

Paloma Partners Management Company

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This brochure (the “**Brochure**”) provides information about the qualifications and business practices of Paloma Partners Management Company (“**PPMC**”). If you have any questions about the contents of this Brochure, please contact us at (203) 862-8000. PPMC is registered as an investment adviser with the United States Securities and Exchange Commission (“**SEC**”) pursuant to the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). Registration with the SEC does not imply a certain level of skill or training and the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

This Brochure is not: (i) an offer or agreement to provide advisory services to any person; (ii) an offer to sell interests (or a solicitation of an offer to purchase interests) in any Fund; (iii) a complete discussion of the strategies, risks, or conflicts of interest associated with any Fund; or (iv) to be relied on in determining whether to invest in a Fund or establish an advisory relationship with PPMC. The information provided in this Brochure about any Fund is qualified in its entirety by reference to the relevant Fund Documentation. Additional information about PPMC is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 MATERIAL CHANGES AND GENERAL INFORMATION

This annual update to our Brochure amends the Brochure dated March 30, 2020.

We do not consider any changes from our last annual update of this Brochure material, but investors are encouraged to review this updated Brochure in its entirety.

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ITEM 4 ADVISORY BUSINESS

Paloma Partners Management Company (“**PPMC**”) was formed by S. Donald Sussman in 1989. Mr. Sussman and Gregory Hayt are PPMC’s directors. PPMC is owned equally by Mr. Sussman, Mr. Hayt and 17 senior employees of PPMC, all of whom are listed in Schedule A of PPMC’s Form ADV Part 1. Paloma Partners Advisors LP (“**Paloma Advisors**”), is a relying adviser with respect to PPMC’s investment adviser registration. Mr. Sussman owns and controls Paloma Advisors; additional information about Paloma Advisors is provided in Schedule R of PPMC’s Form ADV Part 1.

PPMC and Paloma Advisors are collectively referred to herein as **Paloma Management**.

Paloma Management provides discretionary investment advisory services to private investment funds. Investors in the funds advised by Paloma Management (collectively, the “**Paloma Fund**”) cannot obtain services tailored to their specific needs. Neither PPMC nor Paloma Advisors participate in wrap fee programs.

As of December 31, 2020, Paloma Management advised \$3.96 billion on a discretionary basis. Neither PPMC nor Paloma Advisors manage assets on a non-discretionary basis.

) THE PALOMA FUND

The Paloma Fund is a multi-strategy hedge fund with a master-feeder structure that seeks to achieve attractive long-term risk-adjusted returns through dynamic capital allocation among a changing set of investment strategies and Portfolio Managers. The investment program of the Paloma Fund is exclusively carried out through the Paloma Fund’s master fund, Paloma International L.P., and other entities through which the master fund makes investments or enters into transactions (collectively, the “**Master Fund**”). There are no diversification requirements or material limitations on the strategies, investments, instruments, leverage, markets or countries in which the Paloma Fund may invest.

Paloma Management has ultimate discretion and control over the Paloma Fund and its investments. Investment advice is provided to the Paloma Fund pursuant to the terms of each feeder fund’s confidential private offering memorandum and other organizational and governing documents (collectively “**Fund Documentation**”). Paloma Management’s responsibilities to the Paloma Fund include: the selection of Portfolio Managers and strategies, managing allocations and exposures across strategies and among Portfolio Managers, credit and portfolio risk management, and risk hedging. **Portfolio Managers** is the collective term used for Trading Teams, Portfolio Funds and managers of other direct investments in public or private companies.

Most of the Paloma Fund’s Portfolio Managers are Trading Teams. **Trading Teams** trade in the Paloma Fund; capital is made available to a Trading Team to execute an investment strategy.

Trading Teams are either engaged as independent contractors or are employed by PPMC. Independent contractors are responsible for their own operations (e.g., compliance and registration(s), supervision of employees, hiring of personnel and information technology) but are subject to Paloma Management's portfolio and risk management oversight. Descriptions of Trading Teams and their activities in this Brochure generally apply to all Trading Teams (regardless of whether or not a Trading Team is an independent contractor ("**External Trading Team**") or PPMC employee ("**Employee Trading Team**")) unless otherwise noted.

The Paloma Fund also makes direct investments in public or private companies and **Portfolio Funds**; Portfolio Funds are generally passive investments in standalone, externally managed private investment funds.

Additional information about the Paloma Fund's entities is included in Section 7.B of Schedule D in PPMC's Form ADV Part 1.

DISCLAIMER

No guarantee or representation is made that the Paloma Fund's investment program, including, without limitation, its investment objectives, diversification, strategies or risk monitoring processes, will be successful. The risk management process includes an effort to monitor and manage risk, but does not imply low risk. There may be risks which are not monitored or controlled and risks that may be greater than forecasted, especially in unusual market conditions. Nothing herein is intended to imply that the Paloma Fund's investment strategy is "conservative", "safe", "risk free", or "risk averse". There can be no assurance that the Paloma Fund's investment objective will be achieved or that its portfolio design and risk monitoring strategies will be successful. Investors may lose all or substantially all of their capital.

ITEM 5 FEES AND COMPENSATION

PLEASE REVIEW THE RELEVANT FUND DOCUMENTATION FOR A COMPLETE DISCUSSION OF THE FUND'S FEES AND EXPENSES.

An investment in a Fund¹ is subject to substantial fees and expenses. Expenses allocated to a Fund are material, both on an absolute basis and as a percentage of a Fund's assets. Each Fund bears all of its direct expenses and indirect expenses (as a pro rata share of all fees and expenses incurred in the Master Fund), including, without limitation, Paloma Advisors' Management Fee or Incentive Fee (as applicable), the compensation and benefits for employees, expenses related to the investment activities of the Master Fund (including brokerage commissions, management fees and expenses

¹ The term Fund as used in this section generally refers to a feeder fund.

associated with certain securities (e.g. investments in shares issued by Exchange Traded Funds or money market funds), financing fees, management fees and performance-based compensation paid to Portfolio Managers, and withholding taxes), organizational, offering, ongoing operating, administrative, legal, audit, compliance, registrar and transfer agent fees and expenses, insurance and other expenses of any nature related to the business of a Fund and the advisers, with respect to the offshore feeder funds, the cost of the offshore administrator and boards of directors and with respect to onshore feeder fund fees and expenses related to the advisory committee.. Expenses are deducted periodically in advance or arrears. Currency hedge share classes will also bear expenses related to the execution of the currency hedge.

PPMC does not have a fee schedule and does not currently receive asset-based or performance-based compensation. Almost all of PPMC's expenses are passed-through to and paid by the feeder funds and therefore the investors. PPMC's expenses include expenses incurred by PPMC: on behalf of a Fund or Master Fund, for the benefit of a Fund or Master Fund or for the benefit of PPMC or Paloma Advisors. PPMC's expenses are treated as fund expenses regardless of whether or not they are directly related to a Fund's investment activities. Additional information about PPMC's expenses is provided below and in the Fund Documentation.

Paloma Advisors receives either a Management Fee payable monthly in arrears of 1/12 of 1.5% from investors in the Paloma Fund's A and B classes or an annual Incentive Fee of 20% from investors in the Paloma Fund's C and D classes. The Paloma Fund's administrator calculates the amount of the applicable Management Fee or Incentive Fee. The Management Fee or the Incentive Fee may be subject to fee waivers with respect to particular investors (as described further below).

) FUND EXPENSES

Each Fund will bear its own expenses and its proportionate share of the Master Fund's expenses. These will include, without limitation, (i) on a direct basis, any fees payable by the Fund, organizational expenses of the Fund and operating expenses of the Fund, and (ii) on an indirect basis, similar fees and expenses incurred at the Master Fund as well as investment-related expenses of the Master Fund, including, but not limited to: (a) the Management Fee, (b) the Incentive Fee, (c) expenses relating to the research, due diligence and monitoring of actual and prospective trades and investments (whether or not consummated) and the clearance, settlement and consummation of trades and investments, (d) organizational and operating expenses (including, without limitation, third-party professional fees) relating to the creation, establishment, qualification and any reorganization of the Fund or any other entity through, or in which, a Fund or Master Fund invests, (e) operational expenses (including taxes) and (f) any expenses related to a particular expense item listed above. The following is a more detailed description of these Fund Expenses:

-) Expenses relating to the research, due diligence and monitoring of actual and prospective trades and investments (whether or not consummated) and the clearance, settlement and consummation of trades and investments, including, without limitation, the following:
- investment sourcing fees;
 - fees and expenses related to obtaining research and market data (including, without limitation, information technology hardware, software or other technology used in obtaining or utilizing such research and market data, investment and industry research related expenses including subscription fees and expenses (e.g., Bloomberg and other data and research services), industry news, journals and other publications);
 - due diligence expenses, including, without limitation, consulting and appraisal fees;
 - investment and research-related travel expenses;
 - brokerage, prime brokerage and futures commission merchant fees, commissions and expenses;
 - expenses relating to reorganizations, restructurings and workouts;
 - expenses relating to short sales and securities borrowing;
 - clearing and settlement charges, including exchange fees and ticket charges;
 - custodial fees and expenses;
 - bank service fees;
 - interest expenses and fees related to financings or refinancings;
 - expenses relating to investment-related litigation;
 - fees and expenses of proxy research and voting services;
 - fees and expenses of third-party professionals, including, without limitation, consultants, investment bankers, attorneys and accountants;
 - expenses related to identifying and recruiting Portfolio Managers (including finders' fees), as well as management and performance-based compensation payable to Trading Teams and Portfolio Funds (see "Trading Team Compensation" below); and
 - other fees or compensation, expenses, advances, draws or start-up expenses that may be negotiated with Portfolio Managers in connection with the Master Fund's investments in Portfolio Funds (including expenses charged on a pass-through basis).
-) Organizational, professional services fees and operating expenses relating to the creation, establishment, qualification, ongoing maintenance, reorganization, dissolution, winding-up or termination of a Fund or any other entity through, or in which, a Fund or Master Fund invests.
-) Operational expenses, including, without limitation, the following:

- legal, tax, regulatory (*e.g.*, filing fees), administrative (*e.g.*, administrator fees and expenses), and audit fees and expenses;
- costs associated with the preparation and distribution of investor reports and other communications;
- expenses incurred in connection with the offering and sale of a Fund (including regulatory filings, travel and entertainment expenses) and other similar expenses related to a Fund;
- taxes;
- expenses incurred in connection with negotiating and complying with the provisions of any side letter;
- extraordinary expenses, including, without limitation, indemnification expenses; and expenses relating to insurance (including directors' and officers' insurance and errors and omissions insurance, if any, and coverage for each member of the advisory committee);
- fees and expenses of the advisory committee
- fees and expenses of a Fund's (and Master Fund's) directors or officers (including AML officers or advisory committee members (if applicable));
- fees and expenses incurred in connection with any tax audit by any relevant authority, including, without limitation, any related administrative settlement and judicial review; and
- fees and expenses incurred in connection with all other inquiries, investigations, audits, subpoenas, enforcement actions and private litigation relating to a Fund, Master Fund, or any trading subsidiary (*e.g.*, SEC, DOJ, FCA and stock and futures exchanges).

Fund Expenses also include any expenses related to a particular expense item listed above (including periodic fees and charges, taxes, surcharges, penalties, assessments, costs or fees (including late fees), consulting fees, repair, replacement and maintenance costs, delivery charges, costs of physical and electronic security, and warranty expenses).

) PASS-THROUGH EXPENSES – GENERAL

In addition to Fund Expenses (described above), each Fund (and therefore each Fund's investors) will be responsible for all or substantially all of the expenses of PPMC, including overhead and employee compensation, organizational expenses and operating expenses (all of which are, and are expected to continue to be, considerable). This expense pass through arrangement with PPMC differs from that of most other private fund structures, (where the adviser typically receives a management fee in lieu of reimbursement for its overhead and similar expenses). In this instance, Paloma Advisors (or its designee(s)) receives the Management Fee or the Incentive Fee (or Incentive Allocation), as applicable, and PPMC receives a reimbursement of all or substantially all of its

operating and other expenses (note that PPMC is not entitled to receive a management fee or any incentive compensation from a Fund).

This arrangement presents the potential for certain conflicts of interest including:

-) This expense pass through arrangement may not provide an adequate incentive for PPMC to reduce, manage or limit its expenses (including compensation expenses of employees and third-party consultants or vendors). This could result in investors in a Fund indirectly paying a greater amount in expenses than would be the case if all or some of its expenses were not passed through to investors but rather had to be covered by a “fixed” fee with respect to the services provided.
-) Many categories of PPMC Expenses (discussed below), which are borne by the Funds, are determined by Paloma Management without an “arm’s length” negotiation with any third party, and there is no limitation on the amount of PPMC Expenses that may be charged to a Fund. PPMC Expenses are not subject to approval by investors, or by independent third parties.

Prospective investors should consider the advantages and disadvantages of this expense pass through arrangement and should assess the potentially significant financial impact of it.

PPMC Expenses. All or substantially all PPMC Expenses (described below) are passed through to investors. These include, but are not limited to:

- employee related expenses, including all direct and indirect base compensation, salaries, bonuses, wages, payroll taxes and processing, unemployment insurance, severance, overtime, benefits (e.g., medical, health insurance, life insurance, disability income insurance, flexible spending/dependent care plan and other benefits), retirement plan (including 401k matching), on-site fitness center (including equipment purchase, repair and maintenance), reimbursement for professional and workplace training and education expenses (including travel and meal expenses), temporary help, placement fees, recruitment expenses (including finders’ and placement agent fees), “buyout” or breakage expenses, relocation expenses, background checks, visa and green card expenses (e.g., legal and travel costs), and all other employment compensation payable to Employee Trading Teams (including performance-based compensation) (see “Trading Team Compensation” below);
- licensing and industry associations/professional organization membership fees and expenses;
- professional services expenses, including engagement of consultants and other external advisors (e.g., legal, tax, compliance, audit, accounting, programming, information

- technology, cyber-security, trade surveillance, facilities, marketing and media relations) for the benefit of PPMC or Paloma Advisors;
- disaster recovery expenses;
 - facilities and overhead expenses, including rent for office space for PPMC and any subsidiaries or branch offices (which includes ancillary space and facilities such as storage, pantries, lounge and meeting spaces, fitness centers, etc.), utilities, insurance premiums and any indemnification obligations (including directors' and officers' insurance and errors and omissions insurance), office cleaning (including maintenance staff and supplies), office design, office improvements and repairs, construction, moving expenses, back-up power, office furniture, fixtures and equipment, office supplies, mail and delivery fees and expenses (*e.g.*, overnight delivery, messengers, postage), offsite storage fees and expenses and any supplies, maintenance fees/expenses and taxes (*e.g.*, property taxes and sales and use taxes) related to PPMC's operations, facilities or overhead;
 - expenses related to information technology, such as hardware, software, supplies and services, including computers, trading screens, servers, peripheral devices, data storage, data management, scanners, printers, projectors, networking hardware and accessories, data center equipment (*e.g.*, racks and cabling) capacity and services, tutorials, licenses and maintenance and upgrades, recovery services, software/website development and support, installation and configuration, custom development, managed services (*e.g.*, computer, telecom, network equipment and systems), information security and cybersecurity, publications (*e.g.*, research subscriptions, books and training), computer repair, maintenance and help desk, including fees paid to service providers providing any such services;
 - expenses related to trading, portfolio management, order management, risk management and similar systems and any related hardware, software, data, supplies and services;
 - communications expenses, including telephone/internet equipment, lines, cable TV equipment and services, cellular equipment (*i.e.*, smartphones), and any service plans, associated repairs, parts and maintenance;
 - investor relations, marketing and offering expenses, including travel expenses (described below), meals, development, printing and distribution costs of marketing and investor relations materials and marketing event fees;
 - travel expenses (including, without limitation, in connection with firm-sponsored off site activities, continuing education, business meetings, industry meetings or seminars, recruiting, due diligence, marketing or investor relations purposes). Travel expenses include, without limitation, any type or class of transportation (including costs associated with rail or air tickets, luggage handling, travel agents, rental cars, car services

and taxis, tips, gas, mileage, parking and tolls), hotel costs, travel visas, entertainment and meals;

- all expenses and costs associated with preparing and making regulatory and compliance filings on behalf of PPMC, Paloma Advisors and/or a Fund or Master Fund (including, without limitation, Forms 13D, 13F, 13G and 13H, Form CPO-PQR, Form PF, Form ADV, Annex IV and other AIFMD-related filings, MIFID II and any other regulatory filings in the U.S. and/or governmental non-U.S. jurisdictions which may arise);
- any other fees and expenses incurred in connection with any transactions, engagements, or other agreements entered into by PPMC on behalf of Paloma Management, a Fund or Master Fund including, among other things, Employee Trading Teams;
- operational and organizational expenses of PPMC (including, without limitation, third-party professional fees) relating to its creation, establishment, qualification and reorganization;
- business entertainment expenses;
- food and beverage-related expenses (*e.g.*, costs associated with office pantry, catering for business meetings, food, supplies and related equipment);
- any expenses related to a particular expense item listed above (including periodic fees and charges, taxes, surcharges, penalties, assessments, costs or fees (including late fees), consulting fees, cost of repair, replacement and maintenance costs, delivery charges, costs of physical and electronic security, and warranty expenses); and
- fees and expenses related to regulatory compliance obligations related to or incurred by PPMC or any of its clients, including, without limitation, software, services and similar applications, reviews and evaluations, services from information and data providers, systems integration and similar services.

Allocations of PPMC Expenses. Paloma Management generally will seek to allocate PPMC Expenses (including Employee Trading Team compensation, and the compensation, salary and bonuses of any PPMC employee who dedicates significant time to any non-Fund business) fairly and equitably among the Fund and any other clients (or among the feeder funds that invest in the Master Fund) based upon certain estimates and assumptions that Paloma Management believes are reasonable and appropriate, but which may be imprecise and may result in the Fund bearing a larger portion of such expenses than if they were calculated in a different manner. (Currently, the Paloma Fund generally bears substantially all costs and expenses of PPMC.)

In determining the allocation of expenses in connection with the activities of PPMC, the need to allocate common expenses may present a conflict. Paloma Management will attempt to mitigate such conflicts by making allocations and other judgments on a basis that it believes to be fair and equitable under the circumstances, although it may not be possible to fully or partially mitigate

each such conflict, and such conflicts will not necessarily be resolved in favor of the Fund (and therefore its investors).

Reimbursement of Expenses. To the extent that expenses to be borne by a Fund are paid by Paloma Management, Paloma Management will generally seek reimbursement for such expenses from the relevant Fund(s). Failure by Paloma Management to seek reimbursement for such expenses will not preclude a Fund from bearing such expenses in the future.

For purposes of this section the words “include” or “including” shall mean “include, without limitation” or “including, without limitation,” as appropriate. The foregoing expenses may be revised by Paloma Management from time to time in its sole discretion. Further, the foregoing expenses are in addition to fees and expenses specifically described elsewhere in the Fund Documentation.

) TRADING TEAM COMPENSATION

As described above, all direct and indirect amounts owed to, or incurred on behalf of, Trading Teams (External Trading Teams as well as Employee Trading Teams) are borne, indirectly, by a Fund (and therefore the Fund’s investors).

External Trading Teams. Each External Trading Team generally receives base compensation (a “Trading Team Fee”), which is negotiated annually by Paloma Management with such External Trading Team, and performance-based compensation.

Performance-based compensation payable to an External Trading Team is usually adjusted for a hurdle rate of return and/or a high water mark (either of which may be waived or modified by Paloma Management if it believes it is necessary to retain an External Trading Team). In addition, the amount of compensation payable to an External Trading Team may be modified in the discretion of Paloma Management. Performance-based compensation is generally calculated by the Fund’s administrator based on a negotiated percentage of the External Trading Team’s net profits. While such percentage is not usually expected to exceed 20%, it may be greater for some External Trading Teams (and could be significantly greater) and often exceeds 20% in the case of algorithmic strategies.

Employee Trading Teams. Employee Trading Teams generally receive a salary and a bonus. The bonus is generally calculated on the basis of performance, but may be discretionary. Employee Trading Teams also receive other compensation (such as employee benefits and retirement plan contributions), as described above in “PPMC Expenses”.

Trading Team Compensation Generally. Performance-based compensation paid to a Trading Team generally is expected to be based solely on that Trading Team’s performance (in the event that a

Trading Team advises more than one portfolio, performance-based compensation may be calculated by portfolio). Therefore, the Master Fund may (and likely will) pay bonuses (to an Employee Trading Team) and/or performance-based compensation (to an External Trading Team) for positive performance that is measured at a sub-account level even if the Master Fund's overall performance is negative. Accordingly, prospective investors should be aware that the fact that losses attributable to one Trading Team generally will not offset amounts payable to Trading Teams with positive performance, and can result in higher overall bonuses (to an Employee Trading Team) and/or performance-based compensation (to an External Trading Team) being paid to Trading Teams than had bonuses and/or performance-based compensation been based on the Master Fund's overall performance.

Performance-based compensation payable to a Trading Team will typically be reduced or offset by the Trading Team Fee or other compensation or expenses (or a portion of those amounts) incurred on behalf of, advanced to, or otherwise allocated to such Trading Team (including draws or start-up expenses); if a Trading Team does not generate sufficient bonuses or performance-based compensation to cover the amount of any such expenses, the Master Fund will not be able to recoup or offset those expenses.

) PORTFOLIO FUND MANAGER COMPENSATION GENERALLY

The Master Fund's investment in a Portfolio Fund is subject to that Portfolio Fund's asset-based and performance-based compensation, as well as a share of that Portfolio Fund's expenses (which in certain cases may include other fees or compensation, expenses, advances, draws or start-up expenses that may be negotiated with Portfolio Managers in connection with the Master Fund's investments in Portfolio Funds (including other Portfolio Fund expenses charged on a pass-through basis).

) LOSSES

Performance-based compensation is payable to each Portfolio Manager based solely on its own performance. A Portfolio Manager with positive performance is entitled to receive performance-based compensation even if the overall performance of a Fund is negative. If a Portfolio Manager suffers net losses during the year, the losses are generally carried forward and past losses generally must be made up before performance-based compensation becomes payable in subsequent years. There is no "carry back" or "claw back" of losses to permit recouping of performance-based compensation from prior years.

) PALOMA ADVISORS – MANAGEMENT FEE

Management Fee. (for Class A and Class B investors): Generally, each feeder fund pays a management fee (the “Management Fee”) to Paloma Advisors (or its designees) at an annualized rate of 1.5% with respect to the capital account or net asset value of shares owned by each Class A investor and Class B investor (unless otherwise reduced pursuant to certain exceptions described below), paid monthly in arrears on the first business day following the month for which it was earned. Class C and Class D investors will not bear a Management Fee.

Incentive Fee. (for Class C and Class D investors): Generally, at the end of each calendar year, an amount equal to 20% of the net realized and unrealized capital appreciation attributable to each capital account or net asset value of shares owned by Class C investors or Class D investors will be paid to Paloma Advisors (the “Incentive Fee”), subject to a “Loss Recovery Account” (i.e. a “high water mark”) and other adjustments, all of which are more fully described in the Fund Documentation. If an investor withdraws all or any portion of the balance of its capital account related to a Class C interest or Class D interest other than at calendar year-end, an Incentive Fee will be determined as of the Withdrawal Date with respect to the withdrawn amount (as if it were the last day of the calendar year), and paid to Paloma Advisors.

) ADDITIONAL EXPENSES RELATED TO PALOMA FUND CLASS B and D INVESTORS

Class B and Class D investors in the Paloma Fund are subject to a Liquidity Capital Account Reduction² at an annualized rate (depending on the value of the capital account balance) of either 0.25% or 0.50% of the relevant capital account balance. The Liquidity Capital Account Reduction will be credited on a pro rata basis to the capital account balances of investors electing an annual withdrawal cycle up to the amount of the Management Fee or Incentive Fee (as applicable) and non-trading related expenses. Any excess Liquidity Capital Account Reduction is payable to Paloma Advisors. The Liquidity Capital Account Reduction is applied monthly in arrears.

) ADDITIONAL EXPENSES RELATED TO THE HEDGE CURRENCY SHARE CLASSES

Investors in non-US dollar share classes will bear the costs incurred in connection with hedging the applicable currency risk exposure including, without limitation, potential lost opportunity costs related to collateral or other requirements necessary to engage in the hedging activity (which may effectively reduce the amount of capital utilized by the relevant Fund for its investment program). Trade errors in respect of hedge currency share classes are allocated only to such share classes.

² Investors in the offshore funds are subject to a Liquidity NAV Reduction, which reduces the net asset value of the shareholders’ shares with a quarterly redemption cycle at the same rate as the Liquidity Capital Account Reduction reduces onshore investors’ capital account balances.

) FEE AND EXPENSE RESERVES

If after giving effect to a withdrawal, an investor would be completely withdrawn from a Fund except for its interest in one or more illiquid investments, Paloma Management may determine to reserve or hold back a portion of the proceeds with respect to such withdrawal that is required, in its reasonable discretion, to pay fees and expenses then expected to be earned or owed, as applicable, and other expenses, liabilities and contingencies estimated to be accrued over the life of those illiquid investments (including general reserves for unspecified contingencies).

) COMPENSATION RECEIVED FROM OTHER FUNDS

The Fund currently invests, and may in the future invest, in other vehicles from which Paloma Advisors, Mr. Sussman, or an affiliate is entitled to receive compensation. In the event that a Fund invests, or commits capital to invest in a fund from which Mr. Sussman is entitled to Fees (an “Other Fund”), Mr. Sussman will waive, or cause to be waived, the portion of the Management Fee or Incentive Fee Paloma Advisors is entitled to receive from the Paloma Fund, as applicable, that would have otherwise been charged to the Paloma Fund for any of a Fund’s capital used as a basis for calculating the management or performance fee paid to the Other Fund. Other Funds may, however, charge higher fees than are charged by a Fund, which may result in a conflict of interest for Mr. Sussman when allocating a Fund’s assets to an Other Fund with higher fees. In that case, although Mr. Sussman will waive the fees to which he is entitled from the Paloma Fund, he could potentially receive a greater amount of compensation through his relationship with the Other Funds.

Other Funds may charge higher overall fees than a Fund charges, which may result in a conflict of interest in determining whether or not to invest a Fund’s assets in the Other Funds. That conflict of interest is discussed further in ITEM 6.

) FEE WAIVERS/REDUCTIONS

A Fund, with the consent of Paloma Advisors, may elect to reduce, waive, calculate differently, or provide rebates on:

- (i) Paloma Advisors’ Management Fee or the Incentive Fee with respect to certain investors, including, without limitation, investors that are partners, affiliates, or current and former employees of Paloma Management, members of the immediate families of those persons and trusts or other entities for their benefit, strategic or large investors, or in connection with solicitation arrangements with placement agents and asset aggregators.

- (ii) The Liquidity Capital Account Reduction with respect to certain investors, including, without limitation, strategic or large investors, or in connection with solicitation arrangements with placement agents and asset aggregators (but not investors that are partners, affiliates or employees of Paloma Management, members of the immediate families of those persons and trusts or other entities for their benefit).

No other fees or expenses may be waived or reduced for any investor.

ITEM 6 PERFORMANCE-BASED FEES and SIDE-BY-SIDE MANAGEMENT

As described in ITEM 5, Paloma Advisors is entitled to receive performance-based compensation from two classes of interests in the Paloma Fund and Portfolio Managers are generally entitled to receive performance-based compensation from the Paloma Fund if their investment performance is positive. The receipt of performance-based compensation creates the appearance of certain conflicts of interest.

Potential conflicts include incentives to:

-) cause the Fund to make investments that are riskier or more speculative than would be the case if the compensation was not performance-based;
-) favor a client that pays performance-based compensation over a client that does not pay, or pays lower, performance-based compensation; or
-) overvalue assets in order to increase the amount of performance-based compensation.

Paloma Management believes the risks associated with these potential conflicts are mitigated by:

-) Mr. Sussman's alignment of interest with investors through a significant personal investment in the Paloma Fund and his exposure to the same risk of loss as other investors. Similarly, managers of Portfolio Funds generally have substantial personal investments in the Portfolio Funds in which the Paloma Fund invests;
-) Independent risk management oversight performed by Paloma Management with respect to portfolios managed by Trading Teams; and
-) The use of the Paloma Fund's administrator to value almost all of the Fund's assets using PPMC's Pricing Procedures. Note that "net appreciation," which is the basis for most performance-based compensation, includes unrealized appreciation, and may result in Paloma Advisors or a Portfolio Manager receiving greater performance-based compensation than would be the case if net appreciation was based only on realized gains.

ITEM 7 TYPES OF CLIENTS

Paloma Management provides discretionary portfolio management services to private investment funds. Interests in the funds advised by Paloma Management, and the funds themselves, are not registered under the U.S. Securities Act of 1933, as amended, and are excepted from the definition of an “investment company” under Section 3(c)(7) of the Investment Company Act of 1940, as amended. Accordingly, interests in the Paloma Fund are offered exclusively to investors satisfying the applicable eligibility and suitability requirements either in private placement transactions within the United States or in offshore transactions. Investors in the Paloma Fund are also Qualified Eligible Persons as defined in the Commodity Exchange Act.

Paloma Management may provide investment advice to other clients, including other private funds or separately managed accounts.

The minimum initial investment in the Paloma Fund is generally \$5 million and may be waived at the discretion of Paloma Management for the onshore Fund or the Board of Directors for the offshore Funds, as applicable.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

) METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

The following is a summary of the strategies and methods used in formulating advice or managing assets (and their material risks) for the Paloma Fund. Any or all of the strategies described below may be undertaken in developing or emerging markets, or in the securities of companies based in developing or emerging markets.

In the execution of these strategies, Paloma Management and/or Portfolio Managers may trade or invest, directly or indirectly, on margin or otherwise, in all forms of securities and other financial instruments, where “securities” and “financial instruments” are given their broadest possible meanings and include any interest of any kind commonly referred to as securities. The Funds may employ additional strategies, or variations of these strategies without advance notice to investors. Additional strategies and variations of strategies may involve higher levels of risk.

Depending upon the investment strategies employed and market conditions, a Fund may be adversely affected by unforeseen events involving such matters as changes in interest rates, the credit status of an issuer, forced withdrawals of securities, break-up of planned mergers, unexpected changes in relative value, short squeezes, an inability to short stock or changes in tax treatment, among others.

All strategies carry a risk of loss. Certain risks are inherent, or more likely to impact a particular strategy or transaction, while other risks are related to the markets in which a Fund trades or the instruments are traded. Market risk is inherent in all securities investments to varying degrees, and there can be no assurance that the investment objective of a Fund will be achieved. Certain investment practices may increase the risk profile of a Fund. A Fund's activities could result in substantial losses (including the complete loss of capital) under certain circumstances.

While Paloma Management currently expects that Portfolio Funds as well as the Fund will primarily engage in these types of strategies, the Fund and Portfolio Funds may engage in investment strategies and trade in financial instruments that are not described in this Brochure. These descriptions do not in any way limit a Fund's or Portfolio Funds' investment activities.

Credit Relative Value Investment Strategies are designed to identify attractive long and short opportunities in corporate, asset backed and mortgage backed securities (including senior and subordinated claims as well as bank debt and other outstanding debt obligations). Portfolio Managers may seek to take advantage of idiosyncratic opportunities on both the long and short sides. Strategies may also have limited exposure to government, sovereign, equity, convertible or other obligations. Portfolio Managers may employ fundamental credit analyses focused on valuation, asset coverage and quality of collateral. In most (but not all) cases portfolio exposures are concentrated in publicly traded instruments, albeit with varying degrees of liquidity.

High Yield Strategies trade and invest in credit derivatives, bank debt, senior and subordinated bonds, equity or other securities of unrated or below investment grade issuers based on an assessment of fundamental values.

Fixed Income Strategies typically include long and short credit positions based on quantitative or qualitative analysis of various fixed income securities to capture inefficiencies in the relative pricing of similar instruments. Instruments traded typically include bonds (including fixed, floating rate and zero coupon bonds), sovereign debt, interest rate swaps, futures contracts, forward contracts, government sponsored agency debt, mortgage backed securities, asset backed securities or related derivatives. These strategies may have significant directional exposure to take advantage of market dislocations.

Distressed Strategies generally invest in the securities and other assets of issuers in weak financial condition (perhaps having a negative net worth), experiencing poor operating results, needing substantial capital investment, facing special competitive or product obsolescence problems, or involved in various stages of bankruptcy or reorganization proceedings.

Event Driven, Special Situation and Merger Arbitrage Strategies involve investments in opportunities created by certain current or expected events or special situations and may involve a long or a short view with respect to an issuer depending on the anticipated outcome of particular events or transactions. The strategies trade in the securities of publicly-traded companies in announced or prospective mergers, acquisitions, cash tender-offers, exchange offers, corporate recapitalizations or other corporate actions, including the anticipation of such events occurring in the future.

Statistical Arbitrage and Systematic Futures Strategies (Algorithmic Strategies) use quantitative methods and statistical models which seek to identify mispricings among securities and futures based on various metrics such as deviations from equilibria, momentum, pattern recognition, volume, or flow-driven momentum and factors underlying security price variations. The frequency of trading varies by model, but may be high. These portfolios may have directional exposure but generally seek to generate returns with minimal correlation to directional moves in major markets.

Fundamental and Directional Strategies measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition, prospects and management of a company itself) to determine if a company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Volatility and Correlation Strategies trade derivatives (typically derivatives in which optionality plays a role) that are linked to the realized or implied volatility of an asset or basket of assets, or to the correlation of one or more assets.

Capital Structure Strategies seek to exploit pricing inefficiencies and informational asymmetries through a diversified portfolio of offsetting long and short positions within companies' capital structures. Investments can include bank debt, convertible and non-convertible senior and subordinated debt, and preferred and common stock of one or more companies.

Convertible Securities Strategies seek to exploit price differentials (spreads) between convertible securities and the underlying security. Instruments traded typically include bonds, preferred and common stock, and derivatives.

Long/Short Strategies seek to generate alpha and mitigate correlation to major market directional movements by establishing long and short positions in securities, indices, ETFs or baskets of securities. These strategies can either be market neutral or have some directional exposure.

Commodities Strategies trade commodities, futures, options, or derivatives on agricultural and energy products, metals and minerals, among others, based on technical and fundamental analysis of relevant markets. Investments can also include the equity of companies that produce, process, convert, transport and service commodities.

Activist Strategies seek to make investments for the purpose of influencing the management of a company (which may take a cooperative or hostile approach) to realize value through, for example, going private transactions, management changes, divestitures or acquisitions. These strategies typically involve acquiring a substantial ownership stake in an issuer either alone, or in conjunction with others.

Investments in Private Equity/Private Placements are medium to long-term investments in private companies that are not publicly traded securities. In addition to purchasing a company's equity, investments may be in mezzanine debt or other types of financing. Exit transactions from these investments typically involve, but are not limited to, initial public offerings (after which time, a Fund's interests may be subject to transfer restrictions for periods of time) or private sales of the a Fund's investment.

Investments in Real Assets are typically opportunistic investments in physical, tangible assets which may include: commodities, equipment, natural resources or property. These investments may be longer-term investments.

Macro-Economic Strategies seek to profit by capturing market movements across a global universe of investment opportunities, such as equity, currency, commodity and fixed-income markets, based on a broader economic analysis than would be used for the purchase or sale of specific securities. These strategies may be directional and seek to exploit mispricings across markets and geographies.

Fund-Level Hedging Strategies seek to limit the exposure of a Fund to rapid, adverse changes in the market environment and to "tail risks." However, Paloma Management is not obligated to hedge any specific risk and may elect not to hedge against certain risks or to alter the extent to which a Fund is hedged from time to time.

Investments in Developing or Emerging Markets may utilize any or all of the strategies described herein.

DISCLAIMER

The following is a summary of certain risks associated with the types of securities that Paloma Management and/or Portfolio Managers primarily recommend to a Fund (or the Portfolio Funds in

which a Fund invests). The information included below does not include every potential risk associated with every investment strategy or security. Investors and prospective investors in a Fund are urged to ask questions regarding risk factors applicable to a particular investment strategy or security, read all product-specific risk disclosures (for example, the Fund Documentation) and determine whether a particular strategy or type of security is suitable for his/her/its own account in light of his/her/its circumstances, investment objectives and financial situation. Investing in securities involves risk of loss, possibly a total loss of invested capital that investors should be prepared to bear.

There is no guarantee that a Fund's investment program, including, without limitation, its investment objectives, strategies, or risk monitoring goals will be successful. Investment results may vary substantially over time. Investments in a Fund are speculative and involve a high degree of risk. There may be risks which cannot be monitored or controlled, and risks that may be greater than forecasted, especially in unusual market conditions. Paloma Management cannot guarantee that any assumptions relied on herein will be true for all future events or that all assumptions have been considered or stated.

PLEASE REVIEW THE RELEVANT FUND DOCUMENTATION FOR A MORE DETAILED DISCUSSION OF RISK FACTORS APPLICABLE TO EACH FUND.

) INVESTMENT AND TRADING RISKS – GENERALLY

- Highly Volatile Markets
- Prime Broker and Counterparty Risk
- Concentration of Investments
- No Fixed Strategy, Instruments, Markets, Sectors or Issuer Weightings
- Discretion of Paloma Management; New Strategies and Techniques
- Dependence on Paloma Management and Portfolio Managers
- Use of Leverage

) INVESTMENT STRATEGY RISKS

- Statistical Arbitrage and Systematic Futures (Algorithmic Strategies)
- Model-Based Trading

- Coding Errors
- Reliance on Data Availability and Accuracy
- Dependence on Technology
- Obsolescence Risk
- Fundamental or Directional Investments
- Relative Value Investments
- Macro-Economic Strategies
- Short Selling
- Event Driven, Special Situations and Merger Arbitrage Strategies
- Competition
- Activist Strategies
- Board Participation
- Insider Status; Regulatory Requirements
- Hedging Transactions
- Negative Interest Rate and Currency Exposure Risk
- Highly Volatile Markets
- “Widening” Risk
- Securities of Non-U.S. Companies
- Developing or Emerging Markets, which also may include the following other risks:
 - Access to Markets
 - Currency Risk
 - Trading Volume; Transparency

- Emerging Markets Banking and Financial Systems; Inflation
- Legal and Tax Systems

J RISKS RELATED TO INSTRUMENTS TRADED

- Convertible Securities
- Fixed Income Securities and Loans
- ABS and MBS
- Distressed and High Yield Securities
- Bankruptcy Claims
- Derivative Instruments (e.g. Reporting, Central Clearing, Swap Execution Facilities, Margin Requirements for Non-Cleared Swaps)
- Regulation in Derivatives Industry
- Commodities, Futures and Certain Derivative Investments
- Credit Default Swaps (“CDS”)
- Interest Rate Swaps
- Put Options
- Call Options
- Futures Contracts
- Forward Contracts
- Exchange Rate Fluctuations; Currency Considerations
- Investments in Private Companies
- Illiquid Portfolio Instruments
- Investments in Standalone Funds
- Use of Leverage

) OPERATIONAL RISKS

- Trade Errors
- Inefficient Trade Execution
- Leverage and Financing Risk
- Change in Margin Terms
- Loss or Insufficiency of Margin on Derivatives
- Net Asset Value Triggers
- Valuation
- In-Kind Distributions
- Lack of Investor Liquidity
- Significant Withdrawals/Redemptions
- Repurchase Agreements
- Commodities Futures and Options Margin
- Margin in Periods of Stress
- Cash Deposit Risk
- Non-U.S. Custodians, Brokers and Counterparties
- Master-Feeder Structure (Cross-Class and Cross-Series Liability)
- General Political, Economic, Legal, Tax and other Regulatory Risks
- Assumption of Catastrophe Risks
- Coronavirus Risks

) RISKS RELATED TO PORTFOLIO FUNDS

Investments in Portfolio Funds present additional risks to investors. These additional risks include, without limitation:

- Liquidity Risk
- Lack of Transparency
- Fraud or Mismanagement
- Valuation Risk
- Risk of multiple levels of fees and expenses

ITEM 9 DISCIPLINARY INFORMATION

Paloma Management has not been involved in legal or disciplinary events that would require disclosure in response to this ITEM 9.

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Each of PPMC and Paloma Advisors is a member of the National Futures Association (“**NFA**”), a registered commodity pool operator and swap firm. The shareholders of PPMC are registered with the NFA as Principals and PPMC employees involved in investor relations are registered with the NFA as Associated Persons. Mr. Sussman is also registered with the NFA as a Principal and as an Associated Person, of both Paloma Advisors and PPMC. Paloma Management’s Chief Compliance Officer is registered with the NFA as a Principal of both PPMC and Paloma Advisors.

PPMC has formed a wholly-owned subsidiary, Paloma Switzerland GmbH, which maintains an office in Zurich, Switzerland. Paloma Switzerland GmbH will assist in the marketing of the Fund and other services, subject to the direction of, and the policies established by, PPMC. Paloma Switzerland GmbH is registered as an exempt reporting adviser with the SEC.

) OTHER FUNDS

The Paloma Fund currently invests, and may in the future invest, in other funds (“**Other Funds**”) from which Mr. Sussman is entitled to a portion of the fees charged by the Other Funds (such as the China Funds discussed below). Mr. Sussman will waive, or cause to be waived, the portion of the Management Fee or Incentive Fee Paloma Advisors is entitled to receive from the Paloma Fund, as applicable, that would have otherwise been charged to the Paloma Fund for any of a Fund’s capital used as a basis for calculating the management or performance fee paid to the Other Fund. Other Funds may, however, charge higher fees than are charged by a Fund, which may result in a conflict of interest for Mr. Sussman when allocating a Fund’s assets to an Other Fund with higher fees. In that case, although Mr. Sussman will waive the fees to which he is entitled from the Paloma Fund, he could potentially receive a greater amount of compensation through his relationship with the Other Funds.

) CHINA FUNDS AND CHINA MANAGERS

The China Funds are private equity funds that generally invest in private companies operating in or affected by economic activity in China and securities reasonably related to such investments. The China Funds are managed by the China Managers. Mr. Sussman effectively owns 50% of the China Managers. Additional information about the China Managers is provided in Section 7.A of Schedule D in PPMC's ADV Part 1.

To address the conflict of interest related to the receipt of compensation from both the Paloma Fund and the China Funds for the same capital (i.e., double fees), as described above, Paloma Advisors waives the Management Fee and the Incentive Fee in respect of the Paloma Fund's investments in the China Funds.

) OTHER INVESTMENT ACTIVITIES

Investment Persons³ may engage directly or indirectly in any business or other activities, including exercising investment advisory and management responsibility and buying, selling or otherwise dealing with securities for their own accounts, for the accounts of family members, and for the accounts of other clients. These activities may conflict with Investment Persons' activities on behalf of the Paloma Fund. For example, Investment Persons may give advice and take action in the performance of their duties to one client which may differ from the timing and nature of action taken with respect to the Master Fund or Portfolio Fund. These other activities may affect the prices and availability of the securities and other financial instruments in which the Master Fund or Portfolio Fund invests.

In certain circumstances, the Master Fund may invest in securities or other instruments of the same issuer (or affiliated group of issuers) having a different seniority in the issuer's capital structure. If the issuer becomes insolvent, restructures or suffers financial distress, there may be a conflict, insofar as the issuer may be unable (or in the case of a restructuring prior to bankruptcy may be expected to be unable) to satisfy the claims of all classes of its creditors and security holders.

) BOARD MEMBERSHIPS

Investment Persons may serve as directors of companies in which the Master Fund invests. In addition to any fiduciary duties owed to the Paloma Fund, as a director of a company, an

³ For the purpose of this Item 10, the term "Investment Persons" includes Paloma Management and Trading Teams.

Investment Person also owes a fiduciary duty to the company. Board memberships may place an Investment Person in a position where they must make a decision that is not in the best interests of the Paloma Fund. Investment Persons serving as directors may receive non-public information as a result of their duties and such knowledge may restrict the Master Fund's ability to buy or sell securities of the relevant company. Board members may receive compensation for their service on a board; such compensation may or may not be passed on to the fund(s) invested in the relevant issuer. There is currently one Paloma Fund Investment Person, who is not an employee of PPMC or Paloma Advisors, serving on boards and receiving compensation which is not passed on to the Paloma Fund.

) PERSONAL INTERESTS IN OTHER FUNDS

Paloma Management seeks to mitigate and manage these conflicts with respect to its supervised persons through its Code of Ethics and with respect to External Trading Teams and Portfolio Funds, through due diligence reviews.

) MASTER-FEEDER STRUCTURE

The feeder funds invest through a master-feeder structure which may create a conflict of interest in that different tax considerations may cause a master fund to structure or dispose of an investment in a manner that provides more advantageous tax treatment, or better (or worse) returns, to a feeder fund. Paloma Management or affiliates, including Mr. Sussman, may, and typically do, have a disproportionate investment in one of the feeder funds and may therefore receive any benefit derived disproportionately by that feeder fund.

) LETTERS OF UNDERSTANDING A/K/A "SIDE LETTERS"

By entering into side letters, certain investors in a Fund may receive information that is not generally requested or utilized by other investors in a Fund, and as a result, may be able to act on such information (i.e., request redemptions).

Paloma Management seeks to ensure that any rights related to access to information that are given to any investor in a Fund are generally disclosed in the Fund Documentation and made available to all investors in that Fund.

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

Paloma Management has adopted a Code of Ethics (the "Code") that includes: (i) a standard of conduct to which all supervised person are required to adhere, (ii) reporting requirements, rules and restrictions applicable to the personal investment activities of supervised persons, and (iii) a

requirement that supervised persons report violations of the Code to the Chief Compliance Officer. The term supervised persons includes all of PPMC's and Paloma Advisors' employees, officers and directors but does not include External Trading Teams.

Paloma Management and its employees may trade securities and commodity interests for their own accounts of the type held by or considered for investment by the Master Fund and may from time to time take positions in their personal accounts that are opposite the positions taken for or held by the Master Fund at the same time.

The Code permits trading in certain securities, e.g., publicly traded ETFs and mutual funds without preclearance approval and permits trading in equities subject to receiving preclearance approval. Preclearance approval must also be obtained before investing in a private placement. Supervised persons are generally prohibited from initiating new positions in futures or debt securities. Supervised persons are required to provide the Chief Compliance Officer with initial and annual holdings reports (excluding accounts holding certain exempt securities or discretionary accounts) and quarterly transactions reports. Supervised persons are generally prohibited from participating in initial public offerings and executing transactions in issuers included on PPMC's Restricted List. The Chief Compliance Officer reviews violations of the Code to determine appropriate sanctions.

Paloma Management and its employees are invested in, and may invest in the future, in investment vehicles managed by Paloma Management, Portfolio Managers and their respective affiliates, and may pay lesser fees than other investors may pay. As part of the personal trading preclearance process for private placements, conflicts of interest such as reduced fees are evaluated prior to granting approval. Paloma Advisors has waived the Management Fee for employees invested in a Paloma Fund.

If there is adequate capacity, Paloma Management and/or its affiliates may invest, or co-invest directly, side-by-side or otherwise (through special purpose vehicles created by those parties, in conjunction with third parties or otherwise) in a Portfolio Fund, or any other investments of a Fund. In the event that a conflict of interest arises, Paloma Management will seek to resolve such conflicts in a fair and equitable manner.

Investors and prospective investors may obtain a complete copy of the Code of Ethics free of charge by submitting a written request to the Chief Compliance Officer, David Friedman, at Two American Lane, Greenwich, CT 06831 or by phone at (203) 862-8000.

) EXPENSES

Investors and prospective investors should note that Paloma Management may have a conflict with respect to controlling expenses, as the Fund Documentation does not limit the amount of expenses that a Fund may pay, advance or reimburse.

) AFFILIATED INVESTMENTS

Investment Persons may act in multiple capacities, and may effect transactions with, or for an account in instances in which Investment Persons may have multiple interests. Paloma Management has invested, and may in the future invest, assets of the Master Fund in entities managed by affiliates. See disclosure provided above related to China Funds.

Subject to investment suitability considerations, the Master Fund may allocate assets to affiliated Portfolio Managers, and any such entity or person will be entitled to receive their allocable share of fees and expenses, including performance-based compensation, or other compensation payable to such affiliated Portfolio Manager.

It is possible that other funds managed by Investment Persons in which such investments are made may charge higher fees and expenses than would be the case if such investment were made in a comparable, non-affiliated collective investment fund or vehicle. Paloma Management has no obligation to determine whether an investment in a comparable, non-affiliated collective investment fund or vehicle would subject a Fund or clients to lower fees and expenses.

Trading Teams have established, and may in the future establish, one or more funds which may or may not also be Portfolio Funds (meaning a Fund may also make a passive investment in such funds).

) CROSS TRADES

Paloma Management may direct, from time to time and subject to applicable client investment guidelines and restrictions, one client to sell securities to another client (or with other Funds) through an internal cross trade. Cross trades may be executed with the assistance of a broker-dealer or as an “internal cross” where the client’s custodian is instructed to book the transaction at a price determined in accordance with Paloma Management’s valuation policies. No fees will be charged by Paloma Management to its clients in connection with the completion of a cross trade.

Cross trades give rise to conflicts of interest between clients. For example, one client could be advantaged to the detriment of another in the event that the securities being exchanged are not priced in a manner that reflects their fair value. In addition, an investment adviser could use its investment authority to transfer unappealing securities from one client to another.

) PRINCIPAL TRADES

Paloma Management does not currently permit principal trades with the Paloma Fund.

ITEM 12 **BROKERAGE PRACTICES**

Prime brokers, executing broker-dealers and counterparties are selected by Trading Teams in consultation with Paloma Management. The Credit Department reviews, approves and monitors counterparties used by Paloma Management and Trading Teams. Factors relevant to the evaluation of prime brokers, executing broker-dealers and counterparties include:

-) Reliability
-) Reputation and integrity
-) Financial stability
-) Transaction and financing costs
-) Counterparty diversification and credit exposure considerations
-) Strategy expertise
-) Counterparty agreements including agreements relevant to swaps, futures and foreign markets
-) Algorithmic trading capabilities
-) Diversification and stability
-) Commission rates and volume impact on tiered commission rates
-) Suitability

In selecting brokers and dealers to effect portfolio transactions, we may consider the full range of quality of the broker's services to meet best execution obligations and may not pay the lowest commission rates or prices available. The following are some factors that contribute to efficient execution, although we are not required to weigh these factors equally:

-) price quotes
-) the size of the transaction and ability to find liquidity
-) the broker-dealer's promptness of execution
-) the nature of the market for the financial instrument
-) the timing of the transaction
-) the difficulty of execution
-) the broker-dealer's expertise in the specific financial instrument or sector in which the trader seeks to trade
-) the extent to which the broker-dealer makes a market in the financial instrument involved or has access to such markets
-) the broker-dealer's skill in positioning the financial instruments involved
-) the quality and usefulness of brokerage and research services and investment ideas presented by the broker-dealer or third parties

-) the broker-dealer's ability to accommodate any special execution or order handling requirements that may surround the particular transaction

) SOFT DOLLARS

Soft dollar arrangements generally arise when an investment adviser obtains products and services, other than securities execution, from a broker-dealer in return for directing client securities transactions to the broker-dealer. Soft dollar arrangements may pose a conflict of interest for the investment adviser in such arrangements since it allows the adviser to pay with brokerage commissions, expenses that would otherwise be borne by the investment adviser, rather than receiving most favorable execution.

The conflicts that typically give rise to concerns underlying the use of soft dollars do not generally exist for Paloma Management because the Funds (and not Paloma Management) bear all of the expenses related to their own operations. Therefore, the use of soft dollars does not result in any expense shifting between Paloma Management and the Funds.

Generally Paloma Management does not enter into formal soft dollar arrangements, however, we enter into securities transactions with broker-dealers that provide, as part of their bundled services, access to research and research-related services. Paloma Management may have an incentive to select a broker based on our interest in receiving research or services offered by such broker.

To the extent that a Fund's commissions are used to acquire Products and Services through the use of "soft dollars," Products and Services received will be of the type contemplated by the Safe Harbor provided in Section 28(e) of the U.S. Securities Exchange Act of 1934 (that is, "research" and "brokerage"), although transactions may or may not otherwise comply with the provisions of Section 28(e) (e.g., may relate to transactions in instruments other than securities such as futures).

Products and Services constituting "research" may be in any form (e.g., written, oral or on-line) and may include, without limitation:

-) Traditional research reports analyzing the performance of a particular company or stock, market, company and financial data
-) Market, economic, political and financial information (including studies and forecasts)
-) Statistical information including market analysis
-) Data on the pricing and availability of securities
-) Seminars and conferences relating to the investment in securities or containing analyses of issuers, industries, securities, economic factors and trends and portfolio strategy

Products and Services constituting "brokerage" may include, without limitation:

-) Execution algorithms
-) Order management systems
-) Post-trade reporting and analysis
-) Clearance services
-) Settlement services
-) Custody services

Trading Teams do not have an obligation to obtain the lowest available commission cost. Accordingly, if a Trading Team determines in good faith that the commissions charged by a broker or the transaction costs charged by a dealer are consistent with their obligation to seek best execution and are reasonable in relation to the value of the Products or Services provided by the broker or dealer, a Fund may pay commissions to the broker or transaction costs to the dealer in an amount greater than another might charge to execute the same transaction.

In the event an External Trading Team with clients in addition to the Fund enters into a soft dollar arrangement, it is theoretically possible that another fund/client will benefit (which benefit may be disproportionate relative to its contribution to the expenditure that generated them) from soft dollar services paid for by the Fund.

) CONFLICTS OF INTEREST

From time to time, the Paloma Fund may be introduced to potential investors interested in investing through “capital introduction” events sponsored by the Master Fund’s prime brokers, and investors in a Fund may be referred by a prime broker (or an affiliate of a prime broker), including fund-of-funds affiliated with brokers or, possibly, brokerage firms themselves. Neither Paloma Management nor any Fund compensates any prime broker for organizing the events or for investments in a Fund ultimately made by prospective investors attending the events. However, the events and other services (including, without limitation, capital introduction services) provided by a prime broker may create the appearance that Paloma Management is influenced to some extent in selecting prime brokers and determining the extent to which a prime broker will be used. Paloma Management does not request or require any Trading Team to execute transactions through a specific broker-dealer or use a specific prime broker or other counterparty to compensate anyone for client referrals.

We do not cause a Fund to pay higher commissions or other transactions costs in connection with any capital introduction program, however, we do pay (directly, not using commissions) to attend certain conferences, seminars and other events that are attended by prospective investors. In addition, certain prime brokers or counterparties do have platforms through which their clients and customers invest in our Funds directly or through a feeder fund established by the platform.

Prime brokers may also introduce Paloma Management to potential Trading Teams. This may create the appearance of a conflict of interest, however, , the Paloma Fund does not compensate prime brokers for Trading Team referrals. In some cases a referral may be the result of an existing relationship with the Trading Team and while the Trading Team may indicate a preference for using the referring prime broker, Paloma Management's approval to use the prime broker will be based on the selection criteria described above.

Investors cannot direct brokerage.

Aggregation of Trade Orders: In the case that Paloma Management executes trades on behalf of multiple clients, and if portfolio decisions are made contemporaneously for multiple clients in the same instrument, Paloma Management may, if consistent with market conditions, client characteristics, and applicable law, bunch or aggregate client orders for execution. These bunched or aggregated orders might facilitate execution and may reduce brokerage and other costs. Paloma Management, however, is not required to bunch or aggregate orders if portfolio management decisions are not made contemporaneously, if Paloma Management determines that it would be consistent with its investment management duties or the interests of its clients not to do so, or if bunching or aggregating is not practical operationally or otherwise.

Although it is anticipated that any bunching or aggregation of orders will benefit each client overall, aggregating orders may disadvantage clients, including by resulting in shared allocations of orders or higher execution prices for clients. Alternatively, not aggregating orders may disadvantage clients, including by resulting in higher costs (including higher execution prices) for client orders.

Trade Errors: A Fund (and not Paloma Management or Trading Teams) will bear the cost of any losses (and reap the benefits of any gains) resulting from trading errors and similar human errors, absent gross negligence or intentional misconduct. Trade errors might include, for example, keystroke errors that occur when entering trades into an electronic trading system or typographical or drafting errors related to derivatives contracts or similar agreements. Given the volume of transactions executed on behalf of a Fund, investors should assume that trading errors (and similar errors) will occur and that a Fund will be responsible for any resulting losses. Certain investment strategies may involve the development and/or use of models and software which are prone to coding errors. The Fund does not expect to disclose discovered coding errors to investors and losses arising from coding errors will be borne by the Master Fund.

ITEM 13 REVIEW OF ACCOUNTS

Paloma Management's Portfolio and Risk Management Department monitor the Paloma Fund on an ongoing basis. Monitoring and analysis is performed using an internal Risk Management System, other tools, research, expertise and knowledge, and adjusts risk when appropriate.

) REPORTS TO CLIENTS

Investors in the Paloma Fund receive monthly unaudited account statements, quarterly net asset value statements for the applicable feeder fund, monthly portfolio reports, periodic letters and annual financial statements audited by an independent public accounting firm.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

A Fund or Paloma Management may enter into (and have entered into) arrangements that provide for the compensation of third party placement agents for their services (typically calculated as a percentage of the management fee attributable to the placed investor(s)) at a Fund's or Paloma Advisors' expense, provided that where such compensation is payable by a Fund, the management fee payable to Paloma Advisors will be reduced by the amount of any such compensation so that a Fund will not ultimately bear the cost of compensating the third party placement agents.

Paloma Management is not paid a sales charge in connection with the sale of interests or shares in a Fund.

ITEM 15 CUSTODY

Paloma Management is deemed to have custody of a Fund's assets because we are authorized to withdraw funds or securities from the Funds (for example to deduct fees or pay expenses) and because we serve as general partners to the Funds which gives us access to the cash and securities of a Fund.

A Fund's securities, cash, cash equivalents and other financial instruments are generally held by qualified custodians. Additional information about the Fund's custodians is provided in PPMC's ADV Part 1A.

Investors in each Fund receive annual financial statements audited by an independent public accounting firm for the Fund in which they have invested. Investors are urged to carefully review such statements.

ITEM 16 INVESTMENT DISCRETION

Investment discretion is exercised in a manner that is consistent with a Fund's investment objectives, policies and strategies disclosed in the applicable Fund Documentation. PPMC's investment discretion is subject to Paloma Advisors' ultimate authority. PPMC and Paloma Advisors typically assume investment authority through their agreements with each Fund.

ITEM 17 VOTING CLIENT SECURITIES

We have authority to vote proxies on behalf of our clients. As a general matter, we do not believe proxy voting is a significant component of most of our clients' investment strategies and therefore generally vote proxies through a third party proxy voting service using standing instructions. Our standing instructions are to vote "for" management proposals, "against" shareholder proposals and "abstain" on all other proposals. A Trading Team may override any, or all, of our standing instructions it deems not to be in the best interest of clients. Trading Team overrides to the standing instructions are documented, reviewed, and approved by the Chief Compliance Officer or his designee.

Any conflicts, including where two or more Trading Teams direct us to vote a proxy but have differing views concerning how the proxy should be voted, will be reviewed and resolved by the Chief Compliance Officer in consultation with the Director of Trading.

Investors in a Fund may obtain a complete copy of our Proxy Voting Policy and Procedures or information on how proxies were voted for a Fund free of charge by submitting a written request to the Chief Compliance Officer, David Friedman, at 2 American Lane, Greenwich CT 06831 or by phone at (203) 862-8000.

ITEM 18 FINANCIAL INFORMATION

At this time, neither PPMC nor Paloma Advisors have information to report that is applicable to this ITEM 18.