

Part 2A of Form ADV: Firm Brochure

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This brochure provides information about the qualifications and business practices of Lee Capital Management LP. If you have any questions about the contents of this brochure, please contact us at (212) 888-1500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about us is available on the SEC's website at www.adviserinfo.sec.gov.

We refer to ourselves as a "registered investment adviser". Registration does not imply a certain level of skill or training.

Item 2. Material Changes

This is our initial brochure on Form ADV Part 2A.

Item 3. Table of Contents

ITEM 1. COVER PAGE.....	1
ITEM 2. MATERIAL CHANGES	2
ITEM 3. TABLE OF CONTENTS	3
ITEM 4. ADVISORY BUSINESS	4
ITEM 5. FEES AND COMPENSATION.....	5
ITEM 6. PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT	8
ITEM 7. TYPES OF CLIENTS.....	9
ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	10
ITEM 9. DISCIPLINARY INFORMATION.....	24
ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	24
ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	25
ITEM 12. BROKERAGE PRACTICES.....	29
ITEM 13. REVIEW OF ACCOUNTS.....	33
ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION	33
ITEM 15. CUSTODY	33
ITEM 16. INVESTMENT DISCRETION	34
ITEM 17. VOTING CLIENT SECURITIES.....	34
ITEM 18. FINANCIAL INFORMATION.....	35
ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS.....	35

Item 4. Advisory Business

Description of Advisory Business

Lee Capital Management LP ("LCM", "we" or "us") is a Delaware limited partnership formed in January 2014. LCM currently provides investment advice on a discretionary basis to privately offered investment vehicles established for the benefit of Thomas H. Lee (each a "Fund" and collectively the "Funds"). In the future, the Funds may admit third party investors. Thomas H. Lee Capital, LLC ("Thomas H. Lee Capital"), a Delaware limited liability company, serves as the general partner of, and controls, LCM. Mr. Thomas H. Lee (the "Principal") is the owner of Thomas H. Lee Capital.

Types of Clients

LCM furnishes discretionary investment advisory services to the Funds, which are offered pursuant to exemptions from registration under both the Securities Act of 1933, as amended (the "Securities Act"), and the Investment Company Act of 1940, as amended (the "1940 Act"). In addition, LCM may, in the future, furnish investment advisory services to certain clients through managed accounts or other similar structures.

The Funds and any other clients of LCM are sometimes collectively referred to in this Brochure as "Clients." Persons and entities that invest in the Funds are referred to in this Brochure as "Investors." With respect to the Funds, LCM provides investment advice and other services directly to the Funds and not individually to the Investors in such Funds.

Types of Services Offered

LCM formulates its investment advice for each Fund based on that Fund's investment objectives and directs and manages each Fund's investment portfolio on a discretionary basis in accordance with the terms and restrictions of such Fund's offering memorandum, limited partnership agreement, management agreement and other governing documents (collectively, the "Governing Fund Documents").

LCM provides investment advice with respect to a broad range of domestic and foreign financial securities and instruments, and other assets, in a variety of forms. LCM offers advice with respect to, without limitation: equity and debt instruments, including equity and non-equity related swaps, options, commodities, foreign currencies, futures and forward contracts; and other investment companies, including private investment funds and mutual funds ("Portfolio Funds"), managed by investment advisers not affiliated with LCM ("External Managers"). Portfolio Funds may include, among other things, commodity pools, hedge funds, real estate partnerships, debt funds of various countries, oil and gas investment vehicles,

bankruptcy funds, private equity funds, venture capital investments and funds investing in special situations. LCM may also grant External Managers discretion to invest or trade Fund assets allocated to them in a manner such External Managers deem appropriate, subject to certain contractually negotiated standards and, in certain cases, with defined guidelines or restrictions. A Fund may also, without limitation, elect to: hedge a portion or all of its investment portfolio; utilize leverage; and enter into short positions.

A potential Investor should refer to a Fund's Governing Fund Documents for a full description of its investment objectives and strategies, risks, fees and expenses.

Wrap Fee Programs

LCM does not participate in wrap fee programs.

Assets Under Management

As of March 31, 2016, LCM managed \$176,342,328 of Client assets on a discretionary basis and no assets on a non-discretionary basis.

Item 5. Fees and Compensation

Management Fees

A Fund generally will pay LCM a fee for its services (the "Management Fee") on a monthly basis equal to the Management Fee Rate, as defined below, of the beginning net asset value of each Investor's capital account for such month. The Funds may also pay performance-based compensation as described in Item 6 below. The Management Fee will be calculated and paid in advance but will be amortized monthly by the Funds over the month for which such Management Fee is paid. Management Fees are typically paid by deducting the amount of the fee from the applicable capital account. An Investor generally will not be entitled to a refund of any portion of the Management Fee attributable to the time after which such Investor ceases to own interests in a Fund.

The "Management Fee Rate" ranges from 0% to 0.125% (0% to 1.5% annualized).

In the sole discretion of a Fund's general partner (the "General Partner") (which may be an affiliate of LCM), the Management Fee may be waived, reduced or calculated differently with respect to a capital account(s) of any Investor, including, without limitation, an Investor that is a member, partner, affiliate or employee of the General Partner or LCM, a member of the immediate family of such a person or a trust or other entity for the benefit of such a person. The General Partner's capital account will not be debited for any Management Fee.

External Manager Compensation; Layering of Fees

The Funds can invest a majority of their capital in Portfolio Funds. The Funds pay or otherwise bear certain fees and expenses in connection with their investments in the Portfolio Funds. The compensation to be paid to the External Managers and their affiliates may include asset-based management and administrative fees and/or performance-based allocations and incentive fees. Generally, the Portfolio Funds bear their own operating and investment related expenses, which are shared by the investors in such Portfolio Funds, including the applicable Fund(s). The Management Fee payable to LCM and the compensation of the External Managers result in two levels of fees and greater expenses than would be associated with direct investment by a Fund. If a Portfolio Fund invests in pooled vehicles (e.g., money market funds for cash management purposes), Investors will be exposed to an additional layer of fees associated with such vehicles.

Other Fees

The Fund will bear its own expenses and its *pro rata* share of the expenses of the master fund (in which the Fund invests substantially all of its assets through a “master-feeder” fund structure), including, without limitation, investment expenses (*e.g.*, execution, give-up, exchange, clearing, settlement, clearinghouse, principal and regulatory commissions, fees and expenses; delivery, custody, storage, warehousing and escrow expenses; shipping surcharges; customs levies; offloading charges; handling fees; grading fees; assay charges; interest and borrowing charges on margin accounts, borrowed money and other indebtedness; bank, broker and dealer service fees; expenses relating to short sales; and related expenses and costs), any management, administrative or other asset-based fee payable to a third-party manager in respect of investments in External Managers, professional fees (including, without limitation, expenses of consultants and experts' fees), legal expenses (including, without limitation, any legal expenses relating to regulatory filings in connection with the Fund), the Management Fee, fees of an administrator, research fees and expenses (including execution and portfolio management systems), internal and external accounting, audit and tax preparation expenses, costs of printing and mailing reports and notices, entity-level taxes, corporate licensing, regulatory expenses (including filing fees), organizational expenses, expenses relating to the offer and sale of Interests, expenses relating to insurance (including directors' and officers' insurance, errors and omissions insurance and other similar policies), other similar expenses and extraordinary expenses.

Generally, Fund expenses, other than the Management Fee and any expenses that the General Partner determines should be allocated to a particular Partner or Partners (*e.g.*, Investor-related taxes), will be charged to the capital accounts of all the Partners on a *pro rata* basis; *provided, however*, that the Fund may specially allocate expenses related to a special investment to the capital accounts associated with the capital accounts that allocated capital to the special investment account corresponding to such special investment. To the extent

that expenses to be borne by the Fund are paid by the General Partner or the Investment Manager, the Fund will reimburse such party for such expenses.

The Fund does not have a pre-determined limit on its ordinary or extraordinary operating expenses. The Fund's actual annual operating expenses are disclosed in the Fund's year-end audited financial statements.

LCM and its affiliates may compensate third parties, including brokers, placement agents and others, in connection with the solicitation of prospective Clients and Investors. Such referral fees may be a percentage of such Client's or Investor's assets under management, Management Fees and/or performance-based compensation earned by LCM (or its affiliates), or any other fee arrangement agreed to by LCM (or its affiliate) and such third party. To the extent applicable, such arrangements will conform to Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and, as applicable, appropriate provisions/guidance under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The fees and expenses of any such third parties may be paid by the Funds, but will be reimbursed by LCM by offsetting its Management Fees.

Please see Item 12 below for further discussion of brokerage fees and the factors that LCM considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

LCM and its affiliates may from time to time incur fees and expenses on behalf of Clients or alternative investment vehicles created for the benefit of Clients, which fees and expenses will ultimately be expensed to Clients. LCM will attempt to allocate such expenses on a basis that it considers fair and equitable over time.

From time-to-time LCM may retain sub-advisors to provide investment research and analysis and/or discretionary management to Clients (directly, or through investment funds, managed accounts or other structures) with respect to certain portions of Client assets. Compensation (including, without limitation, management and other fees, carried interest, profit participation and reimbursement of operating and other expenses) to sub-advisors that are not affiliated with LCM will be borne by Clients, and LCM will not offset, or pay such sub-advisors from, LCM's Management Fees or incentive income. However, LCM does offset the compensation it receives against compensation received by affiliated sub-advisors.

Each Investor should review their respective Governing Fund Documents for a fuller discussion and understanding of all the fees, expenses and other compensation LCM and other parties may obtain or receive from, or in connection with, the Funds.

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

Performance Based Fees

LCM, or an affiliate of LCM, is typically paid performance based compensation (*i.e.*, compensation based on a share of net profits on or capital appreciation of a Client's assets) in addition to the asset-based Management Fee. A full discussion of such compensation is set forth in a Fund's Governing Fund Documents.

Generally, at the end of each fiscal year, a Fund will reallocate from each Investor's capital account to the capital account of the General Partner an incentive allocation (the "Incentive Allocation") in an amount equal to the Incentive Allocation Rate (defined below) of the net capital appreciation for such fiscal year attributable to that capital account. The Incentive Allocation is calculated based on both realized gains and losses and unrealized appreciation and depreciation of securities held in a Fund. The Incentive Allocation will also be made with respect to amounts withdrawn and upon the dissolution of the Fund.

The "Incentive Allocation Rate" is from 0% to 20%.

The Incentive Allocation will be determined separately with respect to each capital account established for an Investor. Accordingly, it is possible that an Incentive Allocation may be made with respect to one capital account even though another capital account held by the same Investor has not appreciated, or has depreciated in value during the same period.

In the sole discretion of the General Partner, the Incentive Allocation may be waived, reduced or calculated differently with respect to any Investor account, including, without limitation, an Investor that is a member, partner, affiliate or employee of the General Partner or LCM, a member of the immediate family of such a person or a trust or other entity for the benefit of such a person. The General Partner's capital account will not be debited for any Incentive Allocation.

Certain Conflicts of Interest Associated with Performance Based Fees

A performance fee arrangement may create an incentive for LCM to make investments that are riskier or more speculative than would be the case in the absence of a performance fee. In addition, we may receive such compensation with regard to unrealized as well as realized gains in an Investor's account. Any performance fee received by us will be in compliance with the requirements of Section 205 of the Advisers Act and Rule 205-3 thereunder.

Conflicts of interest may arise where one or more Client accounts are charged a performance fee and others are not, because we may have an incentive to focus greater efforts on those clients that pay a performance fee. We are aware of, and have adopted and implemented policies and procedures intended to address, conflicts of interest relating to the management of multiple accounts, including accounts with varying fee arrangements, and the allocation of

investment opportunities. Such allocation procedures were designed to ensure that all investment allocation decisions are made fairly and equitably among accounts over time. See Item 11 for a discussion of LCM's allocation procedures.

External Manager Compensation; Layering of Fees

As noted above, the compensation to be paid to the External Managers and their affiliates may include asset-based management and administrative fees and/or performance based allocations and incentive fees. The Incentive Allocation payable to a General Partner and the compensation of the External Managers result in two levels of fees and greater expenses than would be associated with direct investment by a Fund. If a Portfolio Fund invests in pooled vehicles (*e.g.*, money market funds for cash management purposes), Investors will be exposed to an additional layer of fees associated with such vehicles.

Item 7. Types of Clients

As described in Item 4, LCM provides discretionary investment advisory services to the Funds in accordance with the Governing Fund Documents. Investment advice is provided directly to the Funds and not individually to any of the Investors. LCM may, in the future, provide services to other types of Clients, including separately managed accounts.

Investors may include individuals, pension and profit-sharing plans, funds-of-funds, sovereign wealth funds, insurance and financial institutions, family offices, union plans, trusts, endowments, foundations, charitable organizations and other types of entities.

The minimum investment for a Client or an Investor will be determined by LCM or the General Partner of a Fund and will generally be set out in the applicable offering documents and/or investment management or other agreements. Such minimum investment amounts may be waived by LCM or the General Partner if permissible under relevant law.

Investors will be required to meet certain suitability qualifications and, among other things, generally must be "accredited investors" as defined in Regulation D under the Securities Act and either "qualified purchasers" as defined in Section 2(a)(51) of the 1940 Act or "knowledgeable employees" as defined in Rule 3c-5 thereunder.

A General Partner, and in certain cases LCM, will have the discretion to waive or modify the application of, or grant special or more favorable rights with respect to, any provision of a Fund's Governing Fund Documents to the extent permitted by applicable law. To effect such waivers or modifications or the grant of any special or more favorable rights, the Fund may create additional classes of interests for certain Investors that provide for, among other things, (i) greater transparency into the Fund's portfolio, (ii) different or more favorable withdrawal rights, such as more

frequent withdrawals or shorter withdrawal notice periods, (iii) greater information than may be provided to other Investors, (iv) different fee or incentive compensation terms, (v) more favorable transfer rights and (vi) key-person notifications. Certain such waivers, modifications or grants of special or more favorable rights may also be effected through agreements or other arrangements. Although certain Investors may invest in a Fund with different material terms, the Fund and LCM generally will only offer such terms if they believe other Investors in the Fund will not be materially disadvantaged.

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

Methods of Analysis and Investment Strategies

LCM utilizes a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis include fundamental research, charting analysis and cyclical analysis as well as use of quantitative tools and investment approaches, or technical analytical tools and approaches. LCM may engage in global macro, long/short or short selling strategies. LCM may also use margin or other types of leverage to implement its trading strategies.

In selecting External Managers, LCM may consider, among other things, factors such as above average historical performance and/or recognizable prospects, an identifiable track record and a substantial personal investment in the investment program by the External Manager and/or its key personnel. LCM is not limited to selecting External Managers that have stand-alone track records and may allocate capital to External Managers that are in the start-up phase of their operations.

Investors should review the Governing Fund Documents for more information regarding the methods of analysis and investment strategies used by LCM in regard to each Fund.

Risk of Loss

Prospective Investors should carefully consider the risks involved in an investment in the Funds, including, without limitation, those discussed below. Investing in a Fund involves risk of loss that an Investor should be prepared to bear. Additional or new risks not addressed below may affect a Fund. The following list of risk factors cannot be and is not intended to be exhaustive. Prospective Investors should consult their own legal, tax and financial advisers about the risks of an investment in a Fund and review the risk factors outlined each Fund's Governing Fund Documents.

No guarantee or representation is made that a Fund's investment program, including, without limitation, a Fund's investment objective, diversification

strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results of LCM (or investments otherwise made by the investment professionals of LCM) are not necessarily indicative of their future performance.

Risks Relating to Private Investment Funds Generally

Legal and Regulatory Environment for Private Investment Funds and their Managers. The legal, tax and regulatory environment worldwide for private investment funds (such as a Fund) and their managers is evolving. Changes in the regulation of private investment funds, their managers, and their trading and investing activities may have a material adverse effect on the ability of a Fund to pursue its investment program and the value of investments held by the Fund. There has been an increase in scrutiny of the private investment fund industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the ability of the Funds to pursue their investment programs or employ brokers and other counterparties could have a material adverse effect on the Funds and the Investors' investments therein. In addition, LCM may, in its sole discretion, cause a Fund to be subject to certain laws and regulations if it believes that an investment or business activity is in the Fund's interest, even if such laws and regulations may have a detrimental effect on one or more Investors.

Systemic Risk. Systemic risk is the risk of broad financial system stress or collapse triggered by the default of one or more financial institutions, which results in a series of defaults by other interdependent financial institutions. Financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which a Fund interacts are all subject to systemic risk. A systemic failure could have material adverse consequences on the Funds and on the markets for the securities in which a Fund seeks to invest.

Cybersecurity Risk. LCM, the Funds' service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds and their Investors, despite the efforts of LCM and the Funds' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to a Fund and its Investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of LCM, the Funds' service providers, or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of LCM's systems to disclose sensitive information in order to gain access to LCM's data or that of the Funds' Investors. A successful penetration or

circumvention of the security of LCM's systems could result in the loss or theft of an Investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Funds, LCM or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

Similar types of operational and technology risks are also present for the companies whose securities the Funds invest, which could have material adverse consequences for such companies, and may cause the Funds' investments to lose value.

Risks Relating to Management of the Funds

Dependence on LCM and the Principal. The success of a Fund is dependent upon the ability of LCM and the Principal to manage the Fund and effectively implement its investment program. A Fund's Governing Fund Documents do not permit the Investors to participate in the management and affairs of the Fund. If a Fund or other Client were to incur substantial losses or were subject to an unusually high level of redemptions or withdrawals, the revenues of LCM may decline substantially. Such losses and/or withdrawals may impair LCM's ability to provide the same level of service to the Funds as it has in the past and continue operations. In addition, LCM is dependent on the services of certain key individuals, including the Principal. The loss of services of any one such individual could adversely affect LCM's ability to stay in business and manage the Funds and other Clients.

Risks Relating to the Structure of the Funds

Significant Fees and Expenses. The fees and expenses of a Fund may be significant. A Fund must generate sufficient income to offset such fees and expenses to avoid a decrease in the net asset value of the Fund.

Limited Liquidity. An investment in a Fund has limited liquidity because Investors will generally have only limited rights to withdraw capital from the Fund or transfer their interests, and the Fund has the right to suspend withdrawals. Investors must be prepared to bear the financial risks of an investment in a Fund for an indefinite period of time.

Risks Relating to Operations and Investment Activities

Systems and Operational Risks. The Funds depend on LCM to develop and implement appropriate systems for the Funds' activities. A Fund relies heavily and on a daily basis on financial, accounting and other data processing systems to execute, clear and settle transactions across numerous and diverse markets and to evaluate certain securities, to monitor its portfolio and capital, and to generate risk management and other reports that are critical to oversight of the Fund's activities. In addition, LCM relies on information systems to store sensitive information about

itself, its affiliates, the Funds, and the Investors. Certain of the Funds' and LCM's activities will be dependent upon systems operated by third parties, including prime brokers, administrators, market counterparties and other service providers, and LCM may not be in a position to verify the risks or reliability of such third-party systems. Failures in the systems employed by LCM, prime brokers, administrators, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. In addition, despite the security measures established by LCM and third parties to safeguard the information in these systems, such systems may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise these systems and result in the theft, loss or public dissemination of the information stored therein. Disruptions in the Funds' operations or breach of the Funds' information systems may cause the Funds to suffer, among other things, financial loss, the disruption of business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the Funds.

Counterparty Risk. The Funds expect to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Funds to trade in any variety of markets or asset classes over time. However, there can be no assurance that a Fund will be able to establish or maintain such relationships, or that such counterparties will fulfill their obligations. An inability to establish or maintain such relationships could limit the Funds' trading activities, create losses, preclude the Funds from engaging in certain transactions or prevent the Funds from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on the Funds' business due to their reliance on such counterparties.

Competition; Availability of Investments. Certain markets in which the Funds may invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that LCM will be able to identify or successfully pursue attractive investment opportunities in such environments.

Volatility Risk. The Funds' investment programs may involve the purchase and sale of relatively volatile securities and/or investments in volatile markets. Fluctuations or prolonged changes in the volatility of such securities and/or markets can adversely affect the value of investments held by the Funds.

Co-Investments with Third Parties. The Funds may co-invest with third parties through joint ventures or other entities. Third-party involvement with an investment may negatively impact the returns of such investment if, for example, the third-party co-venturer has financial difficulties, has economic or business interests or goals that are inconsistent with those of the Funds or is in a position to take (or block) action in a manner contrary to the Funds' investment objectives. In

circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments.

Currency Exchange Exposure. The Funds may invest in securities denominated in currencies other than the U.S. Dollar. The Funds, however, generally value their securities in U.S. Dollars. A Fund may or may not seek to hedge its non-U.S. currency exposure by entering into currency hedging transactions. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when a Fund wishes to use them, or that hedging techniques employed by a Fund will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of a Fund's positions denominated in currencies other than the U.S. Dollar will fluctuate with U.S. Dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies.

General Economic and Market Conditions. The success of a Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of a Fund's investments. Volatility or illiquidity could impair a Fund's profitability or result in losses. A Fund may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

Global Macro. The success of a Fund's global macro investment strategy depends upon LCM's ability to identify and exploit perceived fundamental, economic, financial and political imbalances that may exist in and between markets throughout the world. Identification and exploitation of such imbalances involves significant uncertainties. There can be no assurance that LCM will be able to locate investment opportunities or to exploit such imbalances. In the event that the theses underlying a Fund's positions fail to be borne out in developments expected by LCM, a Fund may incur losses, which could be substantial.

Long/Short. The success of a Fund's long/short investment strategy depends upon LCM's ability to identify and purchase securities that are undervalued and identify and sell short securities that are overvalued. The identification of investment opportunities in the implementation of a Fund's long/short investment strategy is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying a Fund's positions were to fail to converge toward, or were to diverge further from, values expected by LCM, the Fund may incur a loss. In the event of market disruptions, significant losses can be incurred which may force a Fund to

close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with LCM's long/short strategies may become outdated and inaccurate as market conditions change.

Short Selling. The success of a Fund's short selling investment strategy depends upon LCM's ability to identify and sell short securities that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. There can be no assurance that a Fund will be able to maintain the ability to borrow securities sold short. In such cases, the Fund can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and a Fund may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though a Fund secures a "good borrow" of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the Fund to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by the Fund.

Proxy Contests and Unfriendly Transactions. A Fund may purchase securities of a company that is the subject of a proxy contest on the expectation that new management will be able to improve the company's performance or effect a sale or liquidation of its assets so that the price of the company's securities will increase. If the incumbent management of the company is not defeated or if new management is unable to improve the company's performance or sell or liquidate the company, the market price of the company's securities will typically fall, which may cause the Fund to suffer a loss. In addition, where an acquisition or restructuring transaction or proxy fight is opposed by the subject company's management, the transaction often becomes the subject of litigation. Such litigation involves substantial uncertainties and may impose substantial cost and expense on the company participating in the transaction.

Short-Term Market Considerations. LCM's trading decisions may be made on the basis of short-term market considerations, and the portfolio turnover rate could result in significant trading related expenses.

Leverage and Borrowing. A Fund may utilize leverage with respect to its portfolio investments. The use of leverage will allow a Fund to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Fund's portfolio. The effect of the use of leverage by a Fund in a market that moves adversely to its investments could result in substantial losses to the Fund, which would be greater than if the Fund were not leveraged. The Incentive Allocation may encourage LCM to incur leverage in order to increase the amount of its compensation. A Fund may also borrow for cash management purposes, such as to satisfy withdrawal requests. The rates at and terms on which a Fund can borrow will affect its operating results.

The instruments and borrowings utilized by a Fund to leverage investments may be collateralized by all or a portion of the Fund's portfolio. Accordingly, a Fund may pledge its securities in order to borrow or otherwise obtain leverage for investment or other purposes. Should the securities pledged to brokers to secure a Fund's margin accounts decline in value, the Fund could be subject to a "margin call", pursuant to which the Fund must either deposit additional funds or securities with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The banks and dealers that provide financing to the Funds can apply essentially discretionary margin, "haircut", financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to a Fund may have similar rights. There can be no assurance that a Fund will be able to secure or maintain adequate financing.

Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on a Fund's portfolio.

Hedging Transactions. A Fund may utilize securities for risk management purposes in order to: (i) protect against possible changes in the market value of the Fund's investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Fund's unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in the Fund's portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Fund's securities; (vii) protect against any increase in the price of any securities the Fund anticipates purchasing at a later date; or (viii) act for any other reason that LCM deems appropriate. A Fund will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. LCM may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While a Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall

performance for the Fund than if it had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

Risks Relating to Specific Investments

Equity Securities Generally. The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, a Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from LCM's expectations or if equity markets generally move in a single direction and the Fund has not hedged against such a general move. A Fund also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Investments with External Managers. A Fund may invest in Portfolio Funds managed by External Managers. Among the principal risks inherent in the Fund investing in such vehicles are the restrictions imposed on the asset allocation flexibility and risk control capability of LCM as a result of third-party management and/or limited liquidity of such Portfolio Funds. A Fund may be unable to redeem its capital from a Portfolio Fund managed by an External Manager due to contractual or other restrictions for some months after LCM has determined that the strategy being implemented is no longer attractive. Further, participating in such structures may at times result in higher expense to a Fund. External Managers may trade wholly independently of one another and may at times hold economically offsetting positions from each other or a Fund itself, which would diminish the Fund's ability, considered as a whole, to achieve any gain or loss despite incurring expenses. Additionally, since a Fund typically does not have full transparency with respect to the trading activities of External Managers, it will be limited in its ability to hedge its exposure or to prevent concentration of its assets within the same issuer, asset or asset class, industry, section, strategy, currency, country or geographic region. Further, a Fund may be limited with respect to its ability to monitor External Managers, including their adherence to their respective trading and risk guidelines (if such guidelines exist), or with respect to potential or actual fraud. To the extent that the External Managers pursue investment strategies similar to those described herein, the risk factors discussed in this section will be applicable to the investments of the External Managers.

Derivative Instruments Generally. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives are subject to

change. Special risks may apply in the future that cannot be determined at this time with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. The regulatory and tax environment for derivative instruments in which a Fund may participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on a Fund.

Factors Affecting Commodities Prices. The values of commodities which underlie the commodity futures contracts and other types of financial instruments a Fund may hold are generally affected by, among other factors, the cost of producing commodities, changes in consumer demand for commodities, the hedging and trading strategies of producers and consumers of commodities, speculative trading in commodities by commodity pools and other market participants, disruptions in commodity supply, weather and climate conditions, changes in interest rates, rates of inflation, currency devaluations and revaluations, embargoes, tariffs, regulatory developments, governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies, political and other global events and global economic factors. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in certain markets and this intervention may cause these markets to move rapidly. A Fund and LCM have no control over the factors that affect the price of commodities. Accordingly, the value of a Fund's investments could change substantially and in a rapid and unpredictable manner.

Private Equity Investments. Investments in the private equity of companies at an early stage of development involve a high degree of business and financial risk. Early-stage companies with little or no operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period or may operate at a loss. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, better marketing and service capabilities and a larger number of qualified management and technical personnel. Such risks may adversely affect the performance of such investments and result in substantial losses.

Although LCM may seek protective provisions, including, possibly, board representation, in connection with certain of its private equity investments, to the extent a Fund takes minority positions in companies in which it invests, LCM may not be in a position to exercise control over the management of such companies, and, accordingly, may have a limited ability to protect its position in such companies.

Investments in private equity of highly-leveraged companies involve a high degree of risk. The use of leverage may increase the exposure of such companies to adverse

economic factors such as downturns in the economy or deterioration in the conditions of such companies or their respective industries. In the event any such company cannot generate adequate cash flow to meet debt service, a Fund may suffer a partial or total loss of capital invested in the company.

Debt Securities Generally. Debt securities of all types of issuers may have speculative characteristics, regardless of whether they are rated. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal in accordance with the terms of the obligations. To the extent that a credit rating assigned to a security in a Fund's portfolio is downgraded, the market price and liquidity of such security may be adversely affected. Generally, when market interest rates rise, the market value of debt securities will fall, and vice versa. As interest rates decline, issuers of debt securities may prepay principal earlier than scheduled, forcing a Fund to reinvest in lower-yielding securities and potentially reducing the Fund's income. As interest rates increase, slower than expected principal payments may extend the average life of securities, potentially locking in a below-market interest rate and reducing the Fund's value. In typical market interest rate environments, the prices of longer-term debt securities generally fluctuate more than prices of shorter-term debt securities as interest rates change. These risks may be greater in the current market environment because currently certain interest rates are at or near historic lows. If the Federal Reserve continues to raise the federal funds rate, there is a risk that interest rates will rise, which will likely drive down bond prices.

ABS and MBS Generally. The investment characteristics of asset-backed securities ("ABS") and mortgage-backed securities ("MBS") differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time.

Bankruptcy Claims. Bankruptcy claims, which are amounts owed to creditors of companies that are debtors in pending bankruptcy cases, typically are illiquid and generally do not pay interest. The markets in U.S. bankruptcy claims are generally not regulated by U.S. federal securities laws or the SEC. Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. In addition, the debt of companies in financial reorganization may be adversely affected by an erosion of the issuer's fundamental values. Accordingly, there can be no guarantee that the debtor will ever be able to satisfy the obligation on a bankruptcy claim.

Closed-End Funds. Investments in closed-end funds are non-redeemable and are subject to the same risks as other publicly traded equity securities. There may be no public market for units of closed-end funds, which often trade at a discount from their net asset values.

Exchange Traded Funds. Exchange Traded Funds ("ETFs") are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risks as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. Generally, each shareholder of an ETF bears a pro rata portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing their proportionate share of a Fund's expenses, Investors may also indirectly bear similar expenses of an ETF.

Collateralized Debt Obligations Generally. There are a variety of different types of collateralized debt obligations ("CDOs"), including CDOs collateralized by trust preferred securities and asset-backed securities and CDOs collateralized by corporate loans and debt securities called collateralized loan obligations ("CLOs"). CDOs may issue several types of securities, including, without limitation, CDO and CLO equity, multi-sector CDO equity, trust preferred CDO equity and CLO debt. CDOs are subject to credit, liquidity and interest rate risks. The CDO equity may be unrated or non-investment grade. As a holder of CDO equity, a Fund will have limited remedies available upon the default of the CDO. From time to time, the market for CDO transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions. CDOs often invest in concentrated portfolios of assets. The concentration of an underlying portfolio in any one obligor would subject the related CDOs to a greater degree of risk with respect to defaults by such obligor and the concentration of a portfolio in any one industry would subject the related CDOs to a greater degree of risk with respect to economic downturns relating to such industry.

Currencies. A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by a Fund are affected generally by relative interest rates, which in turn are influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, fiscal policy, and political and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Tax-Exempt Securities. A Fund may from time to time acquire direct interests in tax-exempt securities such as municipal securities. In addition, a Fund may indirectly acquire interests in municipal securities using a variety of instruments and structures. The market for tax-exempt securities, such as municipal securities, involves certain risks. The amount of public information available with respect to most tax-exempt securities is generally less than that for corporate equities or bonds, and the investment performance of a Fund may therefore be more dependent on the analytical abilities of LCM. The secondary market for tax-exempt securities also tends to be less liquid than the secondary market for many other securities, a circumstance which may adversely affect the price at which municipal securities and interests in municipal securities may be sold.

Sovereign Debt. Several factors may affect (i) the ability of a government, its agencies, instrumentalities or its central bank to make payments on the debt it has issued ("Sovereign Debt"), including securities that LCM believes are likely to be included in restructurings of the external debt obligations of the issuer in question, (ii) the market value of such debt and (iii) the inclusion of Sovereign Debt in future restructurings, including such issuer's (x) balance of trade and access to international financing, (y) cost of servicing such obligations, which may be affected by changes in international interest rates, and (z) level of international currency reserves, which may affect the amount of non-U.S. currency available for external debt payments. Significant ongoing uncertainties and exposure to adverse conditions may undermine the issuer's ability to make timely payment of interest and principal, and issuers may default on their Sovereign Debt.

Distressed Obligations. The obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems (including companies involved in bankruptcy or other reorganization and liquidation proceedings) are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the risk that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, recharacterize debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to a Fund's investments in any security. Obligations in which a Fund invests may be less than investment grade, and the level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that value of the assets collateralizing a

Fund's investments will be sufficient or that prospects for a successful reorganization or similar action will become available. In any reorganization or liquidation proceeding relating to a company in which a Fund invests, the Fund may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Fund's investments may not compensate Investors adequately for the risks assumed. In addition, under certain circumstances, payments and distributions may be disgorged if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to a Fund of the security in respect to which such distribution was made.

Illiquid and Restricted Securities. Certain securities may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such securities. Restricted securities cannot be sold to the public without registration under the Securities Act. Unless registered for sale, restricted securities can be sold only in privately negotiated transactions or pursuant to an exemption from registration (e.g., under Rule 144A of the Securities Act). Valuation of restricted and other illiquid securities may be difficult or uncertain because there may be limited information available about the issuers of such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and a Fund may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. A Fund may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, a Fund may be required to hold such securities despite adverse price movements. Even those markets which LCM expects to be liquid can experience periods, possibly extended periods, of illiquidity. Companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

Preferred Stock. Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy.

Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock may also be subject to optional or mandatory redemption provisions.

Real Estate-Related Securities. Securities issued by entities which invest in real estate, including "real estate investment trusts" ("REITs"), generally will be subject to the risks incident to the ownership and operation of commercial real estate and/or risks incident to the making of nonrecourse mortgage loans secured by real estate. Such risks include, without limitation, the risks associated with both the domestic and international general economic climates; local real estate conditions; risks due to dependence on cash flow; risks and operating problems arising out of the absence of certain construction materials; changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building); the financial condition of tenants, buyers and sellers of properties; changes in availability of debt financing; energy and supply shortages; changes in the tax, real estate, environmental, and zoning laws and regulations; various uninsured or uninsurable risks; natural disasters; and the ability of a Fund or third-party borrowers to manage the real properties. In addition, a Fund may incur the burdens of ownership of real property, which include the paying of expenses and taxes, maintaining such property and any improvements thereon, and ultimately disposing of such property.

Structured Notes. Structured notes, variable rate mortgage-backed and asset-backed securities each have rates of interest that vary based on a designated floating rate formula or index. The value of these investments is closely tied to the absolute levels of such rates or indices, or the market's perception of anticipated changes in those rates or indices. The movements in specific indices or interest rates may be difficult or impossible to hedge.

Non-U.S. Investments. Investing in the securities of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. Government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds; limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict a Fund's investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S.

standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, a Fund may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce a Fund's rights in such markets. For example, securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the Commodity Futures Trading Commission (the "CFTC") or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to a Fund under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

Item 9. Disciplinary Information

None.

Item 10. Other Financial Industry Activities and Affiliations

Neither LCM nor any affiliate is registered, nor do we have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. Neither LCM nor any affiliate is registered, nor do we have any application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing entities. LCM has filed for an exemption from registration as a commodity pool operator in accordance with CFTC Rule 4.13(a)(3).

Lee Capital Holdings LLC, whose managing member is the Principal, serves as the General Partner of the Funds.

We share common ownership with Lee Equity Partners, LLC ("LEP"), an SEC-registered investment adviser focused on private equity investments. LEP is controlled by the Principal.

LCM, the General Partner and its affiliates (including LEP) may provide investment management services to Clients other than the Funds, including, without limitation, investment funds, separately managed accounts, proprietary accounts and other investment vehicles (collectively, "Other Accounts", and together with the Funds, the "Accounts" and each, an "Account").

Other Accounts may have investment objectives, programs, strategies and positions that are similar to or may conflict with those of the Funds, or may compete with or have interests adverse to the Funds. See *Conflicts of Interest* in Item 11 below.

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

Code of Ethics

We have adopted a Code of Ethics (the “Code”) which sets forth standards of business conduct we require of our supervised persons. The Code is intended to assist us and our supervised persons in complying with the requirements of Rule 204A-1 under the Advisers Act, as well as provisions of the federal securities laws pertaining to insider trading.

The Code contains Procedures and Policy Statement on Insider Trading to inform employees regarding what constitutes material, nonpublic information and the laws and requirements relating to insider trading and confidentiality and our policies in that area.

The Code also sets forth personal trading policies applicable to employees and certain of their family members and affiliates (“covered persons”) that are designed to address actual or potential conflicts of interest (or appearances of conflicts) with our Clients.

Covered persons may not trade for themselves or recommend trading in the securities of a public company while in possession of material, nonpublic information concerning such company, or disclose such information to any person not entitled to receive it. A covered person is required to inform our Chief Compliance Officer whenever he or she believes that he or she may have obtained material, nonpublic information regarding a public company. In accordance with the Code, while covered persons may engage in personal securities trading, they are generally not permitted to effect transactions individually in public companies that are portfolio investments of any of the Funds or any Other Account without the approval of the Chief Compliance Officer.

Our Code requires that covered persons report personal brokerage transactions to the Chief Compliance Officer. Transactions in certain financial products, including certain mutual fund shares, U.S. Government securities, and certain money market instruments may be excluded from such reporting requirements.

Our Code also requires that covered persons seek pre-clearance with respect to investments in any private placement or initial public offering. These limitations and

pre-clearance requirements may not apply to transactions in certain investments, including investments in accounts over which the covered person has no direct or indirect control.

A copy of our Code of Ethics will be provided to any Client or prospective Client upon request.

Conflicts of Interest

Conflicts of interest may arise from the fact that LCM, the General Partner and its affiliates (including LEP) may provide investment management services to Other Accounts, and may invest in securities on their own behalf. The Funds will not typically have an interest in any Other Accounts.

Allocation of Investment Opportunities. LCM may manage or advise multiple Clients that have investment objectives that are similar and that may seek to make investments or redeem investments in the same securities or other instruments, sectors, or strategies. This may create potential conflicts, particularly in circumstances where the availability or liquidity of investment opportunities is limited. LCM seeks to allocate investment opportunities fairly and equitably across all Clients to the extent such opportunities are appropriate for such Clients. In addition, LCM has adopted allocation policies and procedures to address these issues. Our overall policy with respect to the allocation of investment opportunities is to treat all Clients in a fair and reasonable manner and in accordance with contractual obligations and fiduciary duties. Generally, our policy is to allocate suitable opportunities among Clients with similar strategies fairly and equitably, to the extent practicable, over a period of time. Such allocations may be made on a pro rata basis where such is in the best interests of Clients. However, pro rata allocation may not always be feasible or in the best interests of Clients, and we reserve the right to allocate on a non-pro rata basis. The policies are subject to continuous review, and the Firm will issue new policies and procedures and updates from time to time. Please note also that Firm management and the Chief Compliance Officer may from time to time vary and grant exceptions to provisions of the policies, and that the Chief Compliance Officer may, as appropriate, consult with others at the Firm, including supervisors, concerning proposed activities.

The Principal will and senior management and key employees of LCM may choose to personally invest in securities in which the Fund currently, or in the future, may also invest. In these instances, any transactions by the Principal or senior management or key employees of LCM will be in accordance with LCM's allocation policies and procedures.

Activities of Other Accounts. As there are no information walls between LCM and its affiliates, situations may occur where a Fund could be disadvantaged by reason of an LCM employee's responsibilities in connection with the Funds and certain Other Accounts (including Other Accounts managed by LEP). Certain employees of LCM

may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities as a result of his or her activities for an Other Account. A Fund will not be free to act upon any such information and such information may serve to restrict a Fund in its investment activities. Due to these restrictions, a Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell a portfolio investment that it otherwise might have sold. In addition, LCM may decline to receive non-public information in order to avoid trading restrictions with regard to any Other Account advised by LCM or its affiliates, even though access to such information may have been advantageous to a Fund.

Even if an Other Account has investment objectives, programs or strategies that are similar to those of a Fund, LCM may give advice or take action with respect to the investments held by, and transactions of, the Other Accounts that may differ from the advice given or the timing or nature of any action taken with respect to the investments held by, and transactions of, a Fund for a variety of reasons, including, without limitation, differences between the investment strategy, financing terms, regulatory treatment and tax treatment of the Other Accounts and the Fund. As a result, a Fund and an Other Account may have substantially different portfolios and investment returns. Conflicts of interest may also arise when LCM makes decisions on behalf of a Fund with respect to matters where the interests of LCM or one or more Other Accounts differs from the interests of the Fund.

Participation or Interest in Client Transactions. As described in Items 5 and 6 above, we are generally entitled to receive Management Fees and an Incentive Allocation from the Funds. The General Partner of our Funds also may make capital commitments to such Funds. Each of the foregoing may represent a material financial interest in the securities that we recommend to the Funds.

The Management Fees and Incentive Allocation that we receive are based on a Fund's net asset value. To the extent that an investment is written down, our Management Fee and Incentive Allocation would be reduced. The forgoing, which could incentivize us to refrain from writing down investments, is mitigated by the fact that, annually, our valuations are reviewed by the Funds' independent public auditors.

Our entitlement to the Incentive Allocation may incentivize us to cause a Fund to make more speculative investments than would be the case in the absence of such arrangement. However, the material amount of capital invested by the Principal to the Funds may mitigate the effects of such conflict of interest.

Activities of LCM Employees. The Principal will and senior management and key employees of LCM may choose to personally invest, directly and/or indirectly, in the Funds. Such investors may be in possession of information relating to a Fund that is not available to other Investors and prospective Investors. The Principal, senior management and key employees are not required to keep any minimum investment

in the Funds and may invest in Other Accounts. It is expected that, if such investments are made, the size and nature of these investments will change over time without notice to the Investors. Investments by the Principal, senior management and key employees in the Funds and/or Other Accounts could incentivize the Principal, senior management and key employees to increase or decrease the risk profile of the Funds.

LCM, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for the Funds. These activities may adversely affect the prices and availability of other securities held by or potentially considered for purchase by the Funds.

LCM, its affiliates and employees will devote as much of their time to the activities of the Funds as they deem necessary and appropriate. LCM, its affiliates and employees will not be restricted from forming Other Accounts, from entering into other investment advisory relationships or from engaging in other business activities, even if such activities may be in competition with the Funds and/or may involve substantial time and resources of LCM, its affiliates or employees. These activities could be viewed as creating a conflict of interest in that the time and effort of LCM, its affiliates and employees will not be devoted exclusively to the business of the Funds but will be allocated between the business of the Funds and the management of Other Accounts and other businesses. In an effort to minimize potential conflicts of interest, LCM's Code requires LCM's supervised persons to act in the best interests of its Clients at all times.

From time to time, the Principal, senior management and key employees of LCM may serve as directors or advisory board members of certain Fund portfolio companies or other entities. In connection with such services, such persons may receive directors' fees or other similar compensation attributable to such persons' services which will not be shared with the Funds.

Cross Transactions. LCM may effect cross transactions between Clients or Other Accounts, except as otherwise noted below. Cross transactions enable LCM to effect a trade between two Accounts for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both Accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed Accounts remain substantially similar.

LCM has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between Accounts are not permitted if they would constitute trades for which LCM or its affiliates are compensated as a broker-dealer unless Client consent has been obtained based upon written disclosure to the Client of the capacity in which LCM or its affiliates

will act. Any cross transactions will be effected in accordance with LCM's policies and procedures.

Principal Transactions. Generally, LCM does not purchase or sell any securities for its own account to or from those of a Client. In the event that we would consider entering into a principal transaction, we would comply with the requirements of applicable law, including Section 206(3) of the Advisers Act.

Service Providers. The Funds' service providers (including lenders, brokers, attorneys and investment banking firms) may be Investors in a Fund and/or sources of investment opportunities or have other relationships with LCM and its affiliates. This may influence LCM in deciding whether to select such a service provider. Notwithstanding the foregoing, investment transactions for a Fund that require the use of a service provider will generally be allocated to service providers on the basis of best execution.

Differing Interests of Individual Investors. Individual Investors in a Fund may have conflicting investment, tax, or other interests with respect to their investments. The conflicting interests of individual Investors may relate to or arise from, among other things, the nature of investments made by the Fund, the structuring of the acquisition of such investments, or the timing of disposition of investments. In such circumstances, LCM will prioritize the investment and other objectives of the Fund as a whole, and not the investment or other objectives of any Investor individually.

Item 12. Brokerage Practices

LCM selects broker-dealers based upon their ability to provide best execution for the Funds. LCM considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution, electronic trade entry and reporting, and error resolution. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, LCM need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. While LCM may engage in transactions with broker-dealers on an "execution only" basis, the Funds will generally be paying for research, brokerage or other services provided by a broker-dealer, which are included in the commission rate. LCM has adopted policies and procedures intended to seek best execution on an ongoing basis for securities transactions, based upon the aforementioned factors. LCM is generally authorized to make the following determinations, subject to each Fund's investment objectives and restrictions, without obtaining prior consent from the relevant Fund or any of its Investors: (1) which securities or other instruments to buy or sell; (2) the total amount of securities or other instruments to buy or sell; (3) the executing broker or

dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

Soft Dollar Benefits

LCM may receive research or other products or services other than execution from a broker-dealer and/or a third party in connection with client securities transactions. This is known as a “soft dollar” relationship. LCM will limit the use of “soft dollars” to obtain brokerage and research services that constitute brokerage and research services within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended (“Section 28(e)"). The use of client brokerage commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, LCM will not have to produce or pay for the products and services itself. This creates an incentive for LCM to select a broker-dealer based on its interest in receiving those products and services, rather than on Clients’ interest in receiving most favorable execution.

LCM may cause the Funds to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs. Products and services obtained via soft dollar commissions will be used for the benefit of all Clients. In some cases, there may not be a direct correlation between the use of Funds’ commissions and the amount of products and services acquired and utilized for the benefit of each Fund. Further, commission dollars of an affiliate of LCM may be used to pay for eligible soft dollar products and services for such affiliate and the Funds; and such affiliate will also benefit from the soft dollars generated by the Funds, which may not be in equal proportion.

As a result of Client brokerage commissions, LCM and/or its affiliates have acquired data services (including services providing real time exchange data, market data, company financial data and economic data), software used to transmit orders, research reports (including market research), certain financial publications, and services relating to execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between LCM and broker-dealers and other relevant parties such as custodians).

LCM may participate in “client commission arrangements” pursuant to which LCM may execute transactions through a broker-dealer and request that the broker-dealer allocate a portion of the commissions or commission credits to another firm that provides research and other products to LCM. LCM excludes from use under these arrangements those products and services that are not eligible under Section 28(e) and applicable regulatory interpretations. In some instances, LCM obtains a product or service that is used, in part, by LCM for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, LCM will make a good faith effort to determine the relative proportion of the product or service used to assist LCM 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 LCM in carrying out its investment decision making responsibilities will be paid through brokerage commissions generated by Client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by LCM from its own resources. The determination of the appropriate allocation of “mixed use” products and services creates a potential conflict of interest between LCM and Clients. Investment transactions for Clients and the use of such commissions by LCM may be outside the safe harbor provided by Section 28(e) and applicable regulatory interpretations for one or more of the following reasons: the type of investment, the market mechanism or the market intermediary compensation involved in the transaction or the types of services obtained with the commissions paid for the transaction. Even when investment transactions for Clients are outside the Section 28(e) safe harbor, the commissions paid will be used for the acquisition of Section 28(e) types of research and brokerage.

Prior to entering into any formal soft dollar arrangement, approval must be obtained from the Chief Compliance Officer. Approval will be granted only if there is a determination that a research or brokerage service meets the applicable eligibility standards and will provide lawful and appropriate assistance in the investment decision-making process. LCM’s Investment Committee, in consultation with portfolio managers, are responsible for making determinations regarding the soft dollar research and brokerage services that LCM intends to obtain during any period. The portfolio managers, in consultation with the Chief Compliance Officer, will determine that (i) commissions paid are reasonable in relation to the research and brokerage services received and (ii) trades made in connection with soft dollar arrangements receive best execution. In addition, the Chief Compliance Officer will determine that the receipt of any third-party research is consistent with LCM’s soft dollar policies and procedures and will specifically approve (i) any request made by the executing brokers for agreements related to soft dollar payments and (ii) any arrangements involving the receipt of services through introducing and clearing brokers. The Investment Committee periodically reviews soft dollar arrangements to consider whether on-going arrangements are consistent with LCM’s obligation to obtain best execution. The Chief Compliance Officer periodically reviews soft dollar arrangements to determine that they are consistent with LCM’s policies and procedures.

Brokerage for Client Referrals

From time to time, LCM may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a Fund or that recommend one or more Funds as an investment to prospective Investors. LCM may place portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if LCM determines that it is otherwise consistent with seeking best execution. In no event will LCM select a broker-dealer as a means of remuneration for recommending LCM or any Fund or other product

managed by LCM (or an affiliate) or affording LCM with the opportunity to participate in capital introduction programs. As such, Client or Investor referrals are not considered when making brokerage decisions.

Order Aggregation

LCM and its affiliates often purchase or sell the same security for Accounts contemporaneously or near the same time and using the same executing broker. It is LCM's practice, where possible, to aggregate orders for the purchase or sale of the same security submitted at or near the same time for execution using the same executing broker. However, LCM may also place trades on an individual basis and may not attempt to group orders for multiple Accounts for the same security and type of trade in a single, combined order. LCM has sole discretion to determine when orders for the purchase or sale of the same security submitted at or near the same time for execution will be aggregated. Where orders are aggregated, such aggregation may enable LCM to obtain for Clients a more favorable price or a better commission rate based upon the volume of a particular transaction. In cases where trading or investment restrictions are placed on an Account, LCM may be precluded from aggregating that Account's transaction with others. In such a case, the Account may pay a higher commission rate and/or receive less favorable prices than Accounts that are able to participate in an aggregated order.

When an aggregated order is completely filled, LCM allocates the securities purchased or proceeds of sale pro rata among the participating Accounts, based on the purchase or sale order. The pro rata calculation will be affected by the relative size of the Accounts. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating Accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, LCM's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to each Account participating in the transaction. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating Accounts. In addition there may be a desire to employ more or less leverage for one or more of the Accounts so this may also affect trade allocation. Partially filled orders will not automatically carry over to the next trading day for completion. The completion of such trade will be a portfolio management decision. LCM, its affiliates and their covered persons may also participate in an aggregated order.

As noted above, sometimes LCM places trades on an individual basis and does not attempt to group orders for multiple Accounts for the same security and type of trade in a single, combined order. Because in these situations LCM does not engage in the practice of aggregating orders, Accounts may not receive the potential benefits of aggregation, such as lower commission rates and uniform pricing. As a

result, an Account may pay a higher commission rate and receive less favourable prices than if LCM aggregated orders.

Item 13. Review of Accounts

The Fund's portfolios and accounts are regularly reviewed LCM's investment team to ensure overall compliance with stated investment guidelines and restrictions, as set forth within the Governing Fund Documents. The Principal has ultimate responsibility for all investment decisions. LCM provides each Investor with the following reports in accordance with the terms of the applicable Governing Fund Documents: audited annual financial statements and annual tax information necessary to complete any applicable tax returns.

Item 14. Client Referrals and Other Compensation

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

LCM and its affiliates may compensate third parties, including brokers, placement agents and others, in connection with the solicitation of prospective Clients and Investors. Such referral fees may be a percentage of such Client's or Investor's assets under management, Management Fees and/or performance-based compensation earned by LCM (or its affiliates), or any other fee arrangement agreed to by LCM (or its affiliate) and such third party. To the extent applicable, such arrangements will conform to Rule 206(4)-3 under the Advisers Act and, as applicable, appropriate provisions/guidance under ERISA. The fees and expenses of any such third parties may be paid by the Funds, but will be reimbursed by LCM by offsetting its Management Fees.

Item 15. Custody

In connection with the management of certain Clients, LCM or an affiliate may have, or may be deemed to have, custody of certain funds or securities. Rule 206(4)-2 under the Advisers Act (the "Custody Rule") defines custody as holding Client securities or assets or having any authority to obtain possession of them, including

the authority to withdraw funds or securities from a Client's account. Where applicable, LCM maintains Client assets with qualified custodians, such as U.S. banks and U.S. registered broker-dealers.

In accordance with the Custody Rule, since a General Partner is deemed to have custody over Fund assets, each Fund is subject to an annual audit in accordance with U.S. generally accepted accounting principles and the audited financial statements are distributed to each Investor within 120 days of a Fund's fiscal year end.

To the extent that LCM does not have custody of a Client's assets, the applicable custodian will prepare and distribute to such Client quarterly, or more frequent, account statements, which should be reviewed carefully by the Client. Copies of Client account statements are available upon request.

Item 16. Investment Discretion

In accordance with the terms and conditions of the Governing Fund Documents, LCM generally has discretionary authority to determine, without obtaining specific consent from the Funds or their Investors, the securities to be bought or sold on behalf of the Funds, and to perform the day-to-day investment operations of the Funds. Prior to assuming discretion in managing a prospective Client's assets, LCM enters into an agreement that sets forth the scope of its discretion. As noted in Item 11 above, LCM may effect cross transactions between different Client accounts, except where prohibited by an agreement or applicable law.

Item 17. Voting Client Securities

LCM has adopted proxy voting policies and procedures in accordance with Rule 206(4)-6 under the Advisers Act. The policies address a broad range of issues and are believed to be consistent with LCM's fiduciary obligations in seeking to maximize rates of return. Clients generally have no right to direct LCM's proxy votes. Under certain circumstances, when it is believed to be in the best interest of Clients, LCM may vote in a manner that is contrary to its proxy voting policies or may abstain from voting. In connection with the voting of a proxy, LCM's policies generally require identification of potential or actual conflicts of interest so that they may be appropriately addressed. In addition, LCM may engage a third party proxy voting service to vote proxies on behalf of Clients and may, if appropriate, generally adopt such third party's proxy voting policies and guidelines; any cost of such may be borne by such Clients, as applicable.

A Client may obtain a copy of LCM's proxy policies, as well as the manner in which proxy votes have been cast on behalf of such Client during the prior annual period with respect to portfolio securities held by such Client, by making a request in

writing to the Chief Compliance Officer at Lee Capital Management LP, 767 Fifth Avenue, New York, NY 10153.

Item 18. Financial Information

Not applicable.

Item 19. Requirements for State-Registered Advisers

Not applicable.