

Part 2A of Form ADV: Firm Brochure

FCM US LLC

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This brochure (the “Brochure”) provides information about the qualifications and business practices of FCM US LLC (“FCM”). If you have any questions about the contents of this brochure, please contact us at information@fortelus.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about FCM also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 Material Changes

This Brochure has been updated to reflect the role of the FCM as the investment adviser to Nexxus Holdings Inc., an affiliated C-Corporation, and its provision of advisory services to certain co-investment vehicles of Nexxus. Furthermore, the Fortelus Funds previously managed by FCM are in the process of winding down and are not accepting new investment, so details regarding a new investment in the funds have been removed.

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Item 4 Advisory Business

FCM US LLC ("FCM"), a Delaware limited liability company, was incorporated on 30 November 2012 and provides discretionary investment management services to private funds and institutional clients. The Firm is located in Santa Barbara, CA and is owned entirely by Timothy Babich, the Managing Member.

As at the date hereof FCM provides discretionary investment management services to the following Private Funds:

- Fortelus Special Situations Master Fund Ltd (the "Master Fund")
- Fortelus Special Situations Fund LP (the "Onshore Feeder Fund")
- Fortelus Special Situations Fund Ltd (the "Offshore Feeder Fund")
- Ace Investments I, LLC ("ACE")

In addition to the Private Funds, FCM also provides investment advisory services to two affiliated institutional clients:

- Gramercy Match Trust
- Nexus Holdings Inc.

FCM also provides discretionary and non-discretionary advisory services to other institutional clients. FCM's advisory services encompass a broad array of asset types and investment strategies, but are focused primarily on publicly traded securities in the U.S.

The investment aim for the funds listed above is to achieve superior risk-adjusted total returns by investing primarily in European public and private non-investment grade and non-rated debt instruments, investment grade debt instruments, distressed businesses, and special situation equities and equity-related instruments in which the true value of the business may be obscured by external factors.

As of the date of this brochure, FCM manages approximately \$200,000,000 on a discretionary basis.

Item 5 Fees and Compensation

In most circumstances, FCM will charge a management ("Management Fee") and annual performance allocations ("Performance Fee"). Management Fees typically range between 1% – 2% of net assets of the client account annually. Management Fees are generally payable monthly in arrears and are debited directly from client accounts.

FCM may in its absolute discretion waive or rebate all or any part of the Management Fee. Affiliates of FCM are typically exempt from Management Fees and Performance Fees. Neither FCM nor any of its affiliates receive any compensation for the sale of securities or other investment products.

FCM's clients will also be charged certain expenses resulting from FCM's investment activities, including, but not limited to:

(a) investment costs and expenses (e.g. expenses which relate to the investment of the clients' assets, including, without limitation, fees and expenses incurred by FCM in connection with engaging third parties to conduct due diligence and research or negotiate the terms of certain investments, expenses relating to short sales, clearing and settlement charges, custodial fees, bank service fees, and the cost of investigating actual or potential investments, including travel expenses),

(b) brokers' commissions, borrowing charges on securities sold short and any issue or transfer taxes chargeable in connection with any securities transactions,

(c) the costs and expenses of products and services relating to research concerning clients' investments or potential investments including, without limitation: professional fees relating to investments such as expenses of consultants and experts, the costs of obtaining third-party research products and services (including, without limitation, the cost of research reports relating to securities, issuers, market segments or geographic regions, the costs of portfolio modelling and analyses, the costs of third-party pricing services and price quotation services, the costs of computerized historical financial databases and the costs of credit ratings services), the costs of subscriptions or publications regarding investments, and the costs of computer hardware and software to the extent that such hardware or software is used for research, accounting expenses such as the cost of an accounting software package, the charges and expenses of legal advisers, tax advisers and auditors, all taxes and corporate fees payable to governments or agencies, directors' fees and expenses, interest on borrowings, communication expenses with respect to investor services and all expenses of meetings of shareholders and of preparing, printing and distributing financial and other reports, proxy forms, prospectuses and similar documents, the cost of compliance and portfolio analysis software packages, the cost of insurance for the benefit of the directors, litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business, the cost of obtaining and maintaining any listing of the shares on any stock exchange, all other organizational and operating expenses and other similar expenses and extraordinary expenses.

All fees and expenses to be paid by clients will be outlined in the relevant investment management agreements and investment documentation.

Item 6 Performance Based Fees

Performance Fees payable to FCM are negotiable, but will generally equal 20% of net realized and unrealized profits for each year subject to a high-water mark. Performance Fees will generally be charged after the close of each calendar year, but may be charged at other times as agreed upon with a client.

FCM may in its absolute discretion waive or rebate all or any part of the Performance Fee.

Performance Fee arrangements may create an incentive to make investments that may be riskier or more speculative than would be the case if such arrangement were not in effect. In addition, because Performance Fees are generally calculated on a basis that includes unrealized capital appreciation, they may be greater than if based solely on realized gains.

In the allocation of investment opportunities, performance-based fee arrangements may also create an incentive to favor client accounts that pay greater performance fees over accounts that pay lesser performance fees. FCM

FCM has adopted policies, procedures, and controls to ensure that the presence, or absence, of performance-based compensation is not a factor in the allocation of investment opportunities.

Item 7 Types of Clients

As noted in Item 4 above, FCM provides investment advice and investment management services to the Private Funds, which are pooled investment vehicles that are organized as domestic limited partnerships or offshore corporations or limited partnerships. Investors in the Onshore Feeder Fund include FCM's affiliates and trusts or other entities for their benefit. In addition to the Private Funds, FCM provides advisory services to affiliated and unaffiliated entities, FCM may also provide advisory services to some or all of the following: individuals; banks or thrift institutions; investment companies; pension and profit-sharing plans; trusts, estates or charitable organizations; and corporations or other business entities.

FCM, in conjunction with its clients may form additional private fund vehicles or special purpose vehicles to facilitate investments. At present, FCM provides discretionary investment services to ACE Investments I, LLC, a pooled investment vehicle formed to hold a specific private equity investment. ACE Investments I, LLC is not accepting new investors at this time. In certain cases, minimum investments may be required to participate in a particular investment opportunity. In addition, FCM requires that clients and investors in the Private Funds must be "accredited investors," as defined in Rule 501(a) of Regulation D, promulgated pursuant to Section 4(2) of the Securities Act of 1933, as amended, as well as "qualified purchasers," as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended.

FCM also provides discretionary management services to institutional clients. At present, FCM advises the Gramercy Match Trust, an affiliated Delaware domiciled Grantor Trust, and Nexxus Holdings Inc., an affiliated C-Corporation to which FCM provides advisory services with regard to the investment of its balance sheet.

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

Methods of Analysis and Investment Strategies

The descriptions set forth in this Brochure of specific advisory services that FCM will offer to Clients and investment strategies pursued should not be understood to limit in any way FCM's investment activities. FCM may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that FCM considers appropriate, subject to each Client's Investment Guidelines. The investment strategies FCM pursues are speculative and entail substantial risks. There can be no assurance that the investment objectives of any Client will be achieved.

Special Situation Investments

If the investors in a Private Fund consent, FCM may invest a significant portion of the portfolio indirectly in Special Situation Investments.

A "Special Situation Investment" shall mean any investment which, at the time of acquisition, FCM, FCM UK or the directors of the Private Fund designates as a Special Situation Investment in accordance with criteria described below. Special Situation Investments include investments which, in the sole opinion of FCM, FCM UK or the directors of the Private Fund, are difficult to identify a fair market value for or for which liquidity does not exist at current market prices. These include, without limitation, debt or equity securities of companies (or permissible assets of any other nature) that are or, in the judgment of FCM, FCM UK or the directors of the Private Fund, are likely to become, the subject of a take-over, merger, exchange offer, restructuring (financial or operational), liquidation, spin-off, or other extraordinary transaction that, in the judgment of FCM, FCM UK or the directors of the Private Fund, creates the prospect for increasing the value of the company's debt securities through resulting credit upgrades, refinancings and tenders for bonds or increasing the value of the equity through a revaluation of the equity following the event. A Special Situation Investment may be liquid or illiquid or may be subject to legal or other restrictions on transfer, or may be investments with respect to which FCM, in its discretion, otherwise determines no liquid market or other reasonably accurate source of valuation exists. A Special Situation Investment may comprise a number of component parts in addition to or instead of a debt or equity security of a company.

The descriptions set forth in this Brochure of specific advisory services that FCM will offer to clients as well as any investment strategies expected to be pursued should not be understood to limit in any way FCM's investment activities. FCM may offer any advisory services, engage in any investment strategy and make any investment, including investments not specifically described in this Brochure which may arise.

FCM will review investments and recommend only those it considers appropriate, subject to each client's investment guidelines and any restrictions imposed. The investment strategies pursued by FCM are speculative and entail substantial risks. There can be no assurance that the investment objectives of any client will be achieved

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. No guarantee or representation is made that a client will achieve its investment objective or that an investor will not lose all or a substantial portion of its investment. Because these risk factors are not a complete list or explanation of all of the risks to investors in the clients, all such investors should read this Brochure and any offering memorandum and other governing documents of the particular client before making an investment.

Securities and Instruments

The securities and other instruments invested in may include all types of equity structures and debt obligations and may have varying terms with respect to collateralization, seniority or subordination, purchase price, convertibility, interest payments and maturity. These are expected to consist primarily of public and private equities, non-investment grade and non-rated debt, convertible bonds, preferred stock, bank debt, middle market loans and notes (including, without limitation, loans to, or notes issued by, small-to- medium-sized companies), trade claims, liquidating trusts, assignments, options, swaps and any other securities with fixed-income characteristics, including, without limitation, debentures, notes, deferred interest, pay-in-kind or zero coupon bonds, mortgages and mortgage-backed securities, collateralized mortgage obligations, other real estate related instruments, other asset-backed instruments, structured notes, equipment lease and trust certificates and commercial paper. Investments may also be made in common or preferred stock, warrants to purchase common or preferred stock, and other equity interests.

Limited Liquidity

clients will be unable to achieve an immediate return of assets invested. Investment in assets that FCM determines to have limited liquidity (such as certain middle market loans and notes other asset-backed instruments, or private equity investments) may constitute a material portion of a client's portfolio. clients may also originate middle market loans as well as loans to other debtors where there may not be an active secondary market for the instruments.

Special Situation Investments

If the investors in a client consent, FCM may invest a significant portion of the portfolio indirectly in Special Situation Investments. A "Special Situation Investment" shall mean any investment which, at the time of acquisition, are difficult to identify a fair market value for or for which liquidity does not exist at current market prices. These include, without limitation, debt or equity securities of companies (or permissible assets of any other nature) that are or, in the judgment of FCM, likely to become, the subject of a take-over, merger, exchange offer, restructuring (financial or operational), liquidation, spin-off, or other extraordinary transaction that, in the judgment of FCM, creates the prospect for increasing the value of the company's debt securities through resulting credit upgrades, refinancings and tenders for bonds or increasing the value of the equity through a revaluation of the equity following the event.

A Special Situation Investment may be liquid or illiquid or may be subject to legal or other restrictions on transfer, or may be investments with respect to which FCM, in its discretion, otherwise determines no liquid market or other reasonably accurate source of valuation exists. A Special Situation Investment may comprise a number of component parts in addition to or instead of a debt or equity security of a company.

Undervalued and Overvalued Securities

FCM will seek to identify significantly undervalued debt or equity securities, based on earnings projections or asset value that have been overlooked, and seek to identify significantly overvalued debt or equity securities based on declining asset or interest coverages that provide clients with the opportunity to realize capital appreciation through short positions. FCM also intends to pursue opportunities for capital structure arbitrage to take advantage of inefficiencies in the pricing between debt and equity securities of the same or affiliated issuers. For instance, a client may establish a long position in debt securities of an issuer's securities which FCM believes the debt market has undervalued while simultaneously acquiring a short position in equity or junior debt securities of the same issuer or an affiliated issuer which FCM believes the equity markets have

overvalued.

Management and Control

In certain circumstances, FCM (acting on behalf of its clients), may seek active participation in the management or control of a company. FCM may then seek representation on creditors' committees, equity holders' committees or other groups to ensure preservation or enhancement of its clients' position as a creditor or equity holder. Similarly, FCM may take substantial equity control of a company either through a conversion of distressed debt instruments to equity following a restructuring or an outright purchase of assets of a distressed business out of an insolvency proceeding or from a corporate conglomerate divesting a distressed subsidiary. In these situations, the client may exercise direct control over the business and may in certain circumstances appoint directors to the companies in which it exercises control.

Concentration

FCM is highly aware of risks associated with concentration of investments in one particular industry. Generally, FCM does not intend to invest more than 20 per cent of the value of the gross assets of a client in the securities of any one issuer or more than 35 per cent of the value of the gross assets of a client in any one industry. However, FCM may, in its absolute discretion, allow actual percentage levels to exceed this limit from time to time.

Hedging

While some risk is necessarily inherent in investments in securities, FCM will take a disciplined investment approach and emphasize preservation of capital. FCM may short securities, including debt and equity securities, and use derivatives, such as swaps, to hedge principal, credit or currency risk, where such hedging opportunities are available on terms that FCM considers to be economically attractive. However, FCM is not obligated to seek to hedge against fluctuations in the value of its portfolio positions as a result of changes in market interest rates or any other developments. FCM will not write uncovered call or put options or equivalent derivatives thereof on behalf of its clients.

Investments will be hedged into the base currency of the relevant client provided such hedging opportunities are available on terms that FCM considers to be economically attractive. Subject to the Investment Guidelines of a client, FCM shall have sole discretion in determining when or whether to engage in hedging strategies.

Debt Origination

FCM or its affiliates may originate debt for the benefit of its clients provided that all such loans or debts must be originated outside the US and no loans or debts may be originated on behalf of US borrowers. Any origination fees received by FCM and/or their affiliates from various loan recipients in exchange for finding and/or originating such transactions will be paid to the relevant client.

Other Securities and Assets

In limited circumstances, FCM may invest in securities or assets other than those described herein if FCM determines, in its sole and absolute discretion, that such investments are in the best interest of the client. From time to time, clients may make investments, either directly or through special purpose vehicles that have been sourced and/or structured by third-parties.

Leverage

clients of FCM expect to be leveraged including, without limitation, through borrowing cash, securities and other instruments and entering into derivative transactions that have the effect of leveraging its portfolio. Leverage will be limited in accordance with the Investment Guidelines of a client. Normally the aggregate gross market exposure of a client does not exceed 200 per cent of the net asset value of the client. No assurance can be given that this limit may not be exceeded on a short-term basis.

Borrowing

A client may borrow money from banks or other institutions. Such borrowing will increase a client's leverage and, therefore, will create the same risks attendant to purchasing securities on margin including, without limitation, great potential loss of capital. A client may provide collateral to the banks from which it borrows by registering or pledging the interests or assets of a client in the names of such banks or their nominees.

This procedure exposes a client to the risk that for whatever reason, including, without limitation, the default, insolvency, negligence, misconduct or fraud of such banks, a client will not reacquire the ownership of such interests upon the repayment by a client of such loans. Also, a client will be unable to reacquire such interests if a client defaults on such loans. A client's failure or inability to reacquire such interests from the banks in whose name the interests are registered in support of a loan could entangle a client in protracted litigation and, potentially, result in the complete loss of such interests. While FCM will cause a client to borrow money only from banks or other institutions it believes to be creditworthy, there can be no absolute certainty that such institutions will return such interests to a client upon the repayment of such loans.

Co-investments with Third Parties

A client may co-invest with third parties through joint ventures or other entities. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer or partner of a client may at any time have economic or business interests or goals which are inconsistent with those of a client, or may be in a position to take action contrary to a client's investment objectives. In addition, a client may be liable for actions of its co-venturers or partners. When a client engages in such indirect investments, fees, including performance-based fees and/or asset-based fees, may be payable to such third parties by a client, in addition to the fees already payable to FCM.

Counterparty Risk

The client will be subject to the risk of the inability of any counterparty (including prime brokers and custodians) to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes.

Currency Exposure

Certain of the assets of a client may, however, be invested in securities and other investments which are denominated in currencies other than the base currency. Accordingly, the value of such assets may be affected favorably or unfavorably by fluctuations in currency rates. FCM may seek to manage a client's foreign exchange position to enhance profits or to hedge the foreign exchange exposure. However, a client will necessarily be subject to foreign exchange risks. In addition, prospective investors whose assets and liabilities are predominately in other currencies should take into account the potential risk of loss arising from fluctuations in value between the Euro and such other currencies.

Debt

A client may purchase low rated or unrated debt securities which may offer higher yields than do higher rated securities, but generally involve greater volatility of price and risk of return of principal and income. In addition, the markets for such securities may be limited. A client may invest in private and public debt (including, without limitation, loans) owed by companies on either an assignment or participation basis. When a client invests on a participation basis with a seller, it may not have direct access to the relevant key professionals leading the bankruptcy plan and will rely on information provided by the participation seller.

While a client's debt investments are often collateralized, a client may be exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. A client cannot guarantee the adequacy of the protection of a client's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, a client cannot assure that claims may not be asserted that might interfere with enforcement of a client's rights. In the event of a foreclosure, a client or an affiliate of a client may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to a client. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

There are no restrictions on the credit quality of the loans in which a client invests. Loans may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain of the loans may have large uncertainties or major risk exposures to adverse conditions, and may be considered to be predominantly speculative. Generally, such loans offer a higher return potential than better quality loans, but involve greater volatility of price and greater risk of loss of income and principal. The market values of certain of these loans also tend to be more sensitive to changes in economic conditions than better quality loans.

A client may invest in loans made to companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although the terms of such financing may result in significant financial returns to a client, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful financing to companies experiencing significant business and financial difficulties is unusually high.

There is no assurance that a client will correctly evaluate the value of the assets collateralizing the loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to such distressed company, a client may lose all or part of the amounts invested or may be required to accept collateral with a value less than the amount of the investment by a client in the loan.

A client's success will depend, in part, on a client's ability to invest in loans on advantageous terms. In purchasing loans, a client will compete with a broad spectrum of investors, many of which may have substantially greater financial resources and may be more well-known than a client. Increased competition for, or a diminishment in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to investors.

Of paramount concern in investing in loans is the possibility of material misrepresentation or omission on the part of a borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of a client to perfect or effectuate a lien on the collateral securing the loan. A client relies upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot

guarantee that such representations are accurate or complete. Under certain circumstances, payments to a client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Because of the nature of certain of a client's investment practices, a client could be subject to allegations of lender liability or "equitable subordination." The common law principle of lender liability is based upon the premise that an institutional lender has violated an implied or contractual duty of good faith and fair dealing owed to the borrower or a fiduciary duty owed to the borrower, its other creditors or shareholders as a result of the lending institution assuming a certain degree of control over the borrower through any loans that it has made.

Moreover, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court, in its discretion, may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." A significant number of a client's investments will involve investments in which a client will not be the lead creditor. Accordingly, it is possible for claims of lender liability or equitable subordination to affect a client's investments without a client being directly involved.

Derivatives

A client may invest in complex derivative instruments that seek to modify or replace the investment performance of particular securities, commodities, currencies, interest rates, indices, or markets on a leveraged or unleveraged basis. These instruments generally are subject to counterparty risk and may not perform in the manner expected thereby resulting in greater loss or gain to the investor. These investments are all subject to additional risks that can result in a loss of all or part of an investment, including, without limitation, interest rate and credit risk volatility, world and local market price and demand, and general economic factors and activity. Derivatives may have very high leverage embedded in them, which can substantially magnify market movements and result in losses greater than the amount of the investment. Some of the markets in which a client may effect derivative transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes a client to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a credit or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide) because such markets may lack the established rules and procedures for swift settlement of disputes among market participants found in exchange-based markets. These factors may cause a client to suffer a loss due to adverse market movements while replacement transactions are executed or otherwise. Such "counterparty risk" is present in all swaps and is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a client has concentrated its transactions with a single or small group of counterparties. A client generally will not be restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty.

Distressed Securities

A client may invest in securities of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth (including start-up companies), facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings. Investments of this type may involve substantial financial and

business risks that can result in substantial, or at times even total, losses. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. In bankruptcy situations, there can be a considerable delay in reaching accord on a restructuring plan acceptable to a bankrupt company's lenders, bondholders and other creditors and then obtaining approval from the bankruptcy court. Such investments also may 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 or disenfranchise particular claims. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than those prevailing in other securities markets. It may take a number of years for the market price of such securities to reflect their intrinsic value, and since the market for such securities tends to be illiquid, sales may be possible only at substantial discounts.

Any one or all of the issuers of the securities in which a client may invest may be unsuccessful or not show any return for a considerable period of time. 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 FCM will correctly value the assets collateralizing a client's investments or assess the prospects for a successful reorganization or similar action or that any bankruptcy trustee will meet or outperform the announced liquidation plan. In any reorganization or liquidation proceeding relating to a company in which a client invests, a client may lose its entire investment, may be required to accept cash or securities with a value less than a client's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated may not adequately for the risks assumed.

The administrative costs incurred in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors (other than out of assets or proceeds thereof, which are subject to valid and enforceable liens and other security interests) and equity holders. In addition, certain claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high.

Inside Information

From time to time FCM or its affiliates will be in possession of material, non-public information concerning the issuer of securities or other instruments in which issuer a client has considered investing, has invested or may consider investing. The possession of such information may limit the ability of FCM to cause a client to buy or sell such securities or other instruments. Accordingly, a client may be required to refrain from buying or selling such securities or other instruments at times when FCM might otherwise wish to cause a client to buy or sell such securities or other instruments.

Legal Risk

Many of the laws that govern private and foreign investment, securities transactions and contractual relationships in developing markets are new and largely untested. As a result, a client may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment in certain of the developing markets in which assets of a client are invested. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on a client and their operations. In addition, the income and gains of a client may be subject to withholding taxes imposed by foreign governments for which investors

will not receive a foreign tax credit.

Management Risk

The investment performance of a client is substantially dependent on the services of key individuals who will primarily be responsible for managing the investment of the assets of the client. In the event of the death, incapacity, departure, insolvency or withdrawal of these individuals, the performance of the client may be adversely affected.

Market Crisis and Governmental Intervention

The global financial markets are currently undergoing pervasive and fundamental disruptions which have led to extensive and unprecedented governmental intervention. Such intervention has in certain cases been implemented on an "emergency" basis without much or any notice with the consequence that some market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions has been suddenly and/or substantially eliminated or impaired. Given the complexities of the global financial markets and the limited time frame within which governments have been able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies.

It is impossible to predict with certainty what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on FCM's ability to fulfil a client's investment objective. However, FCM believes that there is a high likelihood of significantly increased regulation of the global financial markets, and that such increased regulation could be materially detrimental to the performance of a client's portfolio.

Options

A client may engage in the trading of options. Such trading involves risks substantially similar to those involved in trading margined securities in that options are speculative and highly leveraged. Specific market movements of the securities underlying an option cannot be predicted accurately. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the security underlying the option, which the writer must purchase or deliver upon exercise of the option. A client may also engage in the trading of options on baskets of securities and stock indices.

Prime Brokers and Custodians

In relation to a client's right to the return of assets equivalent to those of a client's investments which a prime broker or custodian borrows, lends or otherwise uses for its own purposes, a client will rank as one of the prime broker or custodian's (as applicable) unsecured creditors and, in the event of the insolvency of the relevant prime broker or custodian, a client might not be able to recover such equivalent assets in full, or at all. In addition, a client's cash held with a prime broker or custodian will not be segregated from the relevant prime broker or custodian's own cash and will be used by the prime broker or custodian in the course of its business and a client will therefore rank as an unsecured creditor in relation thereto.

In the event that a prime broker or custodian enters into an insolvency procedure (which may last many years), the use by a client of assets held by or on behalf of the relevant Prime Broker and Custodian may be restricted and accordingly (a) the ability of FCM to fulfil the investment objective may be severely constrained, (b) the client may be required to suspend the calculation of the net asset value and as a result, subscriptions for and redemptions of shares, and/or

(c) the net asset value may be otherwise affected. During such a procedure, as more particularly described above, a client is likely to be an unsecured creditor in relation to certain assets and accordingly a client may be unable to recover such assets from the insolvent estate of the relevant prime broker or custodian in full, or at all.

Regulatory Risks of Hedge Funds

Legal, tax and regulatory changes could occur during the term of the client that may adversely affect it. The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by a client and the ability of a Private to obtain the leverage it might otherwise obtain or to pursue its strategies. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivative transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The effect of any future regulatory change on a client could be substantial and adverse.

Short Selling

A client may sell securities of an issuer short in the expectation of "covering" the short sale with securities purchased in the open market at a price lower than that received in the short sale. The profit or loss realized on a short sale will be the difference between the price received in the sale and the cost of the securities purchased to cover the sale. A short sale involves the theoretically unlimited risk of an increase in the market price of the security that would result in a theoretically unlimited loss.

Due to regulatory or legislative action taken by regulators around the world as a result of recent volatility in the global financial markets, taking short positions on certain securities has been restricted. The levels of restriction vary across different jurisdictions and are subject to change in the short to medium term. These restrictions have made it difficult and, in some cases, impossible for numerous market participants either to continue to implement their investment strategies or to control the risk of their open positions. Accordingly, FCM may not be in a position to fully express its negative views in relation to certain securities, companies or sectors and the ability of FCM to fulfil the investment objective of a client may be constrained.

Small and Medium-Capitalization Companies

A portion of a client's portfolio may be invested in the stocks and debt instruments of companies with small-to medium-sized market capitalization's, including growth stage companies. While such companies may often provide significant potential for appreciation, those stocks and debt instruments, particularly smaller-capitalization stocks and debt instruments, involve higher risks in some respects than do investments in stocks and debt instruments of larger companies. For example, prices of small-capitalization and even medium-capitalization stocks and debt instruments are often more volatile than prices of large-capitalization stocks and debt instruments and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in some small-capitalization stocks, an investment in those stocks may be highly illiquid. Relatively small companies in which a client may invest may lack management depth or the ability to generate internally, or obtain externally, the funds necessary for growth and companies with new products or services could sustain significant losses if projected markets do not materialize. Some small companies have limited product lines, distribution channels and financial and managerial resources. A client may invest in companies which may have product lines that have, in whole or in part, only recently been introduced to the market or that may still be in the research or development stage. Such companies may also be dependent on key personnel with limited experience.

Tax Considerations

A client may be subject to withholding or other taxes on income and/or gains arising from their investment portfolios, including without limitation taxes imposed by the jurisdiction in which the issuer of securities held by a client is incorporated, established or resident for tax purposes. Where a client invests in securities that are not subject to withholding or other taxes at the time of acquisition, there can be no assurance that tax may not be withheld or imposed in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. A client will not be able to recover such tax and so any change would have an adverse effect on the net asset value of the shares.

Where a client sells securities short that are subject to withholding tax at the time of sale, the price obtained will reflect the withholding tax liability of the purchaser. In the event that in the future such securities cease to be subject to withholding tax, the benefit thereof will accrue to the purchaser and not to a client.

Item 9 Disciplinary Information

There are no legal or disciplinary events that are material to an investor or prospective investor's evaluation of FCM's advisory business or the integrity of FCM's management.

Item 10 Other Financial Industry Activities and Affiliations

As noted in Item 4, certain of FCM's advisory clients are affiliated entities under common ownership with FCM. Therefore, FCM is incentivized to favor its affiliated clients over its unaffiliated clients in the allocation of investment opportunities. It is the policy of FCM to meet the highest standards of ethical and market practice in respect of the management of conflicts of interest and to act at all times in the best interests of its clients. In that regard, FCM has put in place a conflicts of interest policy with set practices and procedures that it follows. Where possible, FCM seeks to avoid conflicts of interest, and if it is unable to avoid or mitigate a conflict, will clearly disclose the general nature and/or sources of conflicts of interest to clients.

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

FCM strives to adhere to the high standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, FCM has adopted a code of ethics in compliance with SEC rule 204A-1 (the "Code"). The Code covers various issues including personal trading by individuals or affiliates of FCM and standards of conduct of personnel of FCM. Certain employees of Nexxus Holdings Inc. have been deemed to be Access Persons to FCM and therefore, FCM applies its Code of Ethics and personal trading rules across all affiliates.

At present, all Employees of FCM and Nexxus Holdings Inc. are restricted from trading any individual securities in their personal trading accounts, with exception for hardship requests to sell out of a position. Employees are permitted to trade mutual funds or broad-based index funds. No investments in IPOs or Private placements are permitted. All Employee's personal trading is reported in accordance with the Rule on a quarterly and annual basis.

A copy of the Code will be provided to any client or prospective client upon request.

Item 12 Brokerage Practices

Investment Allocations

FCM will allocate investment opportunities to all clients in a manner that it believes to be appropriate in light of the investment objectives of the clients. FCM may be presented with investment opportunities that fall within the investment objectives of one or more clients. In general, FCM shall seek to allocate investment opportunities relating to new positions among the investment portfolios of the clients based on pre-determined allocation methodologies, as modified from time to time, including, without limitation, pro rata allocations based on the assets of each client managed by FCM. The pro rata ratio of the allocation of investments among clients that can take up such investments will be reviewed at least monthly, taking into account capital changes within each client account and relative sizes of client account and any changes in the terms of the investment guidelines and restrictions embodied in the investment management agreement (the "Investment Guidelines") agreed for such client.

There are exceptions to allocating an investment pro rata among clients that may take up an investment opportunity, including, but not limited to:

- Risk/volatility assessment for each client;
- Compliance with a client's Investment Guidelines;
- Counterparties of each client;
- Liquidity needs of each client, including anticipated capital flows;
- Leverage and financing capabilities of each client;
- Ramp-up period to invest new capital of a client; and
- Applicable tax regulations and domicile of the client.

FCM may also adjust (either up or down) the pro rata allocation, or set appropriate sizing, to ensure all participating clients receive appropriate exposure to investments with certain risks based on the size of the relevant portfolio. Adjustments are based, in large part, on the level of risk FCM believes that clients should absorb. Risk assessment is an ever-adjusting, subjective determination. For example, certain investments might be deemed to possess inherently more risk than actively traded positions. Therefore, FCM may want to limit the risk by limiting the size of particular investments in relation to the net asset value of a client's portfolio or other parameters. This may require that a formulaic approach to allocating exposure for investments of a client be adjusted to take into account the risks associated with a specific opportunity or strategy. These risk considerations may change over time.

FCM will generally execute client transactions on an aggregated basis when it believes that to do so will allow it to obtain best execution and to negotiate more favorable commission rates or other transaction costs, or efficiencies than otherwise would have been attainable had such orders been placed independently. In the case of limited investment opportunities that will be taken up by more than one client (i.e., including but not limited to privately offered investments, block trades, opportunities limited by geographic origin, etc.), FCM would generally execute client transactions in the same opportunity on an aggregated basis so that as many eligible clients for which the investment is appropriate may participate on the basis of best available cost, efficiency and terms. Since limited investment opportunities may result in the exclusion of certain clients from a given investment opportunity, FCM's objective is to attempt to obtain and allocate these investments for clients in a fair and equitable manner over time.

FCM will not aggregate orders unless it believes that aggregation is consistent with: (a) best execution for its clients; and (b) the terms of the Investment Guidelines of each client for which trades are being aggregated.

No client will be favored over any other client on an overall, long-term basis; each client that

participates in an aggregated order will participate at the same average price, with transaction costs shared pro rata based on each client's participation in the transaction.

Best Execution

The factors listed below are the issues that FCM will consider when selecting an appropriate broker-dealer for client transactions:

- Price
- Venue
- Broker's relevant expertise related to specific instruments traded and likelihood of execution
- Speed of execution
- Transaction costs, including fees and commissions
- Size of the order and market impact
- Nature of the order
- Other considerations relevant to the order

It is generally assumed that price will be the first priority however in some circumstances other factors may be more important.

When dealing in illiquid securities, cost may not be the most relevant priority. For example, in the extreme case where there may only be one broker that is engaged with the opposite side, FCM will only have one choice of broker. Identifying the broker with this expertise is what the trading desk spends a considerable amount of time doing on a day-to-day basis. This exercise is critical to FCM's policy of best execution. In this type of situation trying to find another broker- for example to keep commissions lower - may be detrimental to the ability to trade.

For directly observable commissions (for example equities) FCM aims to negotiate broker rates to their lowest possible level. It has also attempted to get the competition in line with one another. The factor of commission rates is therefore largely eliminated in the decision process and it is possible to focus on other factors in execution.

For non-observable commissions (for example OTC credit or equity derivatives) the main objective is to get the best possible level (and therefore the lowest possible commission). This is after taking all other factors into consideration.

Brokerage costs reports are prepared monthly in order to see where commissions are being spent.

It is FCM's policy that under no circumstance are brokers paid commissions without having helped specifically with the investment in question. When directing commissions to brokers for trades in respect of which no particular broker has been of assistance, then price is the only consideration and FCM will execute with the lowest cost broker who has been of assistance in relation to previous investments.

Research and Other Soft Dollar Benefits

FCM may effect transactions or arrange for the effecting of transactions through brokers with whom it has arrangements whereby the broker agrees to use a proportion of the commission earned on such transactions to discharge the broker's own costs or the costs of third parties in providing certain services to FCM. The benefits provided under such agreements will assist FCM in the provision of investment management services to its clients. Specifically, FCM may agree that a broker shall be paid a commission in excess of the amount another broker would have charged for effecting such transaction so long as, in the good faith judgment of FCM, the amount of the commission is reasonable in relation to the value of the brokerage and other services provided or

paid for by such broker. Such services, which may take the form of research, analysis and advisory services, including (depending on the precise nature of the services) market price services, electronic trade confirmation systems, or third-party electronic dealing or quotation systems, may be used by FCM in connection with transactions in which certain clients may not participate. As a consequence of the commission arrangements outlined above, clients may be caused to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits. FCM benefits from these arrangements as it does not have to produce or pay for the research, products or services and could potentially have an incentive to select or recommend a broker-dealer based on FCM's interest in receiving the research, or other products or services, rather than on a client's interest in receiving the most favorable execution. It may be noted that soft dollar benefits may be used to service all clients' accounts including those who did not pay for the benefits.

FCM will only enter into any such arrangements that fall within, and are made in accordance with, Section 28(e) of the Securities Exchange Act of 1934, as amended ("Section 28(e)"). Section 28(e) provides a "safe harbor" to those investment managers who use soft dollars to obtain investment research and brokerage services. In order to qualify for the safe harbor, the research must provide assistance to an investment manager in its performance of its investment decision-making responsibilities. Brokerage services must relate to the execution, clearance and settlement of securities transactions in order to fall within the safe harbor provided by Section 28(e).

Item 13 Review of Accounts

The Managing Member generally reviews the portfolio of each client on a daily basis.

Reporting will be provided to clients in accordance with the provisions of the investment management agreement and may consist of periodic account statements, market commentary, risk reporting, or other such reports as a client may request.

Item 14 Client Referrals

FCM will not receive any economic benefit from anyone other than its clients for providing investment advice or advisory services to its clients. FCM may engage placement agents for its Private Funds. The fees may be paid by FCM, or by the relevant fund, as outlined in the offering documents.

Item 15 Custody

Rule 206(4)-2 under the Advisers Act (and certain related rules and regulations under the Advisers Act) imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any client has any beneficial interest ("Custody Rule"). An investment adviser is deemed to have custody or possession of client funds or securities if the adviser directly or indirectly holds client funds or securities or has the authority to obtain possession of them.

An adviser has custody if it (or in some circumstances an affiliate) acts in any capacity that gives the adviser (or, as pertinent, the affiliate) legal ownership of, or access to, funds or securities of the adviser's clients. Accordingly, FCM is deemed to have custody of its affiliated clients' assets. The assets are maintained with a "qualified custodian." Qualified custodians include banks, broker-dealers, futures commission merchants and certain foreign financial institutions.

FCM will not take custody of any unaffiliated client assets. FCM may directly debit advisory and performance fees, but all clients will receive reporting on their investments directly from their respective qualified custodians.

Item 16 Investment Discretion

As noted in Item 4 above, FCM shall be appointed as an investment manager with full discretionary authority with respect to investment decisions on behalf of, and trading in, the affiliated clients' accounts under the terms of an investment management agreement or similar agreement with each client. For unaffiliated clients, FCM may engage in a discretionary or non-discretionary investment advisory relationship. Each client agreement will outline the terms of discretion, if any, granted to FCM by the client.

FCM shall provide investment advice to clients in accordance with the investment objectives and guidelines set forth in their respective offering documents.

Item 17 Voting client Securities

FCM has adopted a voting policy and procedure in compliance with SEC rule 206(4)-6 which provides that FCM will act in the best interests of clients when voting.

The general policy is to vote proxy proposals, amendments, consents or resolutions relating to securities, including interests in pooled investment vehicles, if any (collectively, “proxies”), in a manner that serves the best interests of the clients, as determined by FCM in its discretion, taking into account the following factors: (i) the views of management; (ii) the impact on the value of the investments; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices. In addition, FCM may not vote proxies in certain situations where the associated costs outweigh the anticipated benefits to clients.

If a material conflict of interest exists between the interests of FCM and those of the relevant client with respect to any issue to be voted on, FCM will base its voting decision exclusively on the FCM’s judgment of what will best serve the financial interests of the client that beneficially owns the securities that are the subject of the vote.

A copy of the voting policy and procedure will be provided to any client or prospective client upon request.

Item 18 Financial Information

FCM is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.