Funds have equity. Leverage increases the Funds' returns if the Funds earn a greater return on investments purchased with borrowed funds than the Funds' cost of borrowing such funds. However, the use of leverage exposes the Funds to additional

levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Funds not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Funds' cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to repay their borrowings, further magnifying their losses.

In an unsettled credit environment, Foundation may find it difficult or impossible to obtain leverage for the Funds. In such an event, the Funds could find it difficult to implement their strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in Foundation being forced to unwind the Funds' positions quickly and at prices below what Foundation deems to be fair value for such positions.

Short Sales. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Funds' portfolios. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

Convertible Securities. The Funds may invest in convertible securities, securities that may be exchanged or converted into a predetermined number of the issuer's underlying shares or the shares of another company or that are indexed to an unmanaged market index at the option of the holder during a specified time period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, stock purchase warrants, zero-coupon bonds or liquid-yield option notes, stock index notes, mandatories, or a combination of the features of these securities. Prior to conversion, convertible securities have the same general characteristics as non-convertible debt securities. As with all debt securities, the market value of convertible securities tends to decline as interest rates increase and conversely, increase as interest rates decline. Convertible securities, however, also appreciate when the underlying common stock appreciates, and conversely, depreciate when the underlying common stock depreciates.

Options. The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

Small to Medium Capitalization Companies. The Funds may invest all or a significant portion of their assets in the stocks of companies with small-to medium-sized market capitalizations. While Foundation believes these investments often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do

investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks.

Non-U.S. Securities. Investing in securities of non-U.S. governments and companies that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Special Situations. The Funds may invest in companies involved in (or the target of) acquisition attempts or tender offers or 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 the value of which will be 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 their 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 their entire investment in such companies.

Distressed Investments. The Funds may invest in debt and equity securities, accounts and notes payable, loans, private claims and other financial instruments and obligations of troubled companies that may result in significant returns to the Fund, but which involve a substantial degree of risk. The Funds may lose their entire investment in a troubled company, may be required to accept cash or securities with a value less than the Funds' investment and may be prohibited from exercising certain rights with respect to such investment. Troubled company investments may not show any returns for a considerable period of time. Funding a plan of reorganization involves additional risks, including risks associated with equity ownership in the reorganized entity. Troubled company investments 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. Investments in securities and private claims of troubled companies made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case may also involve substantial litigation.

The Funds may have significant investments in companies involved in (or the target of) acquisition attempts or tender offers or companies 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 considerable time or result in a distribution of cash or a new security, the value of which will be 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 their entire investment in such companies.

Lack of Diversification. Although the Funds have few investment restrictions with respect to types of securities, countries or industry sectors, the Funds' portfolio may not be as diversified as other investment vehicles. Accordingly, the Funds' portfolio may be subject to more rapid change in value than would be the case if the Funds were required to maintain a wide diversification.

Interest Rate Risk. The value of fixed income securities may change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities may decrease. Conversely, as interest rates fall, the market value of fixed income securities may increase. This risk will be greater for long-term securities than for short-term securities. Foundation may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no guarantee that Foundation will be successful in fully mitigating the impact of interest rate changes.

Convergence Risk. The Funds may pursue relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In the event that the perceived mispricings underlying the Funds' trading positions were to fail to converge toward, or were to diverge further from, Foundation's expectations, the Funds may incur a loss.

Derivatives. To the extent that the Funds invest in uncleared swaps, derivative or synthetic instruments, repurchase agreements or other over-the-counter transactions or, in certain circumstances, non-U.S. securities, the Funds may take a credit risk with regard to parties with whom they trade and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, cleared execution facility-traded or cleared over-the-counter transactions that generally are backed by clearing organization guarantees, daily mark-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets (directly or indirectly) of the Funds, and hence the Funds should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this segregation, and there may be practical or time problems associated with enforcing rights to its assets in the case of an insolvency of any such party.

Portfolio Turnover. The investment strategy of the Funds may require Foundation to actively trade the Funds' portfolios, and as a result, turnover and brokerage commission expenses of the Funds may significantly exceed those of other investment entities of comparable size.

Risk Control Framework. No risk control system is fail-safe, and no assurance can be given that any risk control framework employed by Foundation will achieve its objective. Target risk limits developed by Foundation may be based upon historical trading patterns for the securities and financial instruments in which the Fund invests. No assurance can be given that such historical trading patterns will accurately predict future trading patterns.

Counterparty Risk. To the extent that the Funds invest in uncleared swaps, "synthetic" or derivative instruments, repurchase agreements, forward contracts, certain types of options or other customized financial instruments, or, in certain circumstances, non-U.S. securities, the Funds take the risk of non-performance by the other party to the contract. This risk may include credit risk of the counterparty and the risk of settlement default. This risk may differ materially from those entailed in exchange-traded transactions, cleared execution facility-traded or cleared over-the-counter transactions that generally are supported by guarantees of clearing organizations, daily mark-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

Brokerage and Custodial Risk. There are risks involved in dealing with the custodians or prime brokers who settle the Funds' trades. The Funds' (either directly or indirectly) maintain custody accounts with their prime brokers Citigroup Global Markets Inc., Goldman, Sachs & Co. and Morgan Stanley (the "Prime Brokers") and primary custodians Goldman Sachs Bank USA, Morgan Stanley Private Bank, National Association, and State Street Bank & Trust Company (the "Custodians"). Although Foundation will monitor the Prime Brokers and Custodians and believes that they are appropriate custodians, there is no guarantee that the Prime Brokers and Custodians, or any other custodian that the Funds may use from time to time, will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer or custodian that has custody of the Funds' assets, the Funds would not incur losses due to their assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both.

The Funds, the Prime Brokers, and/or the Custodians may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the Funds. The Prime Brokers may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by the Funds as a result of the bankruptcy or insolvency of any such sub-custodian. The Funds may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a fund by a custodian may not be available to the Funds. Under certain circumstances, including certain transactions where the Funds' assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of the Prime Brokers, or where the Funds' assets are held at a non-U.S. custodian, the securities and other assets deposited with the custodian or

broker may not be clearly identified as being assets of the Funds and the Funds could be exposed to a credit risk with regard to such parties. Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, the ability of the Funds to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as the Funds may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical or time problems associated with enforcing the Funds' rights to their assets in the case of a bankruptcy or insolvency of any such party.

Lack of Liquidity of Fund Investments. The Funds' assets may, at any given time, include securities and other financial instruments or obligations that are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to accurately value any such investments.

Item 9. Disciplinary Information

Neither Foundation nor any of its affiliates have been the subject of any legal or disciplinary events since their inception and through the date on the cover of this brochure that are material to an investor's or prospective investor's evaluation of Foundation's business or integrity.

Item 10. Other Financial Industry Activities and Affiliations

Neither Foundation nor any of its management persons are registered or have a pending application for registration as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading adviser or associated person of a futures commission merchant, commodity pool operator or commodity trading advisor.

Foundation is affiliated with Foundation GP, which serves as the general partner (and co-commodity pool operator which is exempt from registration with the CFTC) of the Onshore Fund. Mr. Charney and Mr. Wilber are the principal owners of both Foundation GP and Foundation and are the managing members of both Foundation GP and the general partner of Foundation. The relationship between Foundation and Foundation GP does not, in and of itself, create any material conflicts of interest affecting investors in the Funds. However, Foundation GP will be subject to the same conflicts of interest with investors in the Onshore Fund as will be Foundation, which conflicts are disclosed in the next section of this brochure -- “Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.” References in Item 11 to Foundation should be read to include Foundation GP.

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

Code of Ethics.

Foundation has adopted a Code of Ethics pursuant to SEC Rule 204A-1. Foundation's Code of Ethics (the "Code") includes a personal securities transaction policy and policies and procedures to detect and prevent insider trading. Specifically, the Code sets forth standards of ethical and business conduct expected of Foundation's personnel and addresses conflicts that may arise from personal trading by Foundation personnel. The Code, among other things, requires compliance with the federal securities laws, reflects Foundation's fiduciary responsibilities and those of its advisory personnel, prohibits certain personal securities transactions and requires pre-clearance of other securities transactions. Additionally, 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 personnel relative to insider trading. The Code also includes policies and procedures on serving as officers, trustees and/or directors of outside organizations and participating in outside business activities.

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

In its role as investment adviser to the Funds, Foundation and its principals and employees make investment decisions for the Funds. Foundation and its principals and employees may trade and invest for their own accounts, including investments in private placements and exchange-traded funds. To address conflicts of interest that may be posed by this type of trading, Foundation maintains the Code. Specifically, the Code requires that the principals and employees of Foundation report transactions in certain securities and instruments and obtain written pre-clearance from Foundation's Chief Compliance Officer before being allowed to invest in certain securities and instruments. The Code also establishes minimum holding periods for such securities. Additionally, the Code requires principals and employees to submit transaction reports and initial and annual holding reports showing all transactions in which the person has, or by reason of such transaction acquires, any direct or indirect beneficial ownership in covered securities, with limited exceptions for securities such as shares of mutual funds. This enables Foundation to determine with reasonable assurance any indications of scalping, front-running or other appearance of a conflict of interest.

Foundation's Code of Ethics is available to investors and potential investors upon request.

Conflicts of Interest.

In addition to the conflict of interest arising from trading by Foundation or its principals or employees for their own accounts, as discussed immediately above, and conflicts relating to Foundation's receipt of performance-based compensation, which are discussed under Item 6 of this brochure entitled "Performance-Based Fees and Side-by-Side Management," investors in the Funds are subject to additional conflicts of interest. Some of these conflicts are summarized here, but this summary does not attempt to describe all of the conflicts of interest associated with

an investment in the U.S. Fund or the Offshore Fund. The confidential explanatory memoranda for the U.S. Fund and the Offshore Fund contain a more complete description of what Foundation believes to be the most significant conflicts of interest associated with an investment in the U.S. Fund or the Offshore Fund.

Devotion of Time; Other Clients. Foundation will use its best efforts in connection with the purposes and objectives of the Funds and will devote so much of its time and effort to the affairs of the Funds as may, in its judgment, be necessary to accomplish the purposes of the Funds. Under the terms of the management agreements between Foundation and the Funds, Foundation and its directors, members, partners, shareholders, officers, employees, agents and affiliates (the “Affiliated Parties”) may conduct any other business, including any business within the securities industry, whether or not such business is in competition with the Funds. Without limiting the generality of the foregoing, any of the Affiliated Parties may act as investment adviser or investment manager for others, may manage funds, separate accounts or capital for others and may serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms. Such other entities or accounts may have investment objectives or may implement investment strategies similar or different to those of the Funds. In addition, the Affiliated Parties may, through other investments, including other investment funds, have interests in the securities in which the Funds invest as well as interests in investments in which the Funds do not invest. The Affiliated Parties may give advice or take action with respect to such other entities or accounts that differs from the advice given with respect to the Funds. To the extent a particular investment is suitable for both the Funds and other clients of the Affiliated Parties, such investments will be allocated among the Funds and the other clients pro rata based on assets under management or in some other manner that the Affiliated Parties determine is appropriate under the circumstances to all clients, including the Funds.

As a result of the foregoing, the Affiliated Parties may have conflicts of interest in allocating their time and activity between the Funds and other entities, in allocating investments among the Funds and other entities and in effecting transactions for the Funds and other entities, including ones in which the Affiliated Parties may have a greater financial interest.

In addition, purchase and sale transactions (including swaps) may be effected between the Funds and the other entities or accounts subject to the following guidelines: (i) such transactions shall be effected for cash consideration at the current market price of the particular securities, and (ii) no extraordinary brokerage commissions or fees (i.e., except for customary transfer fees or commissions) or other remuneration shall be paid in connection with any such transaction.

Allocation of Investment Opportunity. From the standpoint of the Funds, simultaneous identical portfolio transactions for the Funds and the other clients may tend to decrease the prices received, and increase the prices required to be paid, by the Funds for its portfolio sales and purchases. Where less than the maximum desired number of shares of a particular security to be purchased is available at a favorable price, the shares purchased will be allocated among the Funds and the other clients in an appropriate manner as determined by the Affiliated Parties. Further, it may not always be possible or consistent with the investment objectives of the various persons or entities described above and of the Funds for the same investment positions to be

taken or liquidated at the same time or at the same price; however, all transactions will be made on a “best execution” basis.

Cross Trades. It is currently anticipated that all of the trading activity of the Funds will occur at the Master Fund level. However, Foundation may manage other client accounts. Accordingly, from time to time Foundation may effect “Cross Trades” where the same security is simultaneously bought and sold or covered and shorted by the Funds and by other client accounts managed by Foundation. This may include rebalancing transactions that are undertaken so that after redemptions or subscriptions have occurred, the portfolio compositions of the Funds and of other similarly managed funds or accounts remain substantially identical. Cross Trades will be effected either by trading the security in the open market or by a direct transfer between the accounts of Foundation’s clients. In either case, Cross Trades will be effected at the independent market price of the security.

Trade Errors.

Although Foundation has procedures designed to minimize mistakes made in executing trades, trade errors may occasionally occur. If it is determined that the trade error was caused by Foundation in its capacity as investment adviser to the Funds, the trade error will be brought to the attention of the Chief Compliance Officer and senior management and Foundation will attempt to correct it as quickly as possible. Any cost or benefit of a trade error will be borne by the relevant Fund unless such trade error resulted from the fraud, gross negligence or willful misconduct of Foundation.

Item 12. Brokerage Practices

Foundation is authorized to determine the broker or dealer to be used for each securities transaction for the Funds. In selecting brokers or dealers to execute transactions, Foundation need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. As a result of certain transactions authorized by Foundation, the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

Section 28(e) of the Securities Exchange Act of 1934, as amended, is a “safe harbor” that permits an investment manager to use commissions or “soft dollars” to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Except for services that would be an expense of the Funds or as otherwise described below, Foundation will limit the use of “soft dollars” to obtain research and brokerage services to services which constitute research and brokerage within the meaning of 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 brokers 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 investment manager 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 some instances, Foundation may receive a product or service that may be used only partially for functions within Section 28(e) (e.g., an order management system, trade analytical software or proxy services). In such instances, Foundation will make a good faith effort to determine the relative proportion of the product or service used to assist Foundation in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting Foundation in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by the Funds’ transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by Foundation from its own resources.

Although Foundation will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker, commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. The receipt of such products or services and the determination of the appropriate

allocation in the case of “mixed use” products or services creates a potential conflict of interest between Foundation and the Funds.

It should be noted that if Foundation uses the Funds’ brokerage commissions to obtain research and related services, Foundation will receive a benefit because it will not need to produce or pay for the research, products or services. In addition, Foundation may have an incentive to select or recommend a broker or dealer based on its interest in receiving the research or other products and services, rather than on the Funds’ interest in receiving best execution.

Research and brokerage services obtained by the use of commissions arising from the Funds’ portfolio transactions will be used in connection with its management of both Funds and Foundation will seek to allocate such benefits in proportion to the amount of their trading. However, any such research or brokerage services may be used by Foundation in its other investment activities and thus, the Funds may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided.

In selecting brokers and negotiating commission rates, Foundation will take into account the financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers. Foundation may place transactions with a broker or dealer that (i) provides Foundation (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to the Funds or other products advised by Foundation (or an affiliate), if otherwise consistent with seeking best execution; provided Foundation is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors. It should be noted that if Foundation accepts investor referrals from a broker-dealer, Foundation receives a benefit because it will receive additional compensation if the Funds accept new investments.

It is currently anticipated that all of the trading activity of the Funds will occur at the Master Fund level. However, if and when pertinent in the future, if more than one client invests in a common position, Foundation may, but is not required to, aggregate orders for the Funds and any other client to achieve more efficient execution or to provide for equitable treatment among accounts. If the Funds and any other client participate in aggregated trades, they will be allocated securities based on the average price achieved for such trades.

The Funds reserve the right, in their sole discretion, to change the brokerage and custodial arrangements described above without further notice to investors.

Item 13. Review of Accounts

Each Fund is reviewed and subjected to risk analysis (e.g., exposure across sectors and industries) on a daily basis by Foundation's portfolio managers, in consultation with their investment teams. This analysis includes review of each day's trading and daily, monthly and year-to-date profit and loss.

Foundation will send each investor monthly unaudited reports of the performance of the Funds, quarterly investor letters and annual audited year-end financial statements.

Item 14. Client Referrals and Other Compensation

Certain broker-dealers or other counterparties may provide Foundation with certain “soft dollar” research, client referrals or other services as a result of Foundation executing trades with such persons. Please see Item 12 of this brochure entitled “Brokerage Practices.”

Item 15. Custody

Foundation is deemed to have custody of the assets held by the Funds. Foundation relies on the exception from the “Custody Rule” under Rule 206(4)-2(b)(4) of the Advisers Act, pursuant to which it is exempted from, or deemed to be in compliance with, certain requirements of Rule 206(4)-2 relating to the custody of client funds or securities. Foundation relies on the so-called “Pooled Vehicle Annual Audit Exception,” which, among other things, requires that each of the Funds be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each of the Funds distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

Item 16. Investment Discretion

Pursuant to the governing documents of the Funds, Foundation, as investment manager, has complete investment authority with respect to all securities owned by the Funds. There are no limitations on this authority. This authority is conveyed by investors by subscribing to the Funds in their subscription agreements.

Item 17. Voting Client Securities

Foundation has the authority to vote the securities held by the Funds. In accordance with SEC Rule 206(4)-6, Foundation has adopted proxy voting policies and procedures reasonably designed to ensure that Foundation votes proxies in the best interest of its clients. Neither the Funds nor any investor in the Funds may direct Foundation's vote with respect to any particular solicitation and all decisions relating to voting proxies shall be made by Foundation.

Foundation will vote proxies on behalf of the Funds in the interest of maximizing investor value. To that end, Foundation will vote in a way that it believes is consistent with its fiduciary duty and will cause the value of the issue to increase the most. Foundation will take into account the recommendation of the relevant company's board of directors in considering how to vote, but will vote against the board's recommendation if it determines that it would be in the best interests of the Funds to do so. Decisions will not be made on social, ethical, moral or other non-economic grounds. Consideration will be given to both the short and long term implications of the proposal.

Foundation follows procedures designed to identify conflicts or potential conflicts that could arise between its own interests and those of Funds. If it is determined that any such conflict or potential conflict is not material, Foundation may vote proxies notwithstanding the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, the Chief Compliance Officer will work with appropriate personnel to agree upon a method to resolve such conflict before voting proxies affected by the conflict. Foundation may utilize the services of a proxy voting service, which services may include proxy analysis and voting recommendations according to the proxy voting services' proxy voting guidelines which are reviewed and approved by Foundation's Chief Compliance Officer. Foundation may also elect to abstain from voting if it deems such abstinence in the clients' best interests.

Investors in the Funds may request a copy of Foundation's proxy voting policies and procedures, as well as relevant proxy voting records, by making a written request to:

Ben Bresnahan
Chief Operating Officer & Chief Compliance Officer
Foundation Asset Management, LP
81 Main Street, Suite 306
White Plains, NY 10601

Item 18. Financial Information

There is no current financial condition that is reasonably likely to impair Foundation's ability to meet its contractual commitments to the Funds.