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# Brant Point Investment Management LLC

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375 Park Avenue, 38th Floor

New York, NY 10152

(212) 583-6400

March 30, 2021

**This Brochure provides information about the qualifications and business practices of Brant Point Investment Management LLC (“BPIM”). If you have any questions about the contents of this Brochure, please contact us at (212) 583-6400. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**BPIM is an investment adviser registered with the SEC. Registration with the SEC does not imply any level of skill or training.**

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

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## **Item 2 – MATERIAL CHANGES**

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This Item 2 discusses material changes to this Brochure that occurred since the last annual update of this Brochure filed on March 27, 2020. All undefined terms have the meanings ascribed to those terms in this Brochure.

Item 8 – BPIM has updated its Data Security and Disaster Recovery risk factor to include quarantines and other mobility and/or access restrictions as factors which can cause information technology and data management systems to fail or be subject to interruption or destruction.

Item 8 – BPIM has updated its Epidemics and Pandemics risk factor in light of developments since the international outbreak of the CORONAVIRUS.

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#### **Item 4 – ADVISORY BUSINESS**

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BPIM provides discretionary investment management services to U.S. and non-U.S. private investment funds (“Private Funds,” “Funds” or “Clients”). BPIM began providing investment advisory services in 2003. Information about each Private Fund, including information about investment strategies, fees and risks and other material information, is contained in the applicable offering memorandum (each, a “Memorandum”), which is available to current investors and qualified prospective investors with whom BPIM has a pre-existing relationship. BPIM provides advice primarily with respect to U.S. small-cap, mid-cap and micro-cap equity securities.

As of December 31, 2020, BPIM had \$588,432,500 of regulatory assets under management on a discretionary basis.

BPIM provides advisory services to its Clients based on their respective investment objectives and guidelines. The investment objectives and guidelines for each Private Fund are determined at the inception of the Private Fund and set forth in its Memorandum.

Ira Unschild is the sole owner of BPIM.

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#### **Item 5 – FEES AND COMPENSATION**

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BPIM does not receive any management fees related to assets under management. Instead, an affiliate, Brant Point Capital Management LLC (“BPCM”) receives a management fee at an annualized rate of 1.5% per annum of assets under management.

BPIM receives performance-based compensation from Private Fund Clients of 20% of the increase in net asset value of each Private Fund investor’s account above a “high water mark” (*i.e.*, the previous highest net asset value at which performance-based compensation was paid). Performance-based compensation generally is charged in arrears at year-end and upon an intra-year redemption by an investor in a Private Fund. BPIM’s performance-based compensation is calculated taking into account both realized and unrealized gains.

The management fee paid to BPCM is calculated and paid monthly in advance at the beginning of each month based on the net asset value of the Private Fund in question on the last day of the previous month. The Funds’ administrator calculates the management fee. Once approved by BPIM, BPIM instructs the Funds’ prime broker to deduct the management fees from the Funds’ prime brokerage accounts. The Funds’ administrator also calculates the performance-based compensation. Once BPIM approves the administrator’s performance-based compensation calculation, the administrator allocates the performance compensation to a Fund account of BPIM or its affiliate. Fees may be reduced or waived in certain circumstances or with respect to certain investors (*e.g.*, principals and employees of BPIM). BPIM fees charged with respect to an investment in a Private Fund advised by BPIM are described more fully in such Private Fund’s Memorandum.

Private Fund Clients may terminate BPIM’s advisory services at any time without penalty generally upon thirty days’ prior written notice. Upon termination of any Client account, any

prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable.

Redemptions by investors in a Private Fund can be made on the terms described in the Private Fund's Memorandum.

Each Private Fund is responsible for its own expenses including (i) routine legal, accounting, auditing, and related expenses; (ii) the administrator's fees and related expenses, (e.g., clerical, courier, postage, telephone, facsimile, duplication and other expenses), and any directors' fees and expenses; (iii) all other operational and overhead expenses; and (iv) extraordinary expenses (e.g. litigation costs and indemnification obligations), if any. In addition, each Private Fund is responsible for its transaction costs (including brokerage, research, clearing, margin interest (if any), custodial expenses, and due diligence costs).

Each Private Fund is responsible for its own expenses and, generally, BPIM does not expect that there will be expenses that will be shared by the Private Funds. However, if there is an expense that is shared by more than one Private Fund, BPIM allocates such shared expenses among the applicable Private Funds (i) pro-rata based on each Private Fund's capital; (ii) in proportion to the size of the investment made by each Private Fund to which the expense relates; or (iii) in such other manner as BPIM considers fair and reasonable.

BPIM's fees do not include brokerage or custody fees, costs and charges, and other related costs and expenses that will be incurred by Clients in connection with the trading and maintenance of Client accounts. Clients incur certain charges imposed by custodians, brokers and other third parties, such as commissions, custodial fees, and other fees and taxes on brokerage accounts and securities transactions, in addition to BPIM's fees. BPIM does not receive any portion of such commissions, fees, and costs.

Item 12 describes the factors that BPIM considers in selecting broker-dealers for Client transactions and determining the reasonableness of their compensation (e.g., commissions).

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## **Item 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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As set forth in Item 5 above, BPIM receives performance-based compensation of 20% of the increase in net asset value of a Private Fund investor's account above a "high water mark" (i.e., the previous highest net asset value at which performance-based compensation was paid). Performance-based compensation generally is charged in arrears at year-end and upon any intra-year redemption by an investor in a Private Fund. BPIM's performance-based compensation is calculated taking into account both realized and unrealized gains. Performance-based compensation will be in conformity with Rule 205-3 under the Investment Advisers Act of 1940 ("Advisers Act"). Please see Item 5 for more information.

Performance-based fee arrangements could under certain circumstances create an incentive for BPIM to recommend investments that are riskier or more speculative than those which would be recommended under a different fee arrangement.

Because both the U.S. Private Funds and the non-U.S. Private Fund have the same fee structure, there is no incentive to favor one Fund over the other based on fees. However, BPIM and its related persons (collectively, “Related Persons”) hold varying amounts of interest in the Funds which creates an incentive for BPIM to allocate desirable investment opportunities to the Funds in which Related Persons have a higher percentage of ownership ahead of other Funds. To address this conflict, BPIM has adopted allocation policies and procedures designed to facilitate that Clients are treated in a fair and equitable manner. Please see Item 12 below for more information about BPIM’s allocation policies.

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### **Item 7 – TYPES OF CLIENTS**

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BPIM provides investment management services to two U.S. Private Funds and a non-U.S. master/feeder Private Fund. BPIM does not have a standard minimum account size for its Private Fund Clients; however, both the U.S. Private Funds and the non-U.S. feeder Private Fund have a minimum investment requirement for investors of \$1 million, which may be waived by BPIM in its sole discretion. In addition, with respect to any investor in the Funds, BPIM may in its discretion waive or reduce the notice requirement with respect to redemption requests.

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### **Item 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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BPIM utilizes a multi-disciplined investment approach that relies on both fundamental analysis and technical analysis to take advantage of market opportunities and mispricings and to realize gains when securities reach BPIM’s price targets. BPIM’s main sources of information include industry analysts and sales people, financial newspapers and magazines, news releases, industry publications and general sources of news and analysis. BPIM personnel also meet with management of companies in which it invests and attend industry conferences.

BPIM invests principally in a diversified portfolio of securities with a primary focus on the U.S. equity markets. These securities may be issued by companies of any size or in any industry sector, though BPIM expects that a substantial portion of Clients’ assets normally will be invested in small-cap, mid-cap or micro-cap stocks. BPIM may also invest in convertible securities, exchange traded options and fixed income securities.

BPIM can use leverage in managing each of the Client portfolios, but thus far has only done so for one of the U.S. Private Funds (the “Ultra Fund”). The Ultra Fund employs leverage, subject to applicable regulatory limitations, when BPIM deems it appropriate to do so by buying securities on margin and by arranging with banks, brokers and others to borrow money. Leverage will be used to attempt to enhance the Ultra Fund’s returns, although the use of leverage may also exacerbate losses. The Ultra Fund also may borrow to provide bridge financing for redemptions.

BPIM may purchase and write put and call options on specific securities, on stock indices or on other financial instruments and, to close out its positions in options, may make a closing purchase transaction or closing sale transaction. Depending on the market environment, Client portfolios will sometimes be hedged primarily through the use of exchange traded index options and options on individual securities.

At times, a Fund may have uncommitted cash balances. BPIM may invest such assets in short-term debt securities and instruments, or retain all or part of its assets in cash. Accordingly, the composition of a Client's portfolio may vary from time to time.

BPIM is not bound by any fixed guidelines concerning the percentage of assets that are invested in any particular investment.

### **Certain Risk Factors**

Investing in securities involves the risk of loss of principal that Clients should be prepared to bear. A brief explanation of the material risks associated with BPIM's significant investment strategies and methods of analysis follows. Additional risk factors are set forth in the Memorandum of each Private Fund.

- Equity Securities. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of the issuers, industry market conditions and the general economic environment.
- Market Fluctuations. Trading in equities generally involves significant market risk because, among other things, the prices of equities are highly volatile and market movements are difficult to predict. BPIM may not be able to sell long positions or to cover short positions at optimal times or prices.
- Small-Cap and Micro-Cap Companies. Many of the small-cap and micro-cap companies in which Clients hold positions may be more vulnerable than larger companies to adverse business or market developments, may have limited product lines, markets or financial resources and may lack management depth. In addition, most small-cap and micro-cap companies in which Clients hold positions may not be well known to the investing public, may not be significantly owned by institutional investors, and may not have steady earnings growth. This may cause the Clients to be exposed to more risk than if they were investing in the more liquid equity securities of large-cap companies. Clients will also have many mid-cap companies in their portfolios and will hold large-cap companies as well. The risks described herein that are applicable to small-cap and micro-cap companies may also be applicable to mid-cap companies.

The securities of the small-cap and micro-cap companies in which Clients will hold positions also may be more volatile in price, have wider spreads between their bid and ask prices and have significantly lower trading volumes than larger capitalization stocks. As a result, the purchase or sale of more than a limited number of shares of a small-cap or micro-cap security may affect its market price. BPIM may need a considerable amount of time to purchase or sell Clients' positions in these securities, particularly when other investors are also seeking to purchase or sell them.

Micro-cap companies are followed by few, if any, securities analysts, there tends to be even less publicly available information about them than small-cap companies, and they tend to have even more limited product lines, markets, financial resources and other vulnerabilities than small-cap companies. The securities of micro-cap companies generally have even

more limited trading volumes and are subject to even more abrupt or erratic market price movements than are the securities of small-cap companies, and BPIM may be able to deal with only a few market makers when purchasing and selling these securities. While these conditions may create greater opportunities both for long and short positions, they also may involve increased risk.

- Hedging Transactions. BPIM uses a variety of hedging strategies, including options, to limit or reduce risk. However, hedging transactions may result in poorer overall performance for a Client than if it had not engaged in such hedging transactions, including, but not limited to, underperforming indices such as the Russell 2000 and S&P 500 during up markets. Furthermore, hedging strategies that are not successful will not be effective in limiting losses and may amplify losses. In addition, BPIM is not obligated to, and at times will elect not to, hedge against risks. In such situations, the Client will be exposed to risks that could have been mitigated by hedging transactions. Moreover, investment portfolios will always be exposed to certain risks that cannot be hedged, such as credit risk of certain issuers (relating both to particular securities and counterparties), and, even if a hedge is available, it may not sufficiently match the position which is sought to be hedged.
- Trading in Options. Client assets also may be invested in warrants, rights and put and call options. Warrants, rights and options are wholly-speculative securities since they have no voting rights, pay no dividends and have no liquidation rights. A put gives the holder a right to sell a particular security during the term of the option at a specified price. A warrant, right or call option entitles the holder to purchase a given security within a specified period for a specified price and does not represent an ownership interest. The value of puts and calls can be very volatile and they can expire worthless resulting in a loss of the entire investment over a very short time period. In addition, the price of warrants, rights and options do not necessarily move parallel to the prices of the underlying securities. The securities underlying the warrants, rights and options in which Clients may invest include shares of common stock of a single company and securities market indices representing shares of the common stocks of a group of companies, such as the S&P 500 or Russell 2000. As a result, the ability to trade in or exercise options also likely will be restricted in the event that trading in the underlying security becomes restricted. Options trading may also be illiquid in the event that Client assets are invested in contracts with extended expirations.
- Leverage through Borrowings. To the extent borrowings are used to create leverage, the risk of loss (and the possibility of gain) will be increased in direct proportion to the level of the Client's borrowings. In addition, the level of interest rates generally, and the rates at which a Client can borrow in particular, will be an expense of the Client and therefore will affect performance results. In addition, trading on margin and other leveraging strategies can increase transaction costs, interest expense and other costs and expenses. Margin trading requires the pledge of securities as collateral, and margin calls can result in a Client being required to pledge additional collateral or to liquidate positions as losses are realized.

- Short Selling. Short selling involves the sale of a security that a Client does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price.

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a Client's portfolio. Additionally, the potential losses on short positions are greater than the potential losses on long positions because there is the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. Additionally, there can be no assurance that securities necessary to cover a short position will be available for purchase because the supply of securities which can be borrowed fluctuates from time to time. A Client may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if the Client otherwise is unable to borrow securities which are necessary to hedge its positions. The Client also must pay to the lender of the security sold short the dividends received during such period.

- Newly Issued Securities. A Client may invest in newly issued securities. This activity involves greater risk than securities trading in general. The prices of newly issued securities may not increase as expected and, in fact, may decline more rapidly than other securities. While many people assume that securities will continue to trade higher after an initial public offering until they are sold, there is no guarantee that this will occur.
- Short Term Trading; Transaction Expenses. A Client's short term trading activities may lead to volatility in the Client's net asset value on a day-to-day and periodic basis. Additionally, frequent trades typically result in correspondingly high transaction costs.
- Cash Investments. A Client may hold cash or invest in cash equivalents for short-term investments. While the Client holds cash or has investments in cash equivalents, the overall appreciation of the Client's assets may be less than if all the assets were invested fully.
- Financial Markets Dislocation and Illiquidity. The upheaval in the U.S. financial markets and other global financial markets since 2008 continues to result in extraordinary and possibly unprecedented uncertainty and instability for all market participants.

U.S. and other financial markets around the world and their participants, including a Client, the counterparties through which the Client executes its transactions, and other financial institutions with which the Client has contractual relationships in connection with its investments, have been negatively affected by such market turmoil. The nature of any resulting market, legal, regulatory, reputational and other unforeseen risks that will affect market participants in the future cannot be predicted. The impact of such risks on the markets in which the Client operates cannot be determined, but could adversely affect the business of the Client, restrict the ability of the Client to acquire, sell or liquidate investments at favorable times and/or for favorable prices, restrict the Client's investment and trading activities and impede the Client's ability effectively to achieve its investment objectives.

- Disaster Recovery and Data Security. BPIM relies heavily on information technology and data management systems, which can fail or be subject to interruption or destruction caused by natural or man-made occurrences such as extreme weather, fires, earthquakes, quarantines and other mobility and/or access restrictions, power loss, telecommunications failures, terrorist attacks, hacking, break-ins, sabotage, intentional acts of destruction, vandalism, or similar events or misconduct. Any failure, interruption, or destruction of BPIM's information technology systems or data could have a material adverse impact on BPIM's operations and Client accounts. In addition, a breach in the security of BPIM's systems could result in the theft, disclosure, or loss of Client, proprietary, and other sensitive information.

BPIM has in place information security, incident response, backup, and disaster recovery procedures intended to prevent or mitigate damage if such an event occurs. However, a breach could nevertheless occur, and such procedures could fail or be insufficient to avoid, mitigate, or remedy the breach. Moreover, the ever-changing methods and technologies used to obtain unauthorized access to systems through means such as third-party acts, computer error, malicious code, employee error, or malfeasance often are not known until used against a potential target. Therefore, BPIM may be unable to anticipate the destructive or invasive methods and technologies that could be used against its systems or to implement adequate protections.

Epidemics and Pandemics. Many countries have been susceptible to epidemics, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and, currently, COVID-19 (commonly known as the "CORONAVIRUS"). The epidemic or pandemic outbreak of an infectious disease in a country or region of the world or globally, together with any resulting restrictions on travel, transportation or production of goods or quarantines imposed, could have a negative impact on the national, regional or global economy and business activity in any of the countries in which BPIM may invest and thereby adversely affect the performance of Client investments. While the economic impact of the ongoing global outbreak of the CORONAVIRUS is presently uncertain, such outbreak and any future outbreak of an infectious disease or any other serious public health concern in a country, region or globally could materially harm Client investments. In addition, the CORONAVIRUS has led to significant volatility in the securities markets and the CORONAVIRUS and any future outbreak of an infectious disease or any other serious public health concern may lead to additional volatility and illiquidity of the Client investments. Furthermore, at times of extreme volatility and market stress, certain governmental regulators have imposed limitations or restrictions on short sales of equity securities, which – if imposed again – could impact BPIM's ability to trade in certain equities and/or equity index derivatives. The CORONAVIRUS and any future outbreak of an infectious disease or any other serious public health concern may also lead to significant interruption in normal business activity of BPIM and the Clients' other service providers which could negatively affect the performance of Client accounts. One such interruption is long term remote working by BPIM employees which could cause delays in processing of important mail, changes in supervision of BPIM employees, changes in responsibilities of employees, information technology failures and other disruptions to normal business operations that could negatively affect the performance of Client accounts.

The foregoing does not purport to be a complete explanation of the risks involved in trading securities or with respect to any investment strategy. Investors and qualified prospective investors should consult the Funds' Memoranda for further information concerning risks.

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### **Item 9 – DISCIPLINARY INFORMATION**

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BPIM does not have any disciplinary or legal events to report.

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### **Item 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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BPIM's affiliate, BPCM, assists BPIM in performing its administrative responsibilities to the Funds.

BPIM has adopted a plan ("Plan") to facilitate the orderly liquidation of BPIM and the Private Funds it manages in the event that Mr. Unschuld dies or becomes incapacitated in a manner that would prevent Mr. Unschuld from performing his duties and responsibilities for at least 60 consecutive days ("Permanently Disabled"). Under the Plan, if Mr. Unschuld dies or becomes Permanently Disabled, Mr. John Buoncore, BPIM's Chief Compliance Officer and Senior Vice President, will use his good faith business judgment to (i) liquidate the positions of the Private Funds' and, thereafter, if necessary take the required steps to terminate the Private Funds and (ii) once (i) is accomplished, to terminate BPIM. In the event Mr. Buoncore is unable or unwilling to perform these tasks, the remaining senior professional(s) at BPIM will be appointed to do so.

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

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BPIM has adopted a Code of Ethics (the "Code") which sets forth the ethical and fiduciary principles and related compliance requirements under which BPIM operates and the procedures for implementing those principles. The Code includes provisions that:

- Require BPIM to comply with its fiduciary duties;
- Prohibit officers, directors, and employees (each, an "Employee") from benefitting at the expense of any Client;
- Require Employees to comply with federal securities laws;
- Place limitations on personal securities trading by Employees (as described below );
- Impose preclearance and reporting obligations with respect to Employees' personal securities trading;
- Require BPIM to review Employee personal trading and holdings; and

- Require reporting of violations of the Code.

The Employees of BPIM and their related accounts are permitted to maintain personal securities accounts provided that such accounts are disclosed to BPIM and that any personal trading is consistent with applicable law and with the Code. Under the Code, Employees are prohibited from investing in publicly traded equity securities. Limited exceptions to this policy may be granted by BPIM's Chief Compliance Officer.

BPIM's Code is available to any Client or prospective client upon request by contacting John Buoncore, BPIM's Chief Compliance Officer, at (212) 583-6400.

In addition to adopting a Code, BPIM has adopted a compliance manual that includes among other things compliance policies and procedures governing insider trading, gifts and entertainment, political contributions and outside business activities.

BPIM does not engage in principal transactions with Client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, buys from or sells any security to any advisory client.

As noted in Item 6 above, Related Persons hold varying amounts of interest in the Funds which creates an incentive for BPIM to allocate desirable investment opportunities to the Funds in which Related Persons have a higher percentage of ownership ahead of other Funds. Please see Item 6 above and Item 12 below for information on how BPIM addresses this conflict of interest.

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## **Item 12 – BROKERAGE PRACTICES**

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BPIM is responsible for placing the portfolio brokerage business of the Funds. Securities transactions for a Fund are placed with brokers on the basis of obtaining the best overall terms available, which BPIM evaluates based on a variety of factors, including the liquidity of the market for the security, the ability to achieve prompt and reliable execution at favorable prices, priority accorded the order, the operational efficiency with which transactions are effected, the competitiveness of the commission rates, the terms of borrowings available from the broker, the financial strength, integrity and stability of the broker, and the quality, comprehensiveness and frequency of available research and related services considered to be of value.

In addition to considering a broker's overall terms and execution capability, BPIM considers the research and brokerage services which the broker has provided to it in the past, including any research relating to the security involved in the transaction and/or to other securities. The payment for such benefits by BPIM may be made with "soft" or commission dollars of a Fund that has not received benefit from these brokerage or research services received by BPIM. Any soft dollar benefits received by BPIM will be in compliance with the safe harbor provided by Section 28(e) of the Securities and Exchange Act of 1934, as amended. Research services paid for in this way will assist BPIM in carrying out its investment decision-making responsibilities

BPIM determines the overall reasonableness of brokerage commissions paid after considering the amount another broker might have charged for effecting the transaction and the value placed by BPIM upon the brokerage and/or research services provided by the executing broker, viewed in

terms of either that particular transaction or BPIM's overall responsibilities to the Funds. Brokers that provide both research and execution services are generally paid higher commissions than those paid to brokers that do not provide such research and execution services. The proposed relationships with brokerage firms that provide soft dollar services to BPIM may influence BPIM's judgment in allocating brokerage business and create a conflict of interest in using the services of those broker-dealers to execute brokerage transactions. For example, by using Client commissions to obtain products and services, BPIM does not have to produce or pay for such products and services. Consequently, BPIM has an incentive to select or recommend brokers based on its interest in receiving products and services, rather than its Clients' interests in receiving most favorable execution.

Generally, brokerage and/or research services will be used to service all Client accounts regardless of whether a Client account paid for such benefit. Given the disparity in the sizes of the various Client accounts, Clients with smaller amounts under management with BPIM may receive the benefits of brokerage and/or research services that they would not have been able to purchase on their own based on the amounts of commissions generated by their accounts.

Currently, BPIM participates in an arrangement offered by two of its major executing brokers under which each broker executes trades on behalf of BPIM at an agreed commission rate. At the time of each trade, the respective broker retains a portion of the commission representing its negotiated base rate for its brokerage services, and credits the balance to an account maintained for the benefit of BPIM, through which BPIM acquires and pays for research services selected by it from one or more participants in the program and other third-party services such as Bloomberg services used by BPIM analysts. Such research services include general economic research, market and statistical information, industry and technical research, strategy and company research and research related to performance measurement, and may be written or oral.

The particular services made available to BPIM by such participating brokers, and the amount and timing of payment for such Services, are determined by BPIM and the participating broker. All services are delivered directly to BPIM by such participants and other third-party services.

Generally, investment decisions for the U.S. Private Funds are made in parallel with those made for the non-U.S. Private Fund, though that may not always be the case. When the U.S. Private Funds and the non-U.S. Private Fund are simultaneously engaged in the purchase or sale of the same security, the transactions are generally averaged as to price and allocated as to amount in a manner believed by BPIM and its affiliate to be equitable to each. As a general rule, such orders are combined and allocations among BPIM's Clients acquiring the same securities on the same day are effected on a pro rata basis, based on the relative value of the accounts, or otherwise based on an allocation amount determined at the time of the order. The relative value of the Ultra Fund is based on its levered up amount of assets. If the orders are combined, each of the accounts will have its same day orders filled on an average price basis (such that each receives the same price) and will bear their pro rata share of the commission costs. While the Private Funds follow similar strategies, factors specific to particular Funds (e.g., tax considerations, cash availability and liquidity constraints), will likely dictate in certain circumstances that a particular investment or investment amount is not suitable for such Funds, and, therefore, all of the Funds will not always participate in all of the same investments or transact in a pro rata share of the investment.

Allocations of initial public offerings (“IPOs”) generally will be allocated pro rata based on the amount of each Fund eligible to participate in IPOs under FINRA Rules 5130 and 5131 (“5130/5131 Amounts”) rather than the entire value of each Fund. Under FINRA Rules 5130 and 5131, FINRA Members are prohibited from selling IPO interests to an account in which certain “5130 restricted persons” have in the aggregate beneficial interests in excess of 10 percent, or in which certain “5131 restricted persons” have in the aggregate beneficial interests in excess of 25 percent. The Related Persons that invest in the Funds are “5130 restricted persons.” Consequently, the larger the interest of the Related Persons in a Fund the less such Fund will be eligible for allocations of IPOs. Furthermore, while the Private Funds follow similar strategies, factors specific to particular Funds (e.g., account size, tax considerations, cash availability and liquidity constraints), will likely dictate in certain circumstances that a particular investment or investment amount is not suitable for such Funds, and, therefore, all of the Funds will not always participate in all of the same investments or transact in a pro rata share of an IPO based on their respective 5130/5131 Amounts.

Although BPIM’s goal is to be fundamentally fair on an overall basis with respect to all Clients, there can be no assurance that on a trade-by-trade basis that one Fund will not be treated differently from another. The allocation procedures will sometimes cause a Client to receive a different price or amount of assets than it would have otherwise received. For example, if BPIM did not manage multiple Client accounts each Client individually would be able to receive or sell a greater percentage of limited opportunity securities. Consequently, when multiple Clients participate in limited opportunity trades, each participating account reduces the opportunity available to other participating accounts. Furthermore, since certain Private Funds hold a greater percentage of Related Person assets than other Private Funds, the allocation of limited opportunity trades to such Private Funds will reduce the opportunity available to Private Funds holding a lower percentage of Related Person assets. For example, presently more than 95% of the Ultra Fund is owned by Related Persons and, therefore, the allocation of limited investment opportunities to the Ultra Fund will reduce the amount available to other Private Funds that hold substantially less Related Person assets. Nonetheless, BPIM expects this conflict of interest to arise infrequently because generally the securities BPIM invests in are liquid and readily available investments.

In cases of trade errors, BPIM will not be responsible for any losses resulting from portfolio management, trading or administrative errors in connection with a Private Fund’s investment activities, provided that such losses did not result from BPIM’s gross negligence, willful misconduct, fraud or bad faith. In addition, it is the general policy of BPIM that gains or benefits that result from trade errors will accrue to a Private Fund. Such errors include, but are not limited to, incorrect entry of a trade into an electronic trading system, errors when reconciling trade activity, or drafting errors related to derivatives contracts or confirmations.

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### **Item 13 – REVIEW OF ACCOUNTS**

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Client accounts are generally reviewed on a daily basis by the director of BPIM to ensure that investment objectives are adhered to and portfolios are rebalanced as necessary. The director’s review of the daily trade report also enables him monitor any trade decisions not made by him for appropriateness.

Investors in a Private Fund are provided with monthly unaudited statements regarding such Private Fund's performance by the Private Fund's administrator, and annually receive audited fiscal year-end financial statements.

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#### **Item 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

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Other than the soft-dollar benefits described in Item 12 above, BPIM does not receive any economic benefit for providing advice to its Clients from anyone other than its Clients. BPIM does not directly or indirectly compensate any person for Client referrals.

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#### **Item 15 – CUSTODY**

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BPIM does not have physical custody of any Client assets. However, under Rule 206(4)-2 under the Advisers Act, BPIM is deemed to have custody of the assets of the Private Funds. In accordance with Rule 206(4)-2, audited financial statements are furnished annually to all investors in the Private Funds within 120 days of the close of the Funds' fiscal year.

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#### **Item 16 – INVESTMENT DISCRETION**

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Consistent with a Client's investment objectives, BPIM has authority, without obtaining specific Client consent, to determine the types and amounts of securities to be bought and sold.

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#### **Item 17 – VOTING CLIENT SECURITIES**

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Although BPIM is authorized to vote proxies on behalf of Clients, generally, BPIM does not do so. However, BPIM may vote proxies for certain securities where the act of voting will entitle the Client to directly receive proceeds from a merger or other corporate action. With respect to other types of proxies, BPIM has determined that the costs inherent in monitoring and voting proxies outweigh the potential benefits in light of the small position size typically held by Clients in any given security. While BPIM does not anticipate that any Client would benefit by voting proxies, BPIM's general determination not to vote proxies on behalf of Clients results in decisions being made with respect to underlying portfolio securities without input from BPIM.

Where the act of voting will entitle the Client to directly receive proceeds from a merger or other corporation action and BPIM does choose to vote such proxy, the Chief Compliance Officer will consider whether BPIM is subject to any material conflict of interest in connection with such proxy vote. Employees must notify the Chief Compliance Officer if they are aware of any potential conflict of interest associated with a proxy vote. If the Chief Compliance Officer detects a material conflict of interest in connection with BPIM's proxy voting activities, the Chief Compliance Officer will meet with the Director, outside counsel, and/or BPIM's outside compliance consultant, as necessary, and determine the best course of action that the Chief Compliance Officer believes is in the BPIM's Clients' best interests. BPIM does not accept requests from the Private Funds to vote proxies in a particular manner.

BPIM's proxy voting policy and procedures are available upon request. A Private Fund may obtain BPIM's proxy voting policy or a record of BPIM's proxy voting for such Private Fund by contacting BPIM's Chief Compliance Officer, at (212) 583-6400.

BPIM will not be the lead plaintiff in class action lawsuits or actively participate in the litigation of any such lawsuit. Furthermore, BPIM expects that with respect to most class action settlements it will not file proofs of claim on behalf of Clients because of the immaterial amounts that will be recovered by filing such proofs of claim.

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#### **Item 18 – FINANCIAL INFORMATION**

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BPIM has no financial condition that impairs its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy proceeding.