

**FIRM BROCHURE  
(PART 2A OF FORM ADV)**

**GARDNER LEWIS ASSET MANAGEMENT, L.P.**

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This Brochure provides information about the qualifications and business practices of Gardner Lewis Asset Management, L.P. (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at (610) 558-2800 or [clientservices@gardnerlewis.com](mailto:clientservices@gardnerlewis.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Gardner Lewis Asset Management, L.P. is a registered Investment Adviser. Registration of an Investment Adviser does not imply a certain level of skill or training. The oral and written communications of the Adviser should be considered carefully in your decision to hire or retain us to provide advisory services.

Additional information about Gardner Lewis Asset Management, L.P. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Gardner Lewis Asset Management, L.P. is 105033.

**ITEM 2: MATERIAL CHANGES**

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The Adviser made changes to its disclosure regarding cross transactions and principal transactions in Items 12 (Broker Practices – Selecting Brokerage Firms) and 16 (Investment Discretion).

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## **ITEM 4: ADVISORY BUSINESS**

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Gardner Lewis Asset Management, L.P. (“Gardner Lewis” or the “Adviser”) was founded in April 1990. Gardner Lewis has been independent and 100% employee owned since inception. Gardner Lewis is organized as a limited partnership. Gardner Lewis has one office located in Chadds Ford, Pennsylvania.

The general partner of the Adviser is Gardner Lewis Asset Management, Inc. (the “General Partner”). The principal owner of the Adviser and the General Partner is W. Whitfield Gardner, Chairman and CEO of the General Partner. The firm does not have any business affiliations or joint ventures.

Gardner Lewis provides investment advisory services on a discretionary basis to both managed account clients (the “Managed Accounts”) as well as private pooled investment vehicles it sponsors intended only for sophisticated investors (the “Funds”). Gardner Lewis also provides investment advisory services on a discretionary basis to one registered fund (i.e. mutual fund)(the “Mutual Fund”). Gardner Lewis or its affiliated entities act as investment manager and/or general partner to the Funds. In providing investment advisory services to the Funds and Managed Accounts, Gardner Lewis offers advice on:

- equity securities (exchange-listed securities, securities traded over-the-counter, foreign issuers);
- warrants;
- United States government securities;
- options contracts on securities;
- derivative contracts including equity swaps and interest rate swaps;
- corporate debt securities; and
- convertible securities.

Gardner Lewis manages client accounts based upon the strategies offered by the firm. The investment strategies and restrictions relating to the Funds are set forth in each Fund’s private placement memorandum and/or the Fund’s limited partnership agreement or other governing documents. Under certain circumstances, the Adviser will agree to tailor advisory services to the individual needs of clients. Clients may provide investment guidelines and impose restrictions on investments as described in Item 16.

As of December 31, 2019, Gardner Lewis managed \$765,888,884 in regulatory assets on a discretionary basis and no assets on a non-discretionary basis.

## **ITEM 5: FEES AND COMPENSATION**

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### **Advisory Fees and Compensation**

#### Managed Accounts

Gardner Lewis offers alternative investment strategies as well as traditional investment strategies. Gardner Lewis may accept individually managed accounts of less than the stated minimums stated in Item 7 and may charge those accounts at a rate that is higher than the rates stated below.

#### *Alternative Investment Strategies*

The alternative investment strategies fees are at an annual rate of up to 3% of assets managed, monthly or quarterly in arrears, as well as up to 20% of profits on an annual basis (subject to certain performance hurdles including high water marks and, in some cases, the performance of the account exceeding the

performance of a relevant benchmark), which is more fully described in “Item 6 – Performance-Based Fees and Side-by-Side Management”.

#### *Traditional Investment Strategies*

Separate account fees on traditional investment strategies are charged quarterly in arrears based upon the following standard schedule:

<u>Assets in the <i>Client Account</i></u>	<u>Investment Management Fee (As an Annual % of Assets)</u>
\$0 to \$50,000,000	0.85%
\$50,000,001 to \$150,000,000	0.65%
Over \$150,000,000	0.50%

Gardner Lewis generally applies the fee schedule shown above consistently to client accounts rather than negotiating fees with individual clients. Gardner Lewis may, in its sole discretion, charge a lesser management fee or waive the account minimum based upon certain criteria (i.e. anticipated future earnings capacity, anticipated future additional assets, dollar amount of assets to be managed, historical relationship, related accounts, account composition, or accounts referred by another professional).

#### Funds

Typically, the basic fee schedule for the Funds is an annual management fee that can range from 1% to 3% of assets, plus an incentive allocation or performance fee of up to 20% of profits on an annual basis (subject to certain performance hurdles including high water marks and in some cases the performance of the account exceeding the performance of a relevant benchmark), which is more fully described in “Item 6 – Performance-Based Fees and Side-by-Side Management”. Gardner Lewis may, in its sole discretion, charge or negotiate a lesser management fee and/or performance fee to certain investors in its Funds. The Mutual Fund pays Gardner Lewis an annual management fee of 1% of assets.

#### **Payment of Fees**

##### Managed Accounts

The client agreement for Managed Accounts specifies how fees are charged by Gardner Lewis. Clients are generally billed fees on a quarterly basis in arrears. Clients may elect to be billed directly for fees or authorize Gardner Lewis to send invoices to their custodian for payment from their accounts. Fees are prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter are charged a prorated fee. Upon termination, any earned, unpaid fees will be due and payable. Clients are generally permitted to terminate contracts with Gardner Lewis upon written notice to Gardner Lewis provided at some reasonable time (normally 30 days) prior to the effective date of such termination. In the event that the client does not provide notice as specified by the agreement, all terms, including fees due for the period will continue to be in force for the term of the agreement.

##### Funds

Management fees are paid either monthly or quarterly (as set forth in the Fund’s governing documents) in arrears, and deducted from the Fund’s account. The Mutual Fund management fee is paid monthly in arrears. Performance fees/incentive allocations are paid annually or upon redemption of capital (whether

a full or partial redemption) by an investor in the Fund, in accordance with the Fund's governing documents. Gardner Lewis (or its affiliate) deducts the incentive allocation/performance fee directly from the Fund's account.

## **Other Fees and Expenses**

### Managed Accounts

Gardner Lewis' fees charged to client accounts do not include brokerage commissions, transaction fees, custodial fees, bank fees, taxes, and other related costs and expenses which shall be incurred by the client whether charged by third parties or reimbursed to Gardner Lewis. Account clients will also incur certain charges imposed by third party investment advisers (if any) and other third parties who perform services for the account. Additionally, account clients will bear other expenses associated with trading the account including research fees and expenses (including Bloomberg and similar financial data services), legal, compliance (including costs of regulatory reporting but excluding compliance costs related to Gardner Lewis' compliance with the Investment Advisers Act of 1940, as amended (the "Advisers Act")), and litigation costs, if applicable. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees, and commissions are exclusive of and in addition to Gardner Lewis' management/account fee, however, Gardner Lewis does not receive any portion of these expenses, commissions, fees, and costs described above.

### Funds

With respect to the Funds, in addition to paying investment management fees and, if applicable, performance-based compensation, investors in the Funds will bear their pro rata share all of the ordinary and necessary expenses of Fund's operation and organization including, without limitation, investment expenses such as commissions, research fees and expenses (including Bloomberg and similar financial data services); interest on margin accounts and other indebtedness; custodial fees; bank service fees, withholding and transfer fees, taxes, clearing and settlement charges; expenses related to the purchase, sale, preservation or transmittal of Fund investments (whether or not consummated); travel expenses, legal, compliance (including costs of regulatory reporting but excluding compliance costs related to Gardner Lewis' compliance with the Advisers Act), accounting (including fees paid to any person or firm retained by the Fund or Gardner Lewis to perform accounting and/or valuation services with respect to the Fund), third party administration fees and expenses, (including the fees of third party administrators), audit, tax preparation expenses, outside director fees, professional fees (including, without limitation, expenses of consultants and experts) relating to investments, applicable governmental fees and licenses, organizational expenses, pro rata share of any master fund expenses to the extent the Fund is part of a master fund structure, and any extraordinary expenses as determined by the Fund in its sole discretion (e.g., insurance, the costs relating to any litigation involving the Fund, etc.). Organizational expenses of a Fund will be paid by the Fund (or reimbursed to Gardner Lewis or its affiliates to the extent paid by them) and, for net asset value purposes, are amortized over a period of up to 36 months from the date the Fund commences operations.

### Expense Allocation

The allocation of expenses by Gardner Lewis between it and any client and among clients represents a conflict of interest for Gardner Lewis. Gardner Lewis has adopted an expense allocation policy that is designed to address this conflict. Gardner Lewis allocates expenses to each client in accordance with the client's arrangements with Gardner Lewis (including applicable client disclosures). Gardner Lewis seeks to allocate shared expenses for products and services benefitting Gardner Lewis and the client and not covered in the client's arrangements in a fair and reasonable manner. Gardner Lewis allocates common

client expenses among multiple clients pro rata based on gross assets under management as of the beginning of each semi-annual period in which the expenses are paid. Gardner Lewis may deviate from this standard allocation method if it determines that an expense disproportionately benefits a particular client or group of clients.

### **Additional Compensation and Conflicts of Interest**

Neither Gardner Lewis nor its employees accept compensation for the sale of securities or other products.

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

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### Performance Based-Fees

As described in Item 5, Gardner Lewis (or an affiliate) is paid performance-based fees by some of its qualified clients, including the Funds. These performance-based fees are subject to individualized negotiation with the client or are contained in the Fund's offering memorandum and governing documents. The fact that Gardner Lewis is compensated based on trading profits may create an incentive for Gardner Lewis to make investments on behalf of the clients with these arrangements that are riskier or more speculative than would be the case in the absence of such compensation arrangements. Gardner Lewis and its investment personnel manage both client accounts that are charged performance-based compensation and accounts that are charged an asset-based fee, which is a non-performance-based fee(s). In addition, certain client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts or have asset-based fees or performance-based compensation arrangements providing for payment to Gardner Lewis at different times or over different time intervals. When Gardner Lewis and its investment personnel manage more than one client account a potential exists for one client account to be favored over another client account. Gardner Lewis and its investment personnel have a greater incentive to favor client accounts that pay Gardner Lewis (and indirectly its investment personnel) higher fees, performance-based compensation, or compensation that is paid at different times or over different time intervals.

The incentive allocation could be based on unrealized gains that the client may never realize. Gardner Lewis will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, Gardner Lewis shall include realized and unrealized capital gains and losses.

### Side-by-Side Management

Gardner Lewis manages multiple client accounts and provides investment supervisory services for a number of investment products and strategies that have varying investment guidelines. The same portfolio management team works across all investment products and clients. These differing objectives and strategies raise potential conflicts of interest. For example, Gardner Lewis may buy a security for one client account while it is selling that security for another client account. In addition, Gardner Lewis may cause one client account to buy a particular security "long" and another client account to sell that same security short. When the Adviser causes its clients to take opposite positions with respect to a particular security or investment actions taken by the Adviser for one set of clients may disadvantage other sets of clients.

For some of these investment strategies, Gardner Lewis may be compensated based on the profitability of the account as described above. The allocation of a percentage of the client's profits to Gardner Lewis may create an incentive for Gardner Lewis to make investments that are riskier or more speculative than would be the case if such allocation were not made. In addition, these incentive compensation structures may create a conflict of interest for Gardner Lewis with regard to other client accounts where Gardner Lewis may have an incentive to allocate the investment ideas that it believes might be the most profitable to the client accounts where they might share in investment gains.

Gardner Lewis has implemented policies and procedures intended to address conflicts of interest that may arise relating to the management of multiple accounts, including accounts with different fee arrangements, in an attempt to ensure that investment opportunities are allocated in a manner that is fair and appropriate to the various investment strategies based on the firms' investment strategy guidelines and individual client investment guidelines. When an investment opportunity is deemed appropriate for more than one strategy or account, allocations are generally made on a pro-rata basis based on the relative value of the assets of each participating account to all participating accounts; provided, however that the Adviser may allocate investment opportunities to such accounts on a non-pro rata basis due to a consideration of factors including but not limited to a client's investment objective and strategies; risk profile; tax status; any restrictions placed on a client's portfolio by the client or by virtue of federal or state law (such as the Employee Retirement Income Security Act of 1974, as amended); account size; total portfolio invested position; nature of the security to be allocated; size of available position; supply or demand for a security at a given price level; current market conditions; timing of cash flows and account liquidity; and any other information determined to be relevant to the fair allocation of investment opportunities. To the extent orders are aggregated, the client orders are price-averaged and allocated in accordance with the aggregated order; provided, that the aggregated order may be allocated on a different basis for reasons including but not limited to partially filled orders and to avoid odd lots or excessively small allocations. Finally, Gardner Lewis's procedures also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair allocation among accounts.

Gardner Lewis reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives or that trade the same securities are treated equitably. The performance of similarly managed accounts and accounts trading the same securities are regularly compared by Gardner Lewis's Chief Compliance Officer to determine whether there are any unexplained significant discrepancies. These areas are monitored by the Adviser's Chief Compliance Officer.

## **ITEM 7: TYPES OF CLIENTS**

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Gardner Lewis provides portfolio management services to:

- high net worth individuals
- private investment funds (e.g., hedge funds)
- registered investment companies (e.g., mutual funds)
- corporate pension and profit sharing plans
- charitable organizations
- family offices
- corporations and other business entities

Gardner Lewis, however, is not precluded from advising types of clients that are not listed above.

Separate account minimums are as follows:



- Alternative Investments - \$25 million
- Traditional Investments - \$10 million

With respect to any client that is a Fund, any initial and additional subscription minimums are disclosed in the offering memorandum for the Fund. Accounts with assets below the stated minimums may be commingled through investment in the mutual funds or limited partnerships managed by Gardner Lewis. Gardner Lewis may accept individually managed accounts of less than stated asset minimums and may charge those accounts at higher than standard rates as described in Item 5.

## **ITEM 8: METHOD OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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### **Method of Analysis**

Gardner Lewis seeks to invest in differentiated opportunity sets where fundamental research and risk-advantaged positioning can drive favorable outcomes. Gardner Lewis invests in merger arbitrage, full capital structure special situations, and in equities (both long and short). While each of these strategies has their own unique attributes, all share a common research oriented, bottom-up approach. The cornerstones of Gardner Lewis's investment process are fundamental research, an integrated approach, and disciplined risk management.

Investment ideas are generated in-house by Gardner Lewis's research analysts. Bottom-up fundamental research is the basis of Gardner Lewis's security selection process utilizing direct contact with company management and industry leaders to gain insight into companies. Gardner Lewis's investment ideas develop from these contacts. Gardner Lewis strives to identify businesses whose fundamentals and earnings growth are not fully reflected in a company's stock price. Focus is placed on:

- current valuation;
- financial strength;
- strategic positioning;
- growth rate;
- historic record; and
- management expertise.

An analysis of these factors is performed in conjunction with others, including an analysis of product positioning, industry conditions, and accounting methodology. Sources of information on which investment decisions are based include, in addition to the utilization of general economic data, trade publications, statistical services, public filings made by publicly owned corporations, third-party consultants, interviews with management of companies being considered for potential investment, and information and projections provided by the research departments of brokerage firms. In addition to the fundamentals, Gardner Lewis believes that research must be undertaken to comfortably determine the value at which it is purchasing a security, with a particular emphasis on one or several quantitative factors, including but not limited to valuation ratios compared to the security's own history, relative to a peer group or to a macro context, discounted cash flow models, or "sum of the parts" valuation.

The merger arbitrage strategy differs in that it assesses announced deals and primarily evaluates funding risk, legal risk, regulatory risk, deal rationale, and each party's commitment. Gardner Lewis leverages its network of brokers, and service providers, as well as its own internal research, to identify new investment opportunities. Through Gardner Lewis's involvement in the merger arbitrage universe since 2000 and through the individual experiences of the team, Gardner Lewis has developed an extensive knowledge base as well as a network of professionals that provide access to attractive opportunities in the merger

arbitrage space. In terms of a competitive advantage, this network and knowledge base provides Gardner Lewis with numerous opportunities to invest in merger arbitrage opportunities.

Gardner Lewis's alternative investment strategies rely on internal analysis of specific projects including private equity investments in emerging organizations, and real estate investment in particular properties or pools of property.

## **Investment Strategies**

*Merger Arbitrage* - The merger arbitrage strategy seeks to invest in "announced deals" only; focusing on short duration M&A deals with limited financing risk and an aversion to excessive regulatory and/or political risk. Gardner Lewis believes its strict deal criteria leads to a differentiated opportunity set; typically down the capitalization spectrum. The short side of the book is comprised of deal-related hedges and strategy exposure will ebb and flow with the opportunity set. Gardner Lewis believes its deal criteria and disciplined risk controls have allowed it to consistently deliver an uncorrelated, low-volatility return stream across various market cycles. Gardner Lewis has managed merger arbitrage with the same team for over 15 years, investing in over 2,000 deals with a >99% deal closure rate.

*Special Situations* - The special situations strategy seeks opportunities across the capital structure whereby valuation disconnects can be exploited. The preference is for special situations with convex return profiles (attractive upside with limited & muted downside). The strategy invests both long and short and utilizes risk-advantaged position construction with a focus on liquidity and down-side risk. Events may be either positive or negative including but not limited to corporate actions, recapitalizations, change in industry dynamics, and/or corporate strategy change. The short side of the book is comprised of fundamental shorts as well as hedges on long positions.

*Traditional Equity* - Gardner Lewis's equity strategy focuses on transformational change; seeking to invest in fundamentally advantaged companies effecting disruptive innovation in an industry and those that are undergoing dynamic change as the result of one or more catalysts acting as a force to drive growth or unlock potential. Portfolios are constructed from the bottom up, one decision at a time, based on a rigorous idea generation and due diligence process. The potential of each idea is evaluated from a financial and strategic perspective and the thesis is scrutinized rigorously before and during each investment.

## **Risk of Loss**

Investing in any of Gardner Lewis's strategies involves risk of loss that clients should be prepared to bear. Any investment is subject to risks, including the possible loss of the principal amount invested. There can be no assurance that any strategy in which a client invests will be successful in meeting its investment objective. The following summary identifies the material risks related to Gardner Lewis's significant investment strategies and should be carefully evaluated before making an investment with Gardner Lewis; however, the following does not intend to identify all possible risks of an investment with the Adviser or provide a full description of the identified risks. Investors and potential investors in the Funds should refer to the offering memorandum for the Fund for a further discussion of the applicable risks.

### *Merger Arbitrage Strategy Risk*

With event-driven strategies, such as merger arbitrage, if and when Gardner Lewis determines that it is probable that a proposed transaction will be consummated, Gardner Lewis will purchase securities at prices often only slightly below the anticipated value to be paid or exchanged for the securities in the proposed merger, exchange offer, cash tender offer or other similar transaction. The purchase price to

Gardner Lewis's clients may be substantially above the prices at which such securities traded immediately prior to the announcement of such merger, exchange offer, cash tender offer or other similar transaction. If the proposed merger, exchange offer, cash tender offer or other similar transaction appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the security to be tendered or exchanged may, and likely will, decline sharply by an amount greater than the difference between Gardner Lewis's client's purchase price and the anticipated consideration to be paid. In addition, where a security to be issued in a merger or exchange offer has been sold short in the expectation that the short position will be covered by delivery of such security when issued, failure of the merger or exchange offer to be consummated may force the Fund to cover its short sale, with a resulting, and perhaps significant, loss. Further, if Gardner Lewis determines that the offer price for a security which is the subject of a tender offer is likely to be increased, either by the original bidder or by another party, Gardner Lewis's clients may purchase securities above the offer price, thereby exposing them to an even greater degree of risk of loss.

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

The consummation of mergers, exchange offers, cash tender offers or other similar transactions can be prevented or delayed by a variety of factors. An exchange offer or a cash tender offer by one company for the securities of another will often be opposed by the management or shareholders of the target company on the grounds that the consideration offered is inadequate or for a variety of other reasons, and this opposition may result in litigation which may significantly delay or prevent consummation of the transaction. Even if the business terms and other relevant matters necessary to consummate the transaction have been agreed upon by the management of the companies involved, the consummation of such transaction may be prevented by the intervention of a government regulatory agency which might have regulatory power over the companies or the transaction, litigation brought by a shareholder or, in the case of a merger, the failure to receive the necessary shareholder approvals, market conditions resulting in material changes in securities prices, and other circumstances, including, but not limited to, the failure to meet certain conditions customarily specified in acquisition agreements. Even if the defensive activities of a target company or the actions of regulatory authorities fail to defeat a transaction, such activities may cause significant delays, during which Gardner Lewis's client's capital will be committed to the transaction and interest charges on any funds borrowed to finance Gardner Lewis's client's activities in connection with the transaction may be incurred. Additionally, offerors in tender or exchange offers customarily reserve the right to cancel such offers in the above and a variety of other circumstances, including an insufficient response from shareholders of the target company.

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

### *Special Situations Strategy Risk*

Gardner Lewis's clients may have investments in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business

enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or result in a distribution of cash or a new security, the value of which will be less than the purchase price to the client of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which Gardner Lewis may invest, there is a potential risk of loss by the client of its entire investment in such companies.

#### *Equity Strategy Risk*

For Gardner Lewis's equity strategies, the primary risks include individual security risk, market risk, and the risk of managing fairly concentrated portfolios, which could amplify the risks of individual positions. The equity strategies may include short sales, which has additional risks as described below.

#### *Alternative Investment Strategies Risk*

Risk in Gardner Lewis's alternative investment strategies is primarily project or investment specific. Due to their more concentrated nature, these strategies can offer less opportunity to diversify risk.

In addition to the specific strategy risks described above, the following detailed risks are applicable to some or all of Gardner Lewis's investment strategies:

#### *General Market Risk*

The success of any investment activity is influenced by general economic conditions, which may affect volatility and the extent and timing of investor participation in the markets. Unexpected volatility or illiquidity in the markets in which clients directly or indirectly hold positions could impair the client's ability to trade and could result in losses. In addition, an economic downturn in the United States or around the world may cause declines in the securities markets resulting in decreases in the value of the securities held by Gardner Lewis's clients. Such conditions could adversely affect the liquidity of the investments held by clients and Gardner Lewis's ability to timely meet redemption requests of the Funds. Sustained negative economic conditions could also result in substantial redemption requests by investors in the Funds, which would adversely affect both the Funds and Gardner Lewis.

#### *Market Segment Risk*

While Gardner Lewis generally attempts to diversify its clients' portfolios across industries, Gardner Lewis is permitted to invest any amount of its assets in one or more particularized industries or sectors of the economy (e.g., telecommunications, utilities, etc.). Industry and sector markets, like the national economy as a whole, tend to be cyclical. If a client is substantially invested in a particular sector which experiences an unanticipated decline, performance may suffer accordingly.

#### *Arbitrage Transaction Risks*

Arbitrage strategies attempt to take advantage of perceived price discrepancies of similar financial instruments, on different markets or in different forms. Gardner Lewis generally seeks to employ a volatility arbitrage strategy. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified to the extent Gardner Lewis is employing leverage on behalf of a client. Moreover, arbitrage strategies often depend upon identifying favorable "spreads," which can also be identified, reduced or eliminated by other market participants.

### *Short-Selling Risk*

Short sale positions create the risk of theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying the securities necessary to cover a short position that consists of borrowed shares. Short selling activities are also subject to restrictions imposed by the federal securities laws and the various national and regional securities exchanges, which restrictions could limit the account's investment activities. There can be no assurance that securities necessary to cover a short position will be available for purchase when the account needs such securities.

### *Swaps, Options, and Other Derivatives*

Gardner Lewis may trade in exchange-traded and over-the-counter derivatives, including, but not limited to, swaps, options, and other interests. There are a number of risks associated with derivatives trading. Trading in these instruments is highly speculative and may entail risks that are greater than those of investing in other securities. These instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small change in the price of the contract may result in a profit or a loss that is high in proportion to the client's funds actually placed as initial collateral and may result in unquantifiable further loss exceeding any collateral deposited. These changes are extremely difficult to predict.

Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to counterparty risk. The counterparty risk lies with each party with whom Gardner Lewis contracts for the purpose of making derivative investments (the "Counterparty"). In the event of the Counterparty's default, the client will only rank as an unsecured creditor and risks the loss of all or a portion of the amounts it is contractually entitled to receive. Daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. Transactions in over-the-counter contracts may involve additional risk as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in the client's net asset value, incorrect collateral calls or delays in collateral recovery.

Deciding whether, when and how to use derivatives involves different skills and judgment than those needed to select portfolio securities. Even a well-conceived transaction may be unsuccessful to some degree because of market behavior, currency fluctuations or interest rate trends. If Gardner Lewis incorrectly forecasts market values or other relevant factors, the client may be in a worse position than if it had not engaged in derivatives transactions. When derivatives are used for hedging, there may be no correlation between price movements in the derivative and in the portfolio securities being hedged. A lack of correlation could result in a loss on both the hedged securities and the hedging vehicle, so that the client's return might have been better had it not attempted to hedge. Further, derivative instruments can be difficult to value accurately.

Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Because option premiums paid or received by an investor are small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage, which could in turn cause the value of a client's account to be subject to more frequent and wider fluctuations than would be the case if Gardner Lewis did

not invest in options. In addition, if Gardner Lewis purchases options that it does not sell or exercise, it will lose the premium paid in such purchase. If Gardner Lewis sells call options and must deliver the underlying securities at the option strike price, the client theoretically has an unlimited risk of loss if the price of such underlying securities increases. If Gardner Lewis sells put options and must buy the underlying securities, the client risks the loss of the difference between the market price of the underlying securities and the option strike price. Any gain or loss from the sale or exercise of an option is reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option. Gardner Lewis may also sell covered and uncovered options on securities. To the extent that such options are uncovered, the client could incur an unlimited loss.

### *Leverage Risk*

Gardner Lewis may utilize a substantial degree of leverage in its investment strategy. The concept of leverage involves the use of debt to finance purchases of securities and manifests itself in different ways within a client's portfolio. This results in the client controlling substantially more assets than the client has equity. Leverage increases the client's returns if the client earns a greater return on investments purchased with borrowed funds than the client's cost of borrowing such funds. However, the use of leverage exposes the client to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the client not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions, and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the client's cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the client's assets, the client might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

Gardner Lewis on behalf of its clients has the ability to borrow funds "on margin" from brokers for the purchase of equity securities. These are transactions that involve an initial cash requirement representing a given percentage of the underlying security's value. Gardner Lewis's purchases of securities may be financed through repurchase agreements with banks, brokers and other financial institutions which involve the transfer by the client of the underlying security in return for cash proceeds based upon a percentage of the value of the security. Notwithstanding the foregoing, in an unsettled credit environment, Gardner Lewis may find it difficult or impossible to obtain leverage for the client. In such event, Gardner Lewis could find it difficult to implement its strategy.

Gardner Lewis's clients face risks due to leverage in the event that its securities decline in value. In this event, clients could be subject to a "margin call" or "collateral call", pursuant to which the client must either deposit additional funds with the lender or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In addition, any leverage obtained, if terminated on short notice by the lender, could result in Gardner Lewis being forced to unwind the client's positions quickly and at prices below what Gardner Lewis deems to be fair value for such positions.

To the extent that options, swaps, swaptions and other "synthetic" or derivative financial instruments are used, it should be noted that they inherently contain much greater leverage than a non-margined purchase of the underlying security, commodity or instrument. This is due to the fact that generally only a very small portion (and in some cases none) of the value of the underlying security, commodity or instrument is required to be paid in order to make such investments. In addition, many of these products are subject to variation or other interim margin requirements, which may force premature liquidation of investment positions.

### *Hedging Transactions Risk*

The profitability of Gardner Lewis's investment strategy may depend in part on successful use of hedging techniques to attempt to control risk. It is possible that hedging strategies will not be effective in controlling risk, due to unexpected non-correlation (or even positive correlation) between the hedging instrument and the position being hedged. Hedges are often more difficult to implement than many other types of transactions. In addition, a position may be hedged against one type of risk, but not against other types of risk associated with the position. Gardner Lewis may lose the ability to hedge a particular position, which may cause the client to have undesired exposure to that position and may lead to liquidation of that position at a time that is disadvantageous to the client. Moreover, positions which are established will typically not be fully hedged, or may not be hedged at all. In some instances, during the process of setting up a hedged position, the position may remain temporarily unhedged for a significant period of time. Notwithstanding the foregoing, Gardner Lewis is not obligated to hedge the client's portfolio.

### *Limited Liquidity of Investments*

While Gardner Lewis expects the vast majority of its clients' portfolios to be liquid, Gardner Lewis may invest from time to time in thinly traded and relatively illiquid securities, securities that may not be traded at the time Gardner Lewis invests, or securities that may cease to be traded after Gardner Lewis invests. Gardner Lewis also may take positions in particular securities that are relatively large as compared to trading volumes or overall market capitalization.

Gardner Lewis also may invest in restricted securities that are subject to substantial holding periods or that are not traded in public markets. Restricted securities may be difficult or impossible to sell at prices comparable to the market prices of similar securities that are publicly traded. Such restricted securities may not be eligible to be traded on a public market even if a public market for securities of the same class were to exist or develop. It is highly speculative as to whether and when an issuer will be able to register its securities so that they become eligible for trading in public markets. In addition, although many of the securities which Gardner Lewis may acquire may be traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities which it lists. Such a suspension could render it difficult or impossible for Gardner Lewis to liquidate its positions and would thereby expose the client to losses.

If Gardner Lewis were forced to rapidly divest these securities, as a result of withdrawals from any of the Funds or for other reasons, Gardner Lewis may not be able to liquidate its client's investments promptly if necessary and might only be able to do so at disadvantageous prices. In addition, Gardner Lewis's sales of thinly traded securities are likely to depress the market value of such securities and thereby reduce the client's profitability or increase its losses. Such circumstances or events could adversely affect the client's profitability.

### *Investment Advisor Dependence Risk*

All decisions with respect to the investment of the client assets are made by the Advisor, which relies on the services of Gardner Lewis's principal, Mr. Gardner. As a result, the success of Gardner Lewis, the Managed Accounts and the Funds for the foreseeable future depends largely upon the abilities of Mr. Gardner. Should Mr. Gardner terminate his relationship with Gardner Lewis, die or become otherwise incapacitated for any period of time, profitability of Gardner Lewis's investments may suffer.

### *Lack of Diversification*

Although Gardner Lewis has no investment restrictions with respect to types of securities, countries or industry sectors, clients' portfolios will not be diversified among geographic areas, types of securities, or a wide range of issuers or industries. Accordingly, clients' portfolio may be subject to more rapid change in value than would be the case if Gardner Lewis were required to maintain a wide diversification.

A client's investment portfolio (on account of size, investment strategy and other considerations) may be confined to the securities of relatively few issuers. Clients are not required to maintain a minimum level of capital. If Gardner Lewis fails to raise adequate capital for its clients that are private investment funds or incurs losses or withdrawals, it may not have sufficient funds to diversify its investments. If Gardner Lewis concentrates its investments in several, relatively large securities positions or industries relative to its capital, a loss in any one position or downturn in any one industry could reduce the client's performance materially.

### *Counterparty Risk*

Gardner Lewis effects transactions in "over-the-counter" or "interdealer" markets. Participants in these markets typically are not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. To the extent Gardner Lewis invests in swaps, derivative or synthetic instruments, or other over-the-counter transactions including forward contracts, or in certain circumstances, non-U.S. securities, the client may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from these protections, which in turn may subject the client to the risk that a counterparty will not settle in accordance with agreed terms and conditions because of a dispute over the terms of the contract or because of a credit or liquidity problem. Such "counterparty risk" is increased for contracts with longer maturities when events may intervene to prevent settlement. The ability of Gardner Lewis to transact business with any one or any number of counterparties, the lack of any independent evaluation of the counterparties or their financial capabilities, and the absence of a regulated market to facilitate settlement, may increase the potential for losses to the client.

### *Regulatory risk*

Gardner Lewis' alternative strategies may also bear the risk of governmental legislation that fundamentally changes opportunities in energy exploration and residential mortgage investments. Opportunities to find specific unexploited drilling locations can be impacted by changes in U.S. energy policy for instance, while real estate mortgage investments can be affected by U.S. monetary policy and bank regulation. Certain aspects of Gardner Lewis's hedged strategies may also entail regulatory risk.

### *Managerial risk*

The success of direct investment in private equity and venture capital projects can be heavily impacted by the quality of the management teams involved in the transactions. While public equity investments tend to have larger, longer standing, and more diverse leadership teams, entrepreneurial organizations can be much more reliant on the skills of specific visionary leaders. This risk, among others, is what also gives these projects high return potential.



## **ITEM 9: DISCIPLINARY INFORMATION**

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Gardner Lewis has no information applicable to this Item.

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

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Gardner Lewis serves as Investment Adviser to The Chesapeake Growth Fund (a/k/a the Mutual Fund). The Chesapeake Growth Fund is an open-end registered investment company. Gardner Lewis employees serve as officers and directors of The Chesapeake Growth Fund.

Gardner Lewis also serves as investment adviser to the Funds. An affiliate of the Adviser, Gardner Lewis Partners, LLC, serves as the general partner of the Funds that are constructed as limited partnerships.

Both The Chesapeake Growth Fund and the Funds may be offered to Gardner Lewis' managed account clients outside of their account managed by Gardner Lewis.

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

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### Code of Ethics

Gardner Lewis has adopted a Code of Ethics (the "Code") for all employees of the firm describing its high standard of business conduct and fiduciary duty to its clients, which puts the interests of the Gardner Lewis's clients before its own interests and requires employees to act honestly and fairly in all respects in their dealings with clients. In addition to compliance with Gardner Lewis's policies and procedures, all of Gardner Lewis's personnel are required to comply with applicable federal securities laws. The Code of Ethics includes provisions relating to prohibitions on insider trading, personal securities trading procedures, restrictions on political contributions, and restrictions on gifts and business entertainment, among other things. All employees at Gardner Lewis must acknowledge the terms of the Code of Ethics annually, or as amended. Gardner Lewis' clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the Client Service Group at (610) 558-2800 or [clientservices@gardnerlewis.com](mailto:clientservices@gardnerlewis.com).

Gardner Lewis and its employees may give and/or receive gifts, services or other items to/from any person or entity that does business with or potentially could conduct business with or on behalf of Gardner Lewis. Gardner Lewis has adopted policies and procedures governing gifts and business entertainment, which includes quarterly disclosure of gifts and business entertainment in excess of certain de minimis thresholds and pre-clearance by the Chief Compliance Officer prior to giving/receiving gifts above a certain de minimis threshold.

Gardner Lewis, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which Gardner Lewis or its related persons have invested or seek to invest on behalf of clients. Gardner Lewis is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. Gardner Lewis maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure

that Gardner Lewis is meeting its obligations to its clients and remains in compliance with applicable law. In certain circumstances, Gardner Lewis may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but Gardner Lewis will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, Gardner Lewis will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that Gardner Lewis possesses such information), or not using such information for the client's benefit, as a result of following Gardner Lewis's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

#### Investing in Securities Recommended to Clients

Gardner Lewis may, in appropriate circumstances, consistent with clients' investment objectives, cause accounts over which Gardner Lewis has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Gardner Lewis, its affiliates and/or clients, directly or indirectly, have a position or interest. Gardner Lewis or its related persons and employees may trade in a particular security in a manner that is the same as, different from, or even opposite to the trading activity undertaken by Gardner Lewis on behalf of its clients with respect to that same security. Such practices present a conflict when, because of the information Gardner Lewis has, Gardner Lewis or its employees are in a position to trade in a manner that could adversely affect Gardner Lewis's clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting Gardner Lewis's or its employees' objectivity, these practices by Gardner Lewis or its employees may also harm clients by adversely affecting the price at which the clients' trades are executed. Gardner Lewis' employees and persons associated with Gardner Lewis are required to follow Gardner Lewis' Code of Ethics, which are designed to assure that the personal securities transactions, activities and interests of the employees of Gardner Lewis will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions that, at the same time, allows employees to invest for their own accounts. The Code requires pre-clearance of many transactions and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Subject to satisfying this policy and applicable laws, officers, directors and employees of Gardner Lewis and its affiliates may trade for their own accounts in securities that are recommended to and/or purchased for Gardner Lewis' clients.

Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Gardner Lewis and its clients. Employees are required to disclose their securities transactions on at least a quarterly basis and holdings on an annual basis either through certifications or by providing copies of monthly or quarterly brokerage statements. Gardner Lewis maintains a record of all trading and account information for employees. Trading by employees is reviewed by the Chief Compliance Officer or its designee. The Chief Compliance Officer's personal trades are reviewed by a designated officer of Gardner Lewis or an outside third party to avoid self-review and are reviewed against the restricted securities list.

#### Conflicts of Interest Created by Contemporaneous Trading

Gardner Lewis or a related person from time to time recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that Gardner Lewis or related person buys or sells the same securities for its own account. In order to minimize the conflicts stemming from situations where the contemporaneous trading results in an economic benefit for Gardner Lewis or its related person

to the detriment of the client, in such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Gardner Lewis will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order ticket. In addition, Gardner Lewis has adopted the aggregation policies and procedures discussed in Item 12.

Gardner Lewis's related persons may, and currently do, invest in private funds managed by Gardner Lewis and, in certain cases, may, in the aggregate, hold a substantial portion of a private fund's assets. Such investments pose a risk that Gardner Lewis or individuals who are in a position to control the allocation of investment opportunities to Gardner Lewis's client accounts will favor those private funds in which Gardner Lewis's related persons invest, particularly in the case of limited opportunities (such as initial public offerings and private placements) or other investments that are otherwise subject to limited capacity. Additionally, Gardner Lewis's related persons have access to information that is not available to other investors in such private funds. Gardner Lewis's procedures require the objective allocation for limited opportunities to ensure fair allocation among accounts.

Gardner Lewis also manages accounts that include or are solely comprised of assets for the benefit of its officers, directors, employees, and related parties. When said accounts include the assets of non-affiliates, they will receive materially identical treatment to other non-directed institutional accounts managed by Gardner Lewis and will generally be aggregated with other non-directed institutional accounts when practical. Because these accounts are part of the institutional trading block of accounts, they can trade before, after, or in the same order as other non-directed institutional client accounts. As part of the institutional block, these accounts will generally trade before those client accounts that have directed all of their trading to a particular broker. If such an account contains only the assets of related parties, that account will trade with or behind the client block but not in front of any client executions. Accounts with only related party assets will typically trade with client assets if the security being traded is not held or being traded for directed accounts.

## **ITEM 12: BROKERAGE PRACTICES**

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### **Selecting Brokerage Firms**

Gardner Lewis generally has the authority to determine the broker, dealer or other counterparty through which securities are bought and sold, and the commission rates at which transactions are effected. In these circumstances, Gardner Lewis places and executes trades for the purchase and sale of securities for clients through a centralized trading desk. Traders have wide latitude to choose brokers to be used for each purchase or sale. Brokers are selected on a trade-by-trade basis based on their expected ability to provide best execution. As part of this process, Gardner Lewis traders evaluate a variety of factors to determine the broker-dealer that might be most effective in executing the order including: the price paid or received for a security, the commission charged, the promptness and reliability of execution, the confidentiality and placement accorded the order, the security's trading characteristics, relative difficulty of execution, access to markets, expertise of the broker, and other factors affecting the overall benefit obtained. Gardner Lewis also considers capital commitments made by brokers to facilitate a trade along with the research services provided by brokers and attempts to allocate a portion of the brokerage business of its clients on the basis of those considerations. It is not Gardner Lewis's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. Gardner Lewis's

Brokerage Execution Committee and traders meet periodically to evaluate the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

Gardner Lewis aggregates or “blocks” trades where appropriate. In some circumstances, when trades are combined for accounts, a “step-out transaction” may be used where clearance and settlement functions, as well as a portion of the commission, may be allocated to a broker-dealer other than the executing broker-dealer. Not all clients that are part of a step-out transaction may derive a benefit from the portfolio of the trade being stepped out.

In most circumstances, unless otherwise specified and agreed to by clients, brokers are paid based on Gardner Lewis’ negotiated commission rate schedule. Certain trades (such as those executed using Electronic Crossing Networks, program trades, and very low priced securities) may be executed at lower than average rates. In selecting a broker-dealer to execute transactions (or a series of transactions) and determining the reasonableness of the broker-dealer’s compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

Under certain circumstances and where permitted, Gardner Lewis effects “cross transactions” to cross securities from one client account to another at the current market price as described in Item 16 – Investment Discretion. Gardner Lewis does not cross trades without using a broker or crossing network. Gardner Lewis does not have an affiliated broker.

### **Best Execution**

Gardner Lewis has a duty to obtain “best execution” for its clients’ securities transactions. To fulfill this obligation, Gardner Lewis generally must execute securities transactions in such a manner that the client accounts’ total cost or proceeds in each transaction are the most favorable under the circumstances. In deciding what constitutes best execution, the determinative factor is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution. The reasonableness of commissions is based on the broker’s ability to provide professional services, competitive commission rates, research/execution and other services which will help Gardner Lewis in providing investment management services to clients and the other trade-related factors described above under the heading “Broker Selection.” The SEC has indicated that an investment manager need not solicit competitive bids on each transaction. Gardner Lewis uses numerous brokers to execute its securities transactions. Gardner Lewis evaluates best execution on at least an annual basis.

### **Soft Dollars**

Gardner Lewis receives research and research-related products and other brokerage services other than execution from a broker-dealer in connection with client securities transactions. This is known as a “soft dollar” relationship. Gardner Lewis will limit the use of “soft dollars” to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended (“Section 28(e)"). Primary consideration in effecting securities transactions is given to firms that provide useful research information in addition to meeting Gardner Lewis’s other standards regarding best execution. Gardner Lewis makes a good faith determination that the amount of commission paid on transactions is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer. Gardner Lewis may, therefore, use a broker who provides useful research and securities transaction services even though a lower commission may be charged by a different broker whose services are deemed less useful. As such, this raises a conflict of interest as Gardner Lewis may have an incentive to select brokers based on the firm’s interest in receiving research rather than receiving a more favorable commission rate.

Trading is continually monitored as part of the firm's processes to manage this conflict. The Investment and Trading teams carefully balance the value of research versus the value of reduced execution cost in an effort to provide the client with the best overall investment return. Information regarding all of the research and brokerage services received by the firm is reviewed by the Brokerage Execution Committee at least quarterly. Third party services require pre-approval from a partner and Compliance and are reviewed on a quarterly basis by the Brokerage Execution Committee.

Research and brokerage services may be useful in servicing all the firm's clients, and not all of such research may be useful for the account for which the particular transaction was effected. Gardner Lewis does not seek to allocate soft dollar benefits to client accounts proportionally to the soft dollar credits the accounts generate.

Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

Such research services are received in the form of written reports, telephone contacts, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives. In some cases, research services are generated by third parties but are provided to Gardner Lewis by or through brokers.

Some research information provided by brokers may, in turn, be shown to clients or potential clients in a manner that could be considered marketing. Where services are regularly used in this manner a mixed use of allocation is made as described below.

Gardner Lewis considers the amount and nature of research and research services provided by brokers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its clients on the basis of that consideration. In addition, brokers may suggest a level of business they would like to receive in order to continue to provide such services. The actual brokerage business received by a broker may be more or less than the suggested allocations, depending on Gardner Lewis's evaluation of all applicable considerations.

In some instances, Gardner Lewis may obtain a product or service that is used, in part, by Gardner Lewis for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, Gardner Lewis makes a good faith effort to determine the allocation between the administrative benefits and the research and brokerage benefits under 28(e), and will pay for any administrative benefit with firm assets. In making a good faith allocation between administrative benefits and research and brokerage services, a conflict of interest exists by reason of Gardner Lewis's allocation of the costs of such benefits and

services between those that primarily benefit Gardner Lewis and those that primarily benefit its clients. Gardner Lewis maintains a written record of these mixed used allocation decisions and reviews ongoing services annually to confirm that allocations are still valid.

### **Brokerage for Client Referrals**

On occasion, Gardner Lewis may receive a client referral from a broker-dealer that Gardner Lewis uses to execute clients' securities transactions. Gardner Lewis may use such broker-dealer subject to Gardner Lewis' duty to seek best execution on clients' transactions. Gardner Lewis does not direct commissions to compensate for referrals.

### **Trade Order Aggregation**

Aside from client-directed trading restrictions, Gardner Lewis trades in the same securities for all client accounts in the same investment discipline and believes the aggregation of trade orders is the most equitable method to allocate security purchases and sales to all client accounts. Gardner Lewis or its related persons may also participate in an aggregated order. Gardner Lewis may not include a client account in an aggregated order in certain circumstances, such as where the client has directed Gardner Lewis to use a particular broker (please see discussion below on "Direct Accounts and the *Directed Brokerage* section in this Item 12 for a discussion of the results of not participating in trade order aggregation). Where practical, Gardner Lewis generally aggregates or "blocks" trades for client accounts. Such aggregation may enable Gardner Lewis to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. The allocation process of aggregated trades is managed on the trading desk in an automated routine with the Trade Order Management System ("MOXY"). After the execution strategy has been planned by the portfolio manager, the trader inputs the order into MOXY to work out the mechanics of the order such as the number of shares to execute.

If a trade is not executed in its entirety, those shares that are executed are generally allocated among portfolios and products including accounts that hold both proprietary and non-proprietary assets using a pro-rata based process. On occasion when shares have been unevenly distributed in prior trades due to issues such as cash constraints, a level fill allocation methodology may be used. In some circumstances when the percentage of shares executed is very small and a pro-rata allocation is impractical, shares may be allocated on a random or cash available basis.

The investment process used by Gardner Lewis can limit the amount of cash that is typically held in client accounts to a very low level. For this reason, cash can be the driver of an allocation. This may cause accounts with low levels of cash to sell shares before accounts with a larger percentage of cash. Accounts with low levels of cash could also purchase shares later than accounts with a larger percentage of cash. Account size and account families may also affect the allocation procedure to some extent.

A pro-rata allocation distributes shares across all portfolios according to each portfolio's open order quantity in relation to other accounts participating in the allocation. In this methodology, an account that has a larger standard position size would get the same percentage of their total order filled as an account that has a smaller standard position size, which could result in some accounts getting a larger percentage based on the market value of the account. A level-fill allocation distributes shares so that all portfolios' current actual positions after the allocation of the security are as close to equal as possible and may take into account previous activity in the security. This allocation methodology could result in an account receiving a larger percentage allocation than other accounts in the aggregated trade on a given day if they had a smaller or no allocation from previous trades due to other constraints.

Gardner Lewis allocates executed orders among accounts by the end of each trading day. All accounts participating in an order receive the same average price per share and all accounts generally pay the same commission rate. Aggregated orders include institutional client accounts and accounts with Gardner Lewis affiliated assets, and do not include directed accounts. Directed accounts have trading requirements that limit brokerage choices and execution strategies, and are generally executed after the institutional client block has been completed. Institutional client accounts have brokerage guidelines that allow broader broker and execution choices.

In the event that a client directs Gardner Lewis to use a particular broker or dealer to execute all transactions (a "Directed Account"), commissions may not be negotiated and volume discounts and/or best execution may not be achieved. Under these circumstances a disparity in commission charges may exist between the commissions charged to a Directed Account and those clients that give Gardner Lewis discretion regarding the placement of orders for their accounts. Directed Accounts will generally execute their directed orders after the non-directed block orders have been completed and will not generally receive the same price per share as the institutional block of accounts. The execution strategy for the institutional block of accounts may involve staging executions over a period of time, which can result in dispersion in holdings and position sizes between institutional and Directed Accounts in addition to the dispersion in average prices and commissions. If the price of the security moves outside of Gardner Lewis's trading range during the purchase for the institutional block of accounts, that security may not be purchased for Directed Accounts.

### **IPO Allocation**

Initial Public Offerings ("IPOs") are allocated to client accounts based upon a variety of factors and considerations, including: suitability, available cash, and account size. As with the placement of all investment decisions in client accounts, suitability is one of the most significant factors that Gardner Lewis must consider when determining which accounts will receive an IPO allocation or participate in other limited investment opportunities. Suitability factors that are analyzed include market capitalization, sector/industry and other risk characteristic weightings, risk/reward, ability to hedge risk, and expected length in holding. In the event that Gardner Lewis is not able to get the number of shares required to fill an IPO order for all accounts, the allocation may be made on a prorated or random basis.

### **Directed Brokerage**

When requested by clients in writing and where appropriate, Gardner Lewis may direct a portion of a client's trading to a broker or brokers that the client has selected for their commission recapture program. The percentage of the overall brokerage that is directed is dependent on a number of factors including, but not limited to, the type of mandate and the execution capabilities of the broker/dealer selected. Step-out transactions may be used to accommodate such client trading direction. Gardner Lewis attempts to fulfill client direction requests, but there is no guarantee that they will be fully satisfied. In some circumstances, the broker selected by the client may not offer the lowest commission rate, and the client would pay a higher rate than would have been negotiated by Gardner Lewis. However, the services provided by the broker to the account may offset expenses that the account would otherwise pay.

In the event that a client directs Gardner Lewis to use a particular broker or dealer to execute all transactions, commissions may not be negotiated and volume discounts and/or best execution may not be achieved. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to a client who directs that their transactions are placed with a particular broker and those clients who give Gardner Lewis discretion to place orders for their accounts. Accounts that have directed execution requirements will generally execute their directed orders after the non-directed

block orders have been completed and will not generally receive the same average price per share as the institutional block of accounts. The execution strategy for the institutional block of accounts may involve staging executions over a period of time, which can result in dispersion in holdings and position sizes between institutional and directed accounts in addition to the dispersion in average prices and commissions. As a result of these factors, the performance of these directed accounts may be different than the accounts of those clients who give Gardner Lewis the discretion to place their orders. In addition, these clients will not receive IPO allocations except as their broker may accommodate them.

When the client has directed all of their brokerage to a particular broker, these accounts (directed accounts) will trade in rotation. This rotation is dictated by factors such as: the order of the rotation from the previous trade, the desire to keep ticket counts to a minimum when practical and time constraints with respect to market close. There may be pricing discrepancies that occur as a result of this practice.

### **Error Correction**

Gardner Lewis has procedures in place to review and correct any errors that are made in client accounts. Under no circumstances may a client be disadvantaged nor may commissions be used to correct an error made by Gardner Lewis or its employees. Best efforts are made to resolve all errors in a timely manner. Errors are documented and reviewed by Compliance. If appropriate, procedure changes are implemented to prevent future errors.

## **ITEM 13: REVIEW OF ACCOUNTS**

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### **Periodic Reviews**

All Gardner Lewis clients within a particular product category share similar investment objectives (with minor restrictions on a few accounts). For this reason, each individual client's holdings are evaluated in conjunction with others within their respective investment strategy groups on a continuous basis. Portfolio weightings and allocations are continuously reviewed as buy and sell decision are effected. Portfolios are typically reviewed at least weekly. Reviewers include the firm's principals as well as members of the research and trading staff. Reviews are intended to ensure fundamental strength as well as proper position, weighting, and performance.

As part of Gardner Lewis's risk management process, all portfolios are reviewed on a regular basis to ensure compliance with strategy guidelines. Any potential exceptions are reviewed and corrected as appropriate.

In addition, Gardner Lewis's compliance reviews portfolio holdings and account dispersion to ensure that accounts are treated fairly and in compliance with any investment guidelines that have been provided by the client as described in tem 16.

### **Other than Periodic Reviews**

Cash flows trigger a review of holdings and sector weightings to ensure that the account remains consistent with Gardner Lewis's model after the movement of cash. The purchase of a security that is not currently held in client accounts will trigger a review of portfolios with investment guidelines to confirm that the security does not violate the guidelines of the portfolio. Buying or selling an existing portfolio name would also cause a review of accounts, to confirm Gardner Lewis is acting consistently with the client's objectives and guidelines.



## **Regular Reports to Clients**

Clients with individually managed accounts receive at least quarterly statements from Gardner Lewis and monthly statements from their custodian. Mutual fund clients receive valuations at least quarterly.

A Fund's investors receive reports from the Fund pursuant to the terms of each Fund's offering memoranda or as otherwise described in the offering document of the Fund.

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

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Gardner Lewis does not have any arrangements, oral or in writing, where it is paid cash by or receives some economic benefit (including commission, equipment, or non-research services) from a non-client in connection with giving advice to clients.

Gardner Lewis has not entered into contractual marketing arrangements to compensate third-party solicitors for client referrals or investors in the Funds but may do so in the future. In such event, where applicable, these client solicitations will be structured to comply with the requirements of Rule 206(4)-3 under the Advisers Act and related SEC staff interpretations.

## **ITEM 15: CUSTODY**

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Custody occurs when an adviser or related person directly or indirectly holds client funds or securities, or has the ability to gain possession of them. Gardner Lewis is deemed, in accordance with the Advisers Act, to have custody of the assets of the Funds for which it, or its affiliates, serves as investment manager or general partner.

Gardner Lewis maintains policies and procedures to comply with the requirements of Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). Securities and funds of the Funds are held with a qualified custodian and subject to an independent annual audit in order to meet the requirements of the Custody Rule.

Managed account clients of Gardner Lewis typically select their own custodians. Clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains their investment assets as well as monthly statements from Gardner Lewis. Gardner Lewis urges clients to carefully review such statements and compare such official custodial records to the account statements that Gardner Lewis may provide. Gardner Lewis statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **ITEM 16: INVESTMENT DISCRETION**

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As noted in Item 4, with respect to managed account clients, Gardner Lewis usually receives discretionary authority as a part of its advisory agreements with the clients. In cases where Gardner Lewis received discretionary authority from the client, Gardner Lewis has the authority to determine (i) the securities to be purchased and sold for the client account; and (ii) the amount and price of securities to be purchased or sold for the client account. In all cases, however, such discretion is to be exercised in a manner consistent

with the stated investment objectives for the particular client account, if any exist. Clients may place limits and/or restrictions on the ability to purchase particular securities or types of securities. Any investment guidelines and restrictions must be provided in writing to Gardner Lewis.

Gardner Lewis also provides investment advisory services on a discretionary basis to the Funds. Except for the general investment guidelines set forth in the Funds' offering documents and investment management agreements, there are no limitations on the discretionary authority of Gardner Lewis with respect to the Funds.

From time to time, Gardner Lewis may seek to execute transactions between client accounts, including rebalancing trades between client accounts, which may be deemed to be "cross transactions". A "cross transaction" means buy and sell transactions placed by the Firm on behalf of two client accounts for the same security, at or about the same time, that are executed through the same broker. Gardner Lewis will seek to effect cross transactions in a manner that is consistent with the best interests of both the buying client and selling client and Gardner Lewis's duty to obtain best execution for client transactions.

Cross transactions are not permitted if they would constitute "principal transactions" or "agency cross transactions" (as such terms are defined below), unless such transactions are consistent with applicable requirements of the Advisers Act and the rules thereunder. In addition, cross transactions are generally prohibited by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and should not be conducted with an ERISA account (including a private investment vehicle that has substantial benefit plan investors and is subject to ERISA) unless it has been determined that an exemption is available.

Neither Gardner Lewis nor any of its affiliates may, directly or indirectly, engage in a "principal transaction" (as defined below) with a client without disclosing to such client in writing, prior to the completion of such principal transaction, the capacity in which Gardner Lewis is acting, and obtaining the consent of the client to the transaction (see Section 206(3) of the Advisers Act). Blanket consents (prior consent obtained to cover a category of transactions) are not sufficient for this purpose. A "principal transaction" means (i) a transaction in which Gardner Lewis or any of its affiliates while acting as principal for its own account, knowingly sells any security to, or purchases any security from, an advisory client, or (ii) a cross transaction involving a "principal account." A "principal account" means: (1) an account of Gardner Lewis and/or its affiliates or (2) an account in which Gardner Lewis and/or its controlling persons, in the aggregate, own more than 25%.

An "agency cross transaction" is a transaction in which Gardner Lewis acts as the broker for both the seller and purchaser of a security and either the seller or the purchaser is a client. However, as neither Gardner Lewis nor any affiliate is a broker, it is not anticipated that any such transactions will be entered into.

## **ITEM 17: VOTING CLIENT SECURITIES**

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It is the intent of Gardner Lewis to vote proxies in the best interests of the firm's clients. In order to facilitate this, Gardner Lewis receives proxy voting and corporate governance advice from Glass Lewis & Co. ("Glass Lewis") to assist in the due diligence process related to making appropriate proxy voting decisions related to client accounts. Unless otherwise directed by clients, votes are typically cast "For" Management proposals, "Against" Shareholder proposals and "Abstain" on all other proposals. Due to their investment strategy, Merger Arbitrage account shares are generally voted in favor of the merger closing.

Gardner Lewis has also appointed a group of senior level employees to act as a Proxy Committee ("Proxy Committee"). In those circumstances where the Portfolio Manager or Analyst who covers a security for Gardner Lewis determines that they wish to vote contrary to Glass Lewis' recommendations, the Proxy Committee reviews the issue for potential conflicts of interest and makes the final decision regarding how shares will be voted. If a conflict of interest is believed to exist, the Proxy Committee will direct that the proxy issue must be voted with Glass Lewis' recommendation.

Clients may request a full copy of this policy or information regarding how proxies relating to their securities were voted by contacting Gardner Lewis directly at (610) 558-2800 or [clientservices@gardnerlewis.com](mailto:clientservices@gardnerlewis.com)

## **ITEM 18: FINANCIAL INFORMATION**

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Gardner Lewis has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.