

**DISCLOSURE BROCHURE**

(FORM ADV, PART 2A)

**Caerus Investors, LLC  
File No. 801-106581  
599 Lexington Avenue  
New York, NY 10022**

**November 17, 2015**

**This brochure provides information about the qualifications and business practices of Caerus Investors, LLC. If you have any questions about the contents of this brochure, please contact us at (212)845-7900. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Registration does not imply a certain level of skill or training.**

**Additional information about Caerus Investors, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **ITEM 2. MATERIAL CHANGES**

The following is a discussion of material changes that have occurred with respect to Caerus Investors, LLC (the “Adviser”) since the last update of the Adviser’s Form ADV Part 2 dated August 20, 2015.

**Item 4 – Advisory Business and Item 7 – Type of Clients** were updated to reflect the following:

The Adviser provides discretionary investment management services in a sub-advisory capacity to companies registered under the Investment Company Act of 1940, as amended and provides individual discretionary investment management services to separately managed accounts, which can be in the form of a fund-of-one or brokerage account. As noted in the August 20<sup>th</sup> Form ADV Part 2A, the Adviser expects to provide discretionary investment management services to limited partnerships, limited liability companies, offshore investment companies and other collective investment vehicles that are offered to investors on a private placement basis.

The Adviser’s assets under management was updated.

**Item 10 – Other Financial Industry Activities and Affiliations and Item 12 – Brokerage Services** were updated to reflect the following:

A separately managed account client for which the Advisor does not have custody with respect to its advisory activities utilizes an affiliate of the Adviser, Cowen Prime Services LLC, as its prime broker. The Adviser was instructed by the separately managed account client to utilize Cowen Prime Services LLC as the account’s qualified custodian. The separately managed account client’s relationship with Cowen Prime Services LLC (formerly known as Concept Capital) predates the qualified custodian’s acquisition by Adviser affiliate, Cowen Group, Inc.

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#### **ITEM 4. ADVISORY BUSINESS**

Caerus Investors, LLC (the “Adviser”) is a Delaware Limited Liability Company formed in 2015. The Adviser is 60% owned by Ward Davis, Chief Investment Officer and Brian Agnew, Managing Partner and Portfolio Manager and 40% by Ramius LLC (“Ramius”). Ramius is a wholly owned subsidiary of Cowen Group, Inc., a publicly traded company (NASDAQ: COWN). Although Messers Davis and Agnew together with Ramius own the Adviser, Messers Davis and Agnew are responsible for the day to day operations of the Adviser and makes all investment decisions with respect to the Clients (as defined below) its advises.

The Adviser expects to provide discretionary investment management services to limited partnerships, limited liability companies, offshore investment companies and other collective investment vehicles that are offered to investors on a private placement basis (each a “Private Fund” and collectively, the “Private Funds”) and currently provides discretionary investment management services in a sub-advisory capacity to companies registered under the Investment Company Act of 1940, as amended (each a “RIC”, collectively the “RICs” and together with the Private Funds, the “Funds”). Additionally, the Adviser provides individual discretionary investment management services to separately managed accounts, which can be in the form of a fund-of-one or brokerage account (each a “Managed Account” and collectively, the “Managed Accounts”). As used herein, the term “Client” generally refers collectively to the Funds and any Managed Accounts managed by the Adviser.

*This brochure generally includes information about the Adviser and the relationships it expects to have with its Clients and affiliates. While much of this brochure will apply to all such Clients and affiliates, certain information included herein may apply to specific Clients or affiliates only. This brochure does not constitute an offer to sell or solicitation of an offer to buy any securities.*

*The descriptions set forth in this brochure of specific advisory services that the Adviser offers to Clients and investment strategies pursued and investments made by the Adviser on behalf of its Clients and should not be understood to limit in any way the Adviser's investment activities. The Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure, that the Adviser considers appropriate, subject to each Client's investment objectives and guidelines. The investment strategies the Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.*

The Adviser's investment decisions and advice with respect to its Clients are subject to each Client's investment objectives and guidelines, as set forth in its respective offering documents and/or investment management agreement, as applicable. The Adviser has full discretionary authority with respect to investment decisions for its Clients and its advice is made in accordance with the investment objectives and guidelines as set forth in each Client's investment management agreement and/or offering materials, as applicable.

The Adviser does not participate in wrap fee programs.

As of November 1, 2015, the Adviser managed approximately US\$97,689,000 of Client assets (including value of the Adviser's proprietary trading account) net of fees and expenses on a discretionary basis. These numbers are based on estimated and unaudited information as of such date and are therefore subject to change. For the purpose of calculating Client assets under management (which differs from the Adviser's Regulatory Assets Under Management disclosed in Part 1 of Form ADV), the full value of these assets has been included and can include the committed funding that may not be under the Adviser's control, but forms part of the trading level given to the Adviser by a Client. The Adviser does not currently manage any non-discretionary Client assets.

## **ITEM 5. FEES AND COMPENSATION**

The fees applicable to each Client are set forth in detail in their respective offering documents/investment management agreement, as applicable. Generally, Clients pay the Adviser a fee for investment management services (the “Management Fee”) and Private Funds and Managed Accounts may also be charged a performance-based fee or profit allocation (“Performance Compensation”). Certain Clients may invest in exchange traded funds or other third party investment products; in such cases, advisory compensation charged by the applicable third party investment adviser will be paid by the Client in addition to the advisory compensation outlined herein which is paid to the Adviser. Full details regarding the services, fees, investor suitability standards, and other terms applicable to the Clients are included in their respective investment management agreement and/or offering materials, as applicable.

Management Fees are based on a percentage of the Client’s assets under management at annual rates which generally will approximate 1% to 2%. Management Fees are generally be charged monthly or quarterly for such period during which the Adviser performed the services to which the fees related.

The Adviser may also receive Performance Compensation from Private Funds and Managed Accounts. Performance Compensation may vary with each Private Fund and Managed Account and is described in detail in their respective investment management agreement and/or offering materials, as applicable. Performance Compensation is generally charged daily, monthly or quarterly (depending upon the account) for the period during which the Adviser performed the services to which such Performance Compensation related. Performance Compensation is generally equal to between 10% and 20% of net realized and unrealized profits for each year after restoration of any losses carried forward from prior years.

The Adviser does not require prepayment of advisory fees by any Client. Performance Compensation is charged in compliance with all applicable requirements of Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). For the avoidance of doubt, the Adviser, in its sole discretion, may waive, reduce or rebate any Management Fee or Performance Compensation or calculate such fees differently with respect to any class, sub-class or series of shares or limited partnership interests of any Private Fund held by or on behalf of any investor, including, without limitation, any employee, agent or affiliate of the Adviser. It addition, Management Fees and/or Performance Compensation may also be calculated differently with respect to, or may not be charged to, certain Managed Accounts including related person-owned Managed Accounts, if any. Full details regarding the services, fees, investor suitability standards, and other terms applicable to Clients are included in their respective investment management agreement and/or offering materials, as applicable.

### **Direct Expenses**

Each Client is responsible for expenses related to its respective operations and activities, including expenses associated with its investment portfolio and if applicable, its proportionate share of the direct expenses of the third party investment products in which it invests. The direct expenses incurred by each Client, which are outlined in detail in their respective investment management agreement and/or offering materials, as applicable, may vary depending on the nature of the operations and activities of the Client.

Below is a summary of the direct expenses typically borne by each type of Client. The summary is not meant to be a complete list of all direct expenses; nor should it be inferred that each expense appearing in the summary will be incurred by every Client. Clients are advised to read the relevant investment management agreement and/or offering materials, as applicable, for a complete description of applicable direct expenses.

Generally, expenses related to operations and activities include, but are not limited to, the following: organizational and offering expenses (with respect to Private Funds and any Managed Accounts formed as a “fund-of-one”), fees payable to the Adviser, third party administrator and other investment expenses (e.g., expenses that the Adviser reasonably determines to be related to the investment of the Private Fund’s and/or Managed Account’s assets, such as brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, premiums paid for options, swaptions, and other derivative instruments, bank service fees and interest expenses); operational expenses; expenses incurred with respect to due

diligence; investment-related travel expenses; the cost of computer hardware and software; legal and compliance expenses (including, without limitation, the fees and expenses of attorneys and compliance professionals retained by the Adviser on behalf of the Private Fund and/or Managed Account); professional fees (including, without limitation, expenses of consultants and experts) relating to investments; accounting expenses (including the cost of accounting software packages); auditing and tax preparation expenses (whether provided by the employees of the Adviser or another party); costs of printing and mailing reports and notices; taxes; corporate licensing; regulatory expenses (including, whether reported directly by the Private Fund and/or Managed Account or the Adviser, the costs and expenses related to a Private Fund's and/or Managed Account's U.S. and/or non-U.S. registration, regulatory and self-regulatory filings, reporting, registrations and memberships, and compliance including without limitation the costs of compliance reporting programs, third-party compliance consultants including the costs and expenses associated with complying with the requirements of any new or additional regulatory regime); insurance expenses; expenses incurred in connection with the offering and sale of the interest and other similar expenses related to the Private Fund and/or Managed Account; and extraordinary expenses incurred by or relating to the Private Fund and/or Managed Account or its activities and assets. For more information on brokerage costs please see Item 12.

Each RIC is generally responsible for its own operating expenses (all of which are borne directly or indirectly by the RIC's shareholders), including among others, legal fees and expenses of counsel to the RIC and the RIC's independent trustees; insurance (including trustees' and officers' errors and omissions insurance); auditing and accounting expenses; taxes and governmental fees; listing fees; dues and expenses incurred in connection with membership in investment company organizations; fees and expenses of the RIC's custodians, administrators, transfer agents, registrars and other service providers; expenses for portfolio pricing services by a pricing agent, if any; other expenses in connection with the issuance and offering of shares; expenses relating to investor and public relations; expenses of registering or qualifying securities of the RIC for public sale; brokerage commissions and other costs of acquiring or disposing of any portfolio holding of the RIC; expenses of preparation and distribution of reports, notices and dividends to shareholders; expenses of the dividend reinvestment plan; compensation and expenses of trustees; any litigation expenses; and costs of shareholders' and other meetings.

#### **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Adviser accepts Performance Compensation from certain Clients. However, Performance Compensation may not be accepted from all Clients. As described above in Item 5, the Adviser may charge Private Funds and Managed Accounts Performance Compensation in addition to Management Fees which are also described in Item 5 above. Full details regarding the services, fees, investor suitability standards, and other terms applicable to the Private Funds and/or Managed Accounts are included in their respective investment management agreements and/or offering materials, as applicable. Performance Compensation is only charged in compliance with all applicable requirements of Rule 205-3 under the Advisers Act and the Adviser only accepts Performance Compensation from qualified clients.

The variation of Performance Compensation structures among Private Funds and/or Managed Accounts may create an incentive for the Adviser to direct the best investment ideas to, or to allocate or sequence trades in favor of, Private Funds and/or Managed Accounts that have Performance Compensation obligations or to Private Funds and/or Managed Accounts that pay a greater level of Performance Compensation than other Clients with lower or no Performance Compensation structure, including RICs sub-advised by the Adviser. The Adviser is committed to allocating investment opportunities on a fair and equitable basis and has established policies and procedures to address the conflict of interest described above.

#### **ITEM 7. TYPES OF CLIENTS**

As described above in Item 4, the Adviser intends to provide discretionary investment management services to Private Funds. Currently, the Adviser provides discretionary investment management services to RICs (in a sub-advisory capacity) and individual discretionary investment management services to Managed Accounts (which includes the account of a related person). The Adviser may advise both U.S. and non-U.S. Clients.

To help the U.S. Government fight the funding of terrorism and money laundering activities, the Adviser may seek to obtain, verify, and record information that identifies each investor who invests in a Client. In this regard, when an investor seeks to open an account or invest in a Fund (including a Managed Account formed as a fund-of-one), the Adviser may ask for a completed Form W-8/W-9, as applicable, which includes the name, address, Tax ID/Employer ID number (or any other registration number issued in the jurisdiction of location or incorporation) and other reasonably required information that will allow the Adviser to identify the investor. The Adviser may ask for information and documentation regarding source of funds to be invested. The Adviser also reserves the right to ask for more information regarding the individuals who are beneficial owners of the investor and/or exercise control over the investor. The Adviser may ask for the names of such beneficial owners and may also ask for address, date of birth, and other information that will allow the Adviser to identify such beneficial owners. The Adviser may also request such other information as may be necessary to comply with applicable law. Furthermore, the Adviser may verify any of the aforementioned information using third-party sources and may share that information as required by applicable law or in connection with the execution of trades on behalf of that investor. For certain investors, the Adviser may rely on the investor's broker-dealer, administrator, transfer agent, custodian or placement agent to obtain, verify and record the required information.

Managed Accounts formed as a "fund-of-one" and Private Funds advised by the Adviser may be organized as domestic or offshore (non-U.S.) companies, limited partnerships, limited liability companies, corporate trusts or other legal entities, as determined appropriate by the Adviser. RICs sub-advised by the Adviser may be organized as domestic companies, limited partnerships, limited liability companies, corporate trusts or other legal entities, as determined appropriate by the investment adviser of the RIC.

As a general matter, each Client is managed in accordance with its investment objectives, strategies and guidelines and, unless the Client is a Managed Account, investment advisory services are not tailored to the individualized needs of any particular investor. In addition, an investment in a Private Fund or RIC does not, in and of itself, create an advisory relationship between the investor and the Adviser. Therefore, investors must consider whether such an investment meets their investment objectives and risk tolerance prior to investing. Information about a Client, including its investment risk, can be found in its investment management agreement and/or offering materials, as applicable. Certain non-US affiliates may act as placement agents with respect to the distribution of a commingled Fund to investors outside the U.S. While this brochure may be provided to, and include information relevant to investors, this brochure is designed solely to provide information about the Adviser and should not be considered to be an offer of interests in any Client.

Typically, each investor in a Private Fund or Managed Account formed as a "fund-of-one" that is exempt from the registration requirements under the Company Act pursuant to Section 3(c)(7) is required to qualify as a "qualified purchaser" within the meaning of Section 2(a)(51) of the Company Act and is required to certify that it is at least an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act and non-U.S. investors are required to certify that they meet the requirements of the Regulation S safe harbor under the Securities Act; however, where the Adviser does not charge performance related compensation to a particular Client, investors will only be required to qualify as an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act. As noted above in Item 6, if the Adviser collects performance related compensation, investors will be required to meet the requirements of Rule 205-3 under the Advisers Act and certify that they are at least a "qualified client". Please see each Client's investment management agreement and/or offering materials, as applicable, for specific investor qualifications.

In some cases, a Fund may be considered a commodity pool for which the Adviser is a commodity pool operator that: (i) is exempt from certain reporting, recordkeeping and disclosure requirements pursuant to Rule 4.7 under the Commodity Exchange Act ("CEA"); (ii) may be a registered commodity pool operator; or (iii) may be exempt from registration and related requirements pursuant to CEA Rule 4.13(a)(3), or other provisions under the CEA and the rules of the Commodities Futures Trading Commission ("CFTC") thereunder, and in connection with these exemptions, investors may be required to meet additional requirements. Additionally, investors in a Fund may be subject to certain other eligibility requirements which are set forth in its offering materials. The Adviser's personnel (including, but not limited to, the Adviser's

investment strategy personnel responsible for the management of a Fund) who are qualified purchasers, “knowledgeable employees” (as defined in Rule 3c-5 under the Company Act) or who meet a Fund’s eligibility criteria and certain other eligible personnel of the Adviser may be offered the opportunity to invest in any commingled Funds formed and offered by the Adviser.

Private Funds managed by the Adviser in the future may utilize a “master-feeder” structure, pursuant to which trading operations reside within a “master fund” while investors access the master fund through one or more “feeder funds” that, in turn, invest in the master fund.

The Adviser and its related persons may invest in and/or serve as general partner or managing member, or on the board of directors or advisory board, of a Private Fund or Managed Account and may provide services other than advice (including, but not limited to, administration, organizing and managing the business affairs, executing and reconciling trades, preparing financial statements and providing audit support, preparing tax related schedules or documents, legal and compliance support, and sales and investor relations support, diligence and valuation services) to such Private Fund or Managed Account, in some cases for a fee separate and apart from the advisory fee. A Private Fund or Managed Account may pay or reimburse the Adviser for certain organizational and initial offering expenses and operating expenses related to the Private Fund or Managed Account.

With respect to Managed Accounts, the minimum investment is determined on a case by case basis and with respect to Private Funds, the minimum investment is expected to be \$1 million; provided that in each case the Adviser may accept lesser amounts in its discretion. The minimum investment for the RICs is expected to be \$1000 or \$1,000,000, depending upon the share class acquired by the investor.

## **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Methods of Analysis and Investment Strategies**

The Adviser seeks to invest Client assets primarily in long or short positions in companies that are predominantly focused on consumer-related sectors. The Adviser’s analysis generally includes a rigorous due diligence and selection process based on in-depth fundamental research. Each and every long and short position seeks to generate its own individual alpha. Sector focus includes, but is not limited to, retail, gaming & lodging, leisure, consumer technology, staples, building materials, transportation and media. The Adviser may obtain advice from attorneys, accountants and other experts to assist in its analysis of various asset classes that it trades.

Client investments entail a number of risks. There can be no assurance that a Clients’ investment program will prove successful, and certain investment practices can, in some circumstances, potentially increase any adverse impact on the Clients’ investment portfolios. The Adviser’s risk management approach seeks to isolate and mitigate, not eliminate, risk and there may be certain risks that the Adviser determines should not or cannot be hedged against. Accordingly, the Adviser’s activities could result in substantial losses under certain circumstances. Investing in securities involves risk of loss that investors should be prepared to bear.

PAST PERFORMANCE RESULTS ARE NOT INDICATIVE OF FUTURE PERFORMANCE. NO ASSURANCE CAN BE MADE THAT PROFITS WILL BE ACHIEVED OR THAT SUBSTANTIAL LOSSES WILL NOT BE INCURRED.

The risks discussed below are those that a Client may be exposed to directly or indirectly. Certain risks apply specifically to particular investment strategies or investments in different types of securities or other investments that a Client (and its investors/beneficial owners) should be prepared to bear. The risks involved will vary based on each respective investment strategy and the type of securities or other investments held in a Client’s account.



## CERTAIN RISK FACTORS

*The following risk factors and conflicts of interest do not purport to be a complete list or explanation of all the risks and conflicts of interest associated with the strategy pursued by the Adviser's Clients, the Adviser's method of analysis or types of investment instruments utilized on behalf of its Clients. Furthermore, the following risk factors and conflicts of interest do not purport to be a complete list or explanation of the risks and conflicts of interest involved in an investment in the Funds and Managed Accounts advised by the Adviser.*

### Dependence on the Adviser

There can be no assurance that a Client will achieve its investment objective. Although certain of the Adviser's investment professionals have participated in the management of other investment funds and accounts, the past performance of such other investment funds and accounts cannot be relied upon as an indicator of a Client's own success. Investors must rely upon the ability of the Adviser and the Adviser's investment professionals in identifying and implementing investments consistent with each Client's investment objective and policies. A Client's investment performance depends largely on the skill of key personnel of the Adviser. If key personnel were to leave the Adviser, the Adviser might not be able to find equally desirable replacements, and the performance of a Client could, as a result, be adversely affected.

### Investment Risks

An investment in a Fund or Managed Account involves a high degree of investment risk, including the risk that the entire amount invested may be lost. A Client will invest in securities using strategies and financial techniques with significant risk characteristics. No guarantee is made that the investment objectives will be realized. There is no guarantee that a Client will be able to control investment risks or that the risks will not aggregate in a manner adverse to a Client. The risks associated with particular investments include, but are not limited to, the risks outlined in the following paragraphs.

### Financial Market Fluctuations.

General fluctuations in the market prices of securities and economic conditions generally, particularly of the type experienced since 2008, may reduce the availability of attractive investment opportunities for a Client and may affect such Client's ability to make investments and the value of the investments held by such Client. Instability in the securities markets and economic conditions generally may also increase the risks inherent in a Client's investments. The public securities markets have seen increased volatility and the ability of companies to obtain financing for ongoing operations or expansions may be severely hampered by the tightening of the credit markets and the ongoing financial turmoil and uncertainty. The repercussions of this market turmoil are unclear. Moreover, it remains unknown whether governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) will have a positive or negative effect on market conditions. There can be no assurance that the market will, in the future, become more liquid than it is at present, and it may well continue to be volatile for the foreseeable future. The ability to realize investments in an effective manner depends not only on companies in the investment portfolio of a Client and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. The trading market, if any, for the securities of any company in the investment portfolio of a Client may not be sufficiently liquid to enable a Client to sell these securities when the Adviser believes it is most advantageous to do so, or without adversely affecting the stock price. Continued or renewed volatility in the financial sector may have an adverse material effect on the ability of a Client to buy, sell and partially dispose of a company in its investment portfolio. A Client may be adversely affected to the extent that it seeks to dispose of any of its portfolio investments into an illiquid or volatile market, and a Client may find itself unable to dispose of investments at prices that the Adviser believes reflect the fair value of such investments. The duration and ultimate effect of current market conditions and whether such conditions may worsen cannot be predicted. The ability of companies in the investment portfolio to refinance debt securities may depend on their ability to sell new securities in the public high yield debt market or otherwise.

### Equity Risk.

The market price of securities owned by a Client may go up or down, sometimes rapidly or unpredictably. The Funds and Managed Accounts are subject to the risk that the equity securities in each of their portfolios will decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets. The values of equity securities may decline due to general market conditions, which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. Such values may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which the Adviser believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Adviser anticipates. As a result, a Client may lose all or substantially all of its investment in any particular instance.

#### Lack of Liquidity in Markets.

The markets for some securities may be thinly traded from time to time. This lack of liquidity and market depth could disadvantage a Client, both in the realization of the quoted prices and in the execution of orders at desired prices or in desired quantities. Also, securities exchanges and the SEC have authority to suspend trading in a particular security without notice.

#### Concentration of Investments.

Subject to applicable limitations in the offering document/investment management agreement, as applicable, the Adviser expects a Client's portfolio to be relatively concentrated. Any such lack of diversification would increase the risk of loss to a Client if there were a decline in the market value of any security or sector in which such Client had invested a large percentage of its assets. Investment in a "non-diversified" fund will generally entail greater risks than investments in a "diversified" fund.

#### Investment in Small Companies.

There is generally no limitation on the size or operating experience of the companies in which a Client may invest. Some small companies in which a Client may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small actors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

#### Investment in Illiquid Securities.

A Client may invest in illiquid investments, which are securities that are not readily marketable, only thinly traded or which the Adviser otherwise determines to be illiquid or lacking a readily ascertainable market value. Illiquid investments may include privately placed securities that are not registered under the Securities Act and may have little or no trading market. In many cases the fair market value of such investments may be difficult to ascertain, and there is a risk of mistaken valuations. In addition, a Client may not be able to readily dispose of such investments, and, in some cases, may be contractually prohibited or otherwise restricted from disposing of such securities for a specified period of time. These limitations on liquidity of such investments could prevent a successful sale thereof, result in delay of any sale or reduce the amount of proceeds that might otherwise be realized.

#### Geographic Concentration.

The Adviser expects that the primary geographic focus of a Client's investments will be in the United States, although the Adviser may also pursue (subject to any applicable limitations in the applicable) international investments. There will generally be no limitation on the level of concentration of U.S. investments. Targeting a specific geographical area could hurt a Client's performance or cause such performance to be more volatile than a more geographically diversified Client.

#### Investment in Non-U.S. Securities.

The Adviser may invest from time to time in non-U.S. securities. Such investments may be subject to a greater risk than U.S. investments due to non-U.S. economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of taxes on dividends, interest payments, or capital gains, the need for approval by government or other authorities to make investments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities and other factors beyond the control of the Adviser. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting, reporting or disclosure requirements than U.S. issuers. The securities markets of some countries in which a Client may invest have substantially less volume than those in the United States, and securities of certain companies in these countries are less liquid and more volatile than securities of comparable U.S. companies. Accordingly, these markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities, than is usual in the United States. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the United States. Non-U.S. securities settlements may in some instances be subject to delays and related administrative uncertainties. In some countries, there are restrictions on investments or investors such that the only practicable way for a Client to invest in such markets is by entering into swaps or other derivative transactions with a prime broker or other intermediaries or counterparties. Such transactions involve counterparty risks that are not present in the case of direct investments and that the Adviser may not be able to control. Investments in companies with significant operations in emerging markets will be subject to all of the risks detailed above, as well as to various other risks that cannot currently be predicted with precision. Additionally, owing to the less developed political systems and markets often in place in emerging markets, the risks described above may be more pronounced with respect to a Client's investment in emerging markets than with respect to investments in other international markets. For example, any such investments may be subject to a greater risk of expropriation, confiscatory taxation, nationalization, or political, economic or social instability than present in more developed markets. In comparison to securities markets in more developed countries, securities markets in developing countries may be substantially less liquid, and may have greater volatility, greater fluctuations in the rate of exchange between currencies, and greater costs associated with currency conversions. Any of these factors could cause the Adviser not to pursue certain investments or to alter certain activities or liquidate certain investments prior to or after the time when the Adviser would otherwise prefer to liquidate such investments, and such factors may cause losses or have other negative impacts on a Client or its investments.

#### Currency Exchange Risk.

Non-U.S. investments may be denominated in, or linked to, currencies other than the U.S. dollar. Currency exchange rates can be volatile and affected by, among other factors, the general economics of a country, the actions of governments or central banks and the imposition of currency controls and speculation. A Client may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between such currencies and the U.S. dollar. A change in the value of a non- U.S. currency relative to the U.S. dollar will result in a corresponding change in the U.S. dollar value of the Client's assets denominated in that non-U.S. currency. The Adviser may enter into transactions (including currency swaps, forward currency exchange contracts, currency futures, and options on currencies and futures) to hedge against currency exchange risk, but the Adviser is not obligated to do so. Additionally, suitable hedging transactions may not be available in all circumstances, or such transactions may not be successful and may eliminate any chance for a Client to benefit from favorable fluctuations in relevant currencies.

#### Market Disruption and Geopolitical Risk.

A Client is subject to the risk that war, terrorism, and related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on the U.S. and world economies and markets generally, as well as adverse effects on issuers of securities and the value of a Client's investments. Those events, as well as other changes in U.S. and non-U.S. economic and political conditions, also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of a Client's investments. At such times, a Client's exposure to a number of other risks described elsewhere in this section can increase.

Portfolio Turnover. The Adviser expects there will be no limit on the rate of portfolio turnover for any Client, and portfolio investments held by a Client may be sold without regard to the length of time they have been held when, in the opinion of the Adviser, investment considerations warrant such action. This could result in frequent trading. A high rate of portfolio turnover involves correspondingly greater expenses, leads to greater brokerage and other transaction costs, may reduce a Client's investment gains, may create a loss for investors and may result in taxable costs for investors, depending on the tax provisions applicable to such investors.

#### Short Sales.

The Adviser may strategically make short sales of investment securities on behalf of a Client to hedge certain risks or capitalize on market misunderstandings of fundamentals, such as flawed business models or poor company management. In a short sale, the seller sells a security that it does not own, typically a security borrowed from a broker or dealer. Because the seller remains liable to return the underlying security that it borrowed from the broker or dealer, the seller must purchase the security prior to the date on which delivery to the broker or dealer is required. As a result, the Adviser typically engages in short sales only where it believes the value of the security will decline, or will underperform relative to another security or group of securities in its portfolio, between the date of the sale and the date a Client is required to return the borrowed security, or for hedging purposes. Short selling exposes a Client to the risk of liability for the market value of the security that is sold, which in certain circumstances is an unlimited risk due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available to be borrowed at reasonable costs. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the Adviser may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. Any of these factors could make the Adviser unable to execute a particular investment strategy.

In the past, the SEC has adopted interim rules requiring reporting of all short positions above a certain de minimis threshold and may adopt rules requiring public disclosure in the future. In addition, other jurisdictions in which the Adviser may trade have adopted reporting rules for short sales and short positions. If a Client's short positions or its strategy become generally known, it could have a significant effect on the Adviser's ability to implement its investment strategies for such Client. In particular, it would make it more likely that other investors could cause a "short squeeze" in the securities held short by a Client forcing a Client to cover its positions at a loss. In addition, if other investors engaged in copycat behavior by taking positions in the same issuers as a Client, the cost of borrowing securities to sell short could increase drastically, and the availability of such securities to such Client could decrease drastically. Such events could make the Adviser unable to execute its investment strategy. The SEC has adopted restrictions on the short sales of securities that fall more than ten percent in a given day (referred to as the "circuit breaker" or "modified uptick" rule). Such events and these and other restrictions on the Adviser's ability to engage in short sales could make the Adviser unable to execute its investment strategy and cause losses to a Client.

The SEC and regulatory authorities in other jurisdictions may adopt (and in certain cases, have adopted) bans on short sales of certain securities in response to recent market events. Bans on short selling may make it impossible for the Adviser to execute certain investment strategies on behalf of a Client and may have a material adverse effect on its ability to achieve its investment objective and generate returns.

#### Leverage.

The Adviser has the power to cause a Client to borrow and may do so when it deems it necessary or advisable to provide efficient portfolio management or, in unusual circumstances, to take advantage of investment opportunities. The Adviser also may cause a Client to borrow when the Adviser deems it appropriate to meet withdrawal requests, which would otherwise result in the premature liquidation of investments. Leverage increases returns if a Client earns a greater return on investments purchased with borrowed Funds than such Client's cost of borrowing. However, the use of leverage exposes a Client to additional risks, including (i) greater losses from investments than would otherwise have been the case had such Client not borrowed to make the investments; (ii) margin calls or interim margin requirements that may force premature liquidations of investment positions; and (iii) losses on investments where the investment fails to earn a return that equals or exceeds such Client's cost of borrowing. In the event of a sudden, precipitous drop in value of a Client's assets, such Client may not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by such Client.

Derivatives and Counterparty Risks. Although the Adviser does not currently expect derivative transactions to be a significant element of its investment strategy, the Adviser may utilize swaps and other derivative transactions to some degree where it believes it will further the objectives of a Client. Notional amounts of swap transactions are not subject to any limitations, and swap contracts may expose a Client to unlimited risk of loss. Swaps may be used as an alternative to futures contracts. To the extent a Client invests in repos, swaps, forwards, futures, options and other "synthetic" or derivative instruments, counterparty exposures can develop, and such Client bears the risk of nonperformance by the other party to the contract. This risk may differ materially from those entailed in exchange-traded transactions which generally are supported by guarantees of clearing organizations, daily marking-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. In the international securities markets, the existence of less mature settlement structures and systems can result in settlement default and exposure to counterparty credits. In addition, the U.S. government has enacted legislation that includes provisions for new regulation of the derivatives market, including new clearing, margin, reporting and registration requirements. Because the legislation leaves much to rule making (and many of the rules are not yet final), its ultimate impact remains unclear. In addition, the regulatory changes could, among other things, restrict the Adviser's ability to engage in derivatives transactions and/or increase the costs of such derivatives transactions (including through increased margin requirements), and a Client may be unable to execute its investment strategy as a result. Additionally, the new requirements may result in increased uncertainty about counterparty credit risk. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. A Client may only close out a swap or contract for differences with the consent of the particular counterparty, may only transfer a position with the consent of the particular counterparty, and following transfer of a position, may only close out the transaction with the new counterparty. Also, if the counterparty defaults, a Client will have contractual remedies pursuant to the agreement related to the transaction, but there is no assurance that contract counterparties will be able to meet their obligations pursuant to such contracts or that, in the event of default, the Client will succeed in enforcing its contractual remedies. There also may be documentation risk, including the risk that the parties may disagree as to the proper interpretation of the terms of a contract. If such a dispute occurs, the cost and unpredictability of the legal proceedings required to enforce its contractual rights may lead a Client to decide not to pursue its claims against the counterparty. Such Client thus assumes the risk that it may be unable to obtain payments owed to it under swap contracts, over-the-counter options and other two-party contracts, or that those payments may be delayed or made only after a Client has incurred the costs of litigation.

Counterparty risk may be further complicated by recently enacted U.S. financial reform legislation which includes provisions for new clearing, margin and reporting requirements for derivatives transactions and new restrictions on the types of derivatives transactions that can be entered into by certain financial companies. The ultimate impact of these regulatory changes remains unclear because much is left to rule making by the CFTC and the SEC; however, these new requirements could mean that a Client will face less creditworthy counterparties on certain derivatives transactions. Also, the new legislation may limit the flexibility of a Client to protect its interests in the event of an insolvency of a derivatives counterparty, because of powers granted to clearinghouses and to the Federal Deposit Insurance Corporation to limit or delay close-out of

derivatives positions of insolvent clearing members or financial companies and to transfer such positions to other entities.

Certain derivatives transactions that may be used by a Client, including certain interest rate swaps and credit default index swaps, will be required to be cleared. In a cleared derivatives transaction, a Client's counterparty to the transaction is a central derivatives clearing organization, or clearing house, rather than a bank or broker. Because the Clients are not members of a clearing house, and only members of a clearing house can participate directly in the clearing house, the Clients will hold cleared derivatives transactions through accounts at clearing members, who are futures commission merchants who are members of the clearing houses. A Client will make and receive payments owed under cleared derivatives transactions (including margin payments) through its accounts at clearing members. A Client's clearing members guarantee a Client's performance of its obligations to the clearing house. In contrast to bilateral derivatives transactions, following a period of advance notice to a Client, clearing members can generally require termination of existing cleared derivatives transactions at any time and increase the amount of margin required to be provided by a Client to the clearing member for any cleared derivatives transaction above the amount of margin that was required at the beginning of the transaction. Any such termination or increase could interfere with the ability of a Client to pursue its investment strategy. Also, a Client is subject to execution risk if it enters into a derivatives transaction that is required to be cleared (or which the Adviser expects to be cleared), and no clearing member is willing to clear the transaction on a Client's behalf. In that case, the transaction might have to be terminated, and a Client could lose some or all of the benefit of any increase in the value of the transaction after the time of the trade.

#### Fixed-Income Securities.

The Adviser expects a Client to invest primarily in equity securities. However, subject to any applicable guidelines and/or restrictions (as applicable), a Client may invest in bonds or other fixed-income securities, including, without limitation, commercial paper and "higher yielding" (and, therefore, higher risk) debt securities. Such securities may be below "investment grade" and may face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates; lower-rated debt securities also tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue lower-rated debt securities often are highly leveraged and may not have access to more traditional methods of financing. Trading in such securities may be limited or disrupted by an economic recession, resulting in an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could affect adversely the ability of the issuers of such securities to repay principal and pay interest thereon and, therefore, increase the incidence of default for such securities.

#### Options.

The Adviser may cause a Client to invest in options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities interest becomes restricted. Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size and strike price, the terms of over-the-counter options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows the Adviser greater flexibility to tailor an option to a Client's needs, over-the-counter options generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

### Futures and Related Options.

The Adviser has the ability, to the extent permitted by applicable law and any relevant investment restrictions, to buy and sell futures contracts and related options on behalf of a Client at any time. A futures contract is an agreement between two parties to buy and sell a specific quantity of a commodity (including a securities index or an interest-bearing security) for a set price at a future date. A Client may also buy and sell call and put options on futures or on securities indexes in addition to or as an alternative to purchasing or selling futures contracts, or, to the extent permitted by applicable law, to earn additional income. The use of futures and options involves certain special risks. Futures and options transactions involve costs and may result in losses. Certain risks arise because of the possibility of imperfect correlations between movements in the prices of futures and options and movements in the prices of the underlying securities, securities index, currencies or other commodities or of the securities or currencies in a Client's portfolio that are the subject of the hedge (to the extent a Client uses futures and options for hedging purposes). The successful use of futures and options further depends on a Client's ability to forecast market or interest rate movements correctly. Other risks arise from a Client's potential inability to close out its futures or options positions, and there can be no assurance that a liquid secondary market will exist for any futures contract or option at a particular time. The use of futures and options for purposes other than hedging is regarded as speculative. Certain regulatory requirements may also limit a Client's ability to engage in futures and options transactions.

### Other Instruments and Future Developments.

The Adviser may take advantage of opportunities in the area of swaps, options on various underlying instruments and swaptions and certain other customized synthetic or derivative investments in the future. In addition, the Adviser may take advantage of opportunities with respect to certain other synthetic or derivative instruments that are not presently contemplated for use by a Client or that are currently not available, but which may be developed to the extent such opportunities are both consistent with such Client's investment objective and legally permissible. As a result of such practices, special risks may apply to a Client's investments in the future.

### Cash and Other Investments.

A Client may invest all or a portion of its assets in cash or cash items, in whole or in part, for investment purposes, pending other investments or as provision of margin for futures or forward contracts. These cash items are generally of high quality at the time of investment and may include a number of money market instruments such as negotiable or non-negotiable securities issued by or short-term deposits with the U.S. and non-U.S. governments and agencies or instrumentalities thereof, bankers' acceptances, high quality commercial paper, repurchase agreements, bank certificates of deposit and short-term debt securities of U.S. or non-U.S. issuers deemed to be creditworthy by the Adviser. While these investments generally involve relatively low risk levels, they may produce lower than expected returns and could result in losses.

### **Conflicts of Interest**

The Adviser and its affiliates expect to advise multiple Clients, whose accounts may purchase or sell the same securities. The Adviser and its affiliates are not under any obligation to share any investment opportunity, idea or strategy with any particular Client. As a result, other Clients of the Adviser or its affiliates may compete with one another for appropriate investment opportunities. The Adviser may make recommendations to and take actions on behalf of certain Clients, which may be the same as or different from those made or taken on behalf of another Client. The Adviser may from time to time acquire positions in or transact in securities and other investments on behalf of a Client which may differ from or be inconsistent with the advice given, or the timing or nature of the Adviser's action or actions with respect to another Client. The Adviser's investment allocations are designed to provide a fair allocation of purchases and sales of securities among the various Clients managed by the Adviser, while preserving incentives for the Adviser to find new investment opportunities, and to ensure compliance with appropriate regulatory requirements.

The Adviser and its affiliates have the ability to trade in financial instruments for their own accounts and the Adviser may act as an investment adviser to the Managed Account of a related person. This may on occasion

create conflicts of interest with regard to such matters as allocation of opportunities to participate in particular investments or to dispose of certain investments. In addition, if as a result of the aggregation requirements set forth under the law, applicable position limits were exceeded, the Adviser, or its respective affiliates could have a conflict of interest in determining which positions to liquidate.

By reason of the investment advisory and other activities of its affiliates, the Adviser may acquire confidential information or otherwise be restricted from initiating transactions in certain securities. It is acknowledged and agreed that, except as required by the applicable law, the Adviser may not be free to divulge, or to act upon, any such confidential information and that, due to such a restriction, the Adviser may not initiate certain transactions the Adviser otherwise might have initiated. It is further acknowledged and agreed that the Adviser shall, for itself and on behalf of the Client, disclose such information to governmental and regulatory authorities as may be required by law.

From time to time, the Adviser may permit certain Private Fund investors to acquire interests on different terms than other investors (including, without limitation, with respect to minimum investment amounts, fees, expanded reporting and withdrawal terms). The Adviser is not required to notify any or all of the other investors of any such terms, nor is the Private Fund or the Adviser required to offer such additional and/or different rights and/or terms to any or all of the other investors.

*Please refer to the relevant Client offering documents and/or investment management agreement, as applicable for a more detailed discussion of risk factors and conflicts of interest.*

#### **ITEM 9. DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a Client's or prospective Client's evaluation of the Adviser's advisory business or the integrity of the Adviser's management.

#### **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

As previously noted in response to Item 4, the Adviser is a Delaware limited liability company with three members, Ward Davis, Brian Agnew and Ramius (a direct, wholly-owned subsidiary of Cowen Group, Inc.). Through Ramius' ownership interest, the Adviser is affiliated with the following U.S. registered broker-dealers: Cowen and Company, LLC and ATM Execution LLC as well as the dual-registered U.S. broker-dealer and investment adviser, Cowen Prime Services LLC. The Adviser is also affiliated with Cowen International Limited, a UK FCA registered broker-dealer and Ramius UK Limited, which is currently not active but is registered with the UK FCA with respect to certain investment advisory activities. The above referenced entities are all (directly or indirectly) wholly owned subsidiaries of Cowen Group, Inc., a publicly traded company (NASDAQ: COWN).

The Adviser generally operates separately from its broker-dealer affiliates and does not direct any Client business to its broker-dealer affiliates; however, the Adviser is permitted to direct business to its affiliated broker-dealers for any Managed Account it advises that is beneficially owned by a related person or as directed by the Managed Account's beneficial owner. A Managed Account client for which the Advisor does not have custody with respect to its advisory activities utilizes an affiliate of the Adviser, Cowen Prime Services LLC (formerly known as Concept Capital), as its prime broker. The Adviser was instructed by the Managed Account client to utilize Cowen Prime Services LLC as the account's qualified custodian. The separately managed account client's relationship with Cowen Prime Services LLC predates the qualified custodian's acquisition by Adviser affiliate, Cowen Group, Inc. To the extent that any conflict may arise with respect to its affiliated broker-dealers, the potential conflict is addressed by Cowen Group, Inc.'s Conflicts Committee which is headed by Cowen Group, Inc.'s General Counsel. At this time, the Adviser does not believe there is any material conflict related to this relationship.

Through Ramius' ownership interest, the Adviser is also affiliated with the following registered investment advisors which also manage Private Funds, RICs and Managed Accounts: Ramius Advisors, LLC, Ramius Alternative Solutions LLC, Ramius Trading Strategies LLC, Quadratic Capital Management LLC (SEC



registration pending), Cowen Structured Credit Group LLC, Starboard Value LP, Healthcare Royalty Management, LLC, RCG Longview Equity Management, LLC, RCG Longview Management, LLC, RCG Longview Debt Fund IV Management, LLC and RCG Longview Partners II, LLC. Ramius Advisors, LLC, Ramius Alternative Solutions LLC, Ramius Trading Strategies LLC and Quadratic Capital Management LLC are also CPOs and members of the NFA. Additionally, the Adviser is affiliated through Ramius with Ramius Trading Strategies GP LLC, a CPO and NFA member.

The Adviser and Ramius have entered into a management agreement pursuant to which Ramius provides certain operations, accounting and other administrative support services to the Adviser. In addition, the Adviser and Ramius have entered into a services agreement pursuant to which Ramius provides certain administrative services to the Adviser and its Clients, including, certain operational services, as well as certain legal, compliance, marketing and fund accounting services (the “Services”). As compensation for the Services provided (from Ramius as a third-party provider), the Adviser intends to charge its future Private Fund clients a fee, calculated monthly in arrears and payable quarterly in arrears (pro-rated for partial periods) payable to Ramius, equal to 0.0125% (0.15% on an annualized basis) of the net asset value of the Private Fund as of the last business day of each calendar month (the “Services Fee”). The Adviser does not charge a Services Fee to its Managed Account or RIC clients. Ramius’ equity ownership interest in the Adviser also entitles it to a share of the Adviser’s net revenue.

Pursuant to these agreements, Ramius is obligated to maintain policies and procedures to ensure that Ramius personnel who provide the Services or otherwise receive or have access to confidential information of the Adviser and its Clients comply with applicable rules, laws and regulations.

At this time, the Adviser does not believe there are any material conflicts related to these affiliations. For a complete description of these advisors and the clients they advise and manage, please refer to their Form ADV Part 1’s.

#### **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

The Adviser has adopted a Code of Ethics that is applicable to all of its access persons, supervised persons and virtually all of its employees (for purposes of this section of the brochure, references to “employees” include access persons and supervised persons). The Code of Ethics reflects the Adviser’s belief in the absolute necessity to conduct all business, make all decisions and carry on all personal activities at the highest ethical and professional levels.

All persons that are covered by the Code of Ethics must avoid activities, interests and relationships that may interfere or appear to interfere with making decisions in the best interests of Clients. More specifically, the Code of Ethics seeks to place the interests of Clients over the interests of any employee; imposes standards of business conduct for all of the Adviser’s employees; requires employees to comply with the federal securities laws; regulates employee personal securities transactions, including requiring all covered persons to obtain pre-approval before investing in hedge fund or private placement investments; and requires reporting and review of personal securities transactions.

The Adviser will provide a copy of the Code of Ethics to any Client or prospective Client (including Private Fund investors) upon request.

The Adviser may cause the Clients to purchase securities and other instruments that are also being purchased by the Adviser, the Adviser’s affiliates or their respective employees for their own accounts. The Adviser in all cases purchases securities and other instruments for the Clients on terms at least as favorable as the terms on which the same securities or instruments are purchased for the account of the Adviser, proprietary accounts of its members or the personal accounts of the Adviser’s employees to the extent that such securities or instruments are purchased at approximately the same time and in the same direction as the Client. If this procedure results in the employees of the Adviser or the proprietary accounts of its members acquiring securities or other instruments on more favorable terms than the Clients, such employees or members will reimburse the Clients, respectively, so that such inequity is corrected. The Adviser reserves the right, in its

sole discretion, to not require such reimbursement if it determines the benefit to the Client would be outweighed by the administrative costs associated with processing the reimbursement.

When it is determined that it would be appropriate for one or more Clients to participate in an investment opportunity, the Adviser will seek to execute orders for all of the participating investment accounts on an equitable basis, taking into account such factors as the investment objectives of the participating investment accounts, the availability of leverage, the relative amounts of capital available for new investments, relative exposure to market trends, transaction costs, the portfolio positions of the participating investment accounts, the eligibility of the particular Client, and the other investment accounts under applicable law to make the investment in question and the manner in which the investment is likely to affect the amount of available capital after the investment is made.

Notwithstanding the foregoing, the Adviser is not obligated to allocate to a Client all potential transactions for which it might be eligible pursuant to its investment guidelines and procedures. Depending on the circumstances, the Adviser may allocate certain transactions on a disproportionate basis among its Clients and/or may allocate all of certain other transactions to other Clients, including funds in which one or more of the principals or employees of the Adviser or its affiliates may have an interest. In addition, varying compensation arrangements among the Clients could incentivize the Adviser to allocate investment opportunities to certain Clients over others, or to otherwise manage the Clients differently.

## **ITEM 12. BROKERAGE PRACTICES**

The Adviser is responsible for, among other things, the placement of any securities transactions entered into on behalf of a Client, and for the negotiation of any commissions paid on such transactions. Such securities may be purchased over the counter, through brokers on securities exchanges or directly from the issuer or from an underwriter or market maker for the securities. Purchases of portfolio securities through brokers involve a commission to the broker, and purchases from dealers serving as market makers include the spread between the bid and the ask price. The Adviser seeks to obtain the best execution for the Client, taking into account such factors as price (including the applicable dealer spread or commission, if any), size of order, difficulty of execution, operational facilities of the firm involved and the firm's risk in positioning a block of securities.

The Adviser may execute a portion of the securities trades entered into by a Client through one or more customer brokerage accounts maintained by the Client with certain clearing brokers (the "Clearing Brokers") pursuant to the terms of one or more clearing agreements with the Adviser under which the Adviser allocate to the Clearing Brokers a portion of the brokerage commissions it charges the Client. Floor brokers selected by the Adviser that execute transactions in listed securities receive a portion of the brokerage commissions that the floor brokers charge the Client at rates negotiated by the Adviser and each floor broker.

Generally, the Adviser does not enter into directed brokerage arrangements but may do so for certain Managed Account clients for which it does not have custody with respect to its advisory activities. Any directed brokerage arrangements must be approved by the Adviser. As noted above in response to Item 10, one of the Adviser's Managed Account clients currently utilizes an affiliate of the Adviser, Cowen Prime Services LLC, as its prime broker. The Managed Account client's relationship with Cowen Prime Services LLC (formerly known as Concept Capital) predates the qualified custodian's acquisition by Adviser affiliate, Cowen Group, Inc.

Brokerage transactions executed by brokers and dealers selected by the Adviser on the basis of a variety of factors, including, without limitation, some or all of the following: net price; settlement capabilities and error resolution; electronic reconciliation capability; special execution capabilities; ability to execute large orders, to commit capital, and to minimize trading costs associated with implementing investment decisions; commission rates; reputation, including regulatory issues; financial strength and stability; efficiency of execution of small lots; offering on-line access to computerized data regarding open orders; the ability or inability of electronic trading networks to handle trades instead of other broker-dealers; value of research; and other matters involved in the receipt of brokerage services generally. Brokerage and research services may either be obtained from brokerage firms or paid for by brokerage firms and may include, but are not

limited to, written information and analyses concerning specific securities, companies or sectors; news, quotation, statistics and pricing services, as well as discussions with research personnel and consultants; and software, data bases and other technical and telecommunications services and equipment utilized in the investment management process and consulting fees in connection with investigating and monitoring potential and existing investments.

Research services may be proprietary research (created or developed by the broker-dealer) and research created or developed by a third party. Research services, whether obtained by the use of commissions arising from a Client's portfolio transactions or paid for by the Adviser and charged to a Client as described above, may be used by the Adviser for the benefit of other Clients. In formulating and implementing its policies with regards the use of commissions or "soft dollars" it is the Adviser's intent to stay within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

When the Adviser uses brokerage commissions to obtain research or other products or services, the Adviser receives a benefit because the Adviser does not have to produce or pay for such research, products or services. The Adviser may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than in its Client's interest in receiving most favorable execution.

The Client's securities transactions may generate a substantial amount of brokerage commissions and other compensation, all of which the Client, not the Adviser, will be obligated to pay. The Adviser has complete discretion in deciding what brokers and dealers the Client will use and in negotiating the rates of compensation the Client will pay. In addition to using brokers as "agents" and paying commissions, the Adviser, on behalf of a Client, may buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all of the considerations described above. A broker is not excluded from receiving business because it has not been identified as providing research services. The investment information received from the Client's brokers may be used by the Adviser in servicing all of its accounts, and not all such information need be used by the Adviser in connection with the Client. Nonetheless, the Adviser believes that such investment information provides the Client with benefits by supplementing the research otherwise available to the Client.

The Adviser may aggregate or "block" purchase and sale orders of securities to seek the efficiencies that may be available in larger transactions when it determines that aggregation is consistent with its duty to seek best execution for its Clients, although it has no obligation to do so.

### **ITEM 13. REVIEW OF ACCOUNTS**

The Adviser performs various daily, weekly, monthly, quarterly and periodic reviews of each Client portfolio (as needed). Such reviews are conducted by the Adviser's portfolio managers and research associates. Each Client portfolio is reviewed to ensure: (1) suitable investments are maintained in each Client portfolio; (2) securities are within appropriate risk levels for the Client; (3) an appropriate asset allocation is maintained; and (4) any additional requirements communicated by a Managed Account to the Adviser in writing are met. A review of a Client portfolio may be triggered by any unusual activity or special circumstances.

The Adviser anticipates sending Clients a monthly letter documenting the performance of the Client's portfolio. The Adviser may provide certain Private Fund investors with information on a more frequent and detailed basis if agreed to by the Adviser. In addition, when required by law or otherwise agreed to by contract, the Adviser will issue Client audited financial statements within the legally required time period following of the end of such Client's fiscal year. The Adviser will also provide investors tax reports (if applicable); however, no assurances can be made as to when investor tax information will be provided. As a

result, Client's investors may be required to obtain extensions of the filing date for their income tax returns at the U.S. federal, state, and local level.

#### **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

The Adviser does not receive economic benefits from non-Clients for providing investment advice and other advisory services. Neither the Adviser nor any related person intends to directly or indirectly compensate any person who is not a supervised person, including placement agents, for client referrals. However, the Adviser or its affiliates may enter into placement agreements with certain placement agents ("Placement Agents"), pursuant to which the Placement Agents have agreed to introduce potential investors to the Clients. The Placement Agents may receive compensation for such services from the Adviser or its affiliates.

#### **ITEM 15. CUSTODY**

The Adviser is deemed to have custody of Client funds and securities because it has the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account. Actual custody Client funds and securities; however, is at a broker-dealer, bank or trust company, not at the Adviser. Account statements related to the Clients are sent by qualified custodians to the Adviser (except for RICs and Managed Accounts for which the Advisor does not have custody, in which case the account statements are sent directly to the RIC and/or Managed Account's beneficial owner by the qualified custodian). The Adviser anticipates that it will only have custody over the Private Funds it advises.

The Adviser is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Private Fund because it complies with the provisions of the so-called "*Pooled Vehicle Annual Audit Exception*", which, among other things, requires that each Private Fund 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 will require each Fund to distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

#### **ITEM 16. INVESTMENT DISCRETION**

The Adviser, in its capacity as an investment adviser or sub-adviser, has discretionary trading authority with respect to its Clients. The Adviser's investment decisions and advice with respect to each Client are subject to the objectives and terms as set forth in its investment management agreement (or sub-advisory agreement) and/or offering materials, as applicable. The Adviser has entered into an investment management agreement, or similar agreement, with each Managed Account (and in the future, Private Funds) pursuant to which the Adviser is granted discretionary trading authority. The Adviser has also entered into a sub-advisory agreement with a RIC, pursuant to which the Adviser was granted discretionary trading authority over a segment of the RIC's investment portfolio. The Adviser does not currently advise any non-discretionary Clients but is not prohibited from doing so.

#### **ITEM 17. VOTING CLIENT SECURITIES**

In compliance with Rule 206(4)-6 of the Advisers Act, the Adviser has adopted proxy voting policies and procedures. All decisions about how to vote a proxy are made in accordance with the Adviser's proxy voting policies and procedures, which are designed to take into account the best interests of the Clients, as determined by the Adviser in its discretion. The Adviser may take into account all relevant factors when making such determination. Clients are generally not permitted to direct voting decisions.

The Adviser's Chief Investment Officer has primary responsibility to monitor voting decisions for conflicts of interest, which include the consideration of whether the Adviser or any investment professional or other person recommending how to vote has an interest in the vote that may present a conflict of interest. Where

the Chief Investment Officer deems appropriate in his sole discretion, unaffiliated third parties may be used to help resolve conflicts.

This summary of the Adviser's voting policies and procedures is qualified in its entirety by the Adviser's voting policies and procedures. The Adviser will make information regarding how proxies were voted and/or provide a copy of its voting policies and procedures to Clients upon request.

#### **ITEM 18. FINANCIAL INFORMATION**

The Adviser is not required to include a balance sheet, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.