This brochure provides information about the qualifications and business practices of Two Sigma Investments, LLC (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at (212) 625-5700. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

The Adviser is registered with the SEC as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 4.</td>
<td>Advisory Business</td>
<td>3</td>
</tr>
<tr>
<td>Item 5.</td>
<td>Fees and Compensation</td>
<td>5</td>
</tr>
<tr>
<td>Item 6.</td>
<td>Performance-Based Fees and Side-by-Side Management</td>
<td>7</td>
</tr>
<tr>
<td>Item 7.</td>
<td>Types of Clients</td>
<td>11</td>
</tr>
<tr>
<td>Item 8.</td>
<td>Methods of Analysis, Investment Strategies and Risk of Loss</td>
<td>12</td>
</tr>
<tr>
<td>Item 9.</td>
<td>Disciplinary Information</td>
<td>26</td>
</tr>
<tr>
<td>Item 10.</td>
<td>Other Financial Industry Activities and Affiliations</td>
<td>27</td>
</tr>
<tr>
<td>Item 11.</td>
<td>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</td>
<td>29</td>
</tr>
<tr>
<td>Item 12.</td>
<td>Brokerage Practices</td>
<td>31</td>
</tr>
<tr>
<td>Item 13.</td>
<td>Review of Accounts</td>
<td>34</td>
</tr>
<tr>
<td>Item 14.</td>
<td>Client Referrals and Other Compensation</td>
<td>35</td>
</tr>
<tr>
<td>Item 15.</td>
<td>Custody</td>
<td>36</td>
</tr>
<tr>
<td>Item 16.</td>
<td>Investment Discretion</td>
<td>37</td>
</tr>
<tr>
<td>Item 17.</td>
<td>Voting Client Securities</td>
<td>39</td>
</tr>
<tr>
<td>Item 18.</td>
<td>Financial Information</td>
<td>40</td>
</tr>
<tr>
<td>Item 19.</td>
<td>Requirements for State-Registered Advisers</td>
<td>41</td>
</tr>
<tr>
<td>Appendix:</td>
<td>Material Changes</td>
<td>42</td>
</tr>
</tbody>
</table>
The Adviser is an investment adviser with its principal place of business in New York, New York. The Adviser commenced operations as an investment adviser in July 2001 and has been registered with the SEC since August 21, 2009. Two Sigma Management, LLC is the managing member of the Adviser. Trusts established by John A. Overdeck and David M. Siegel are the principal beneficial owners of the Adviser.

The Adviser is a process-driven, systematic investment manager specializing in quantitative analysis and uses quantitative mathematical models that rely on patterns inferred from historical prices and other financial data in evaluating prospective investments. The Adviser provides advisory services on a discretionary basis to its Clients, which include various private investment funds and commingled vehicles. The private investment funds and commingled vehicles to which the Adviser provides advisory services are referred to herein collectively as “Clients,” and each individually as a “Client”.

The Adviser provides advisory services with respect to a broad range of U.S. and non-U.S. securities and instruments, including, without limitation, U.S. and non-U.S. equity and equity-related securities, bonds and other fixed income securities (including, without limitation, corporate, agency, non-U.S. and U.S. municipality, treasury and insurance-linked bonds and other fixed income instruments), loan participations, futures, forward contracts, warrants, put and call options (both listed and OTC including, without limitation, caps and floors), repurchase agreements, reverse repurchase agreements, swaps (of any and all types including, among other things, equity swaps, commodity swaps, interest rate swaps, variance swaps, correlation swaps, currency swaps, credit default swaps and real estate swaps), convertible instruments, inflation protection instruments, mortgage and asset-backed instruments, swaptions, foreign exchange contracts, currencies, commodities, insurance-linked securities and any derivatives on all of the instruments listed above (collectively, “Financial Instruments”).

The Adviser provides advice to Clients based on specific investment mandates, objectives and strategies set forth in each Client’s offering memorandum. Other than those restrictions set forth in the applicable offering memorandum, Clients may not impose restrictions on investing in certain securities or certain types of securities.

As of February 28, 2011, the Adviser had approximately $6,278,281,452 of Client assets under management, all on a discretionary basis.
Asset-Based Compensation

Clients pay the Adviser management fees for its management services (the “Management Fees”) through a deduction of such Management Fees from the Client’s account. The Management Fees are typically based on the Client’s assets under management and are determined based on an annualized rate. Currently, such rates range from 2% to 4%, as described in each such Client’s applicable offering memorandum. The Management Fees are generally paid monthly in advance on the first day of each month.

The Adviser may waive, reduce or modify the Management Fee for certain investors in Clients.

Performance-Based Compensation

The Adviser may also receive performance-based compensation, which is compensation that is based on a share of capital gains or capital appreciation of the assets of a Client. This compensation may be allocated to the Adviser or a related person of the Adviser. The Adviser (or a related person of the Adviser) is entitled to receive an incentive allocation (the “Incentive Allocation”) from Clients in amounts currently ranging from 20-30% of the net profits, if any, allocated to each investor in such Clients for each fiscal quarter or year, as applicable, provided that certain Clients may have Incentive Allocations allocated more or less frequently. In addition, many of the Incentive Allocations are subject to adjustment for any previously unrecovered new losses allocated to each investor in prior periods, subject to certain other adjustments and provisions.

The Adviser may waive, reduce or modify the performance-based compensation for certain investors in Clients.

In addition to paying investment management fees and performance-based compensation to the Adviser or its related person, Clients pay all of their own operating and investment expenses including, but not limited to, brokerage, transaction costs and custodian fees; fees and expenses of any advisers and consultants to the Client; external legal, auditing, accounting, administration, tax return preparation and other professional fees and expenses; fees and expenses of the Client’s administrator; taxes, fees and governmental charges; fees and expenses of any third party research, data, recommendations and/or services used by the Adviser in its investment decision making process; fees and expenses of valuation and/or pricing services and software; interest expenses; expenses of preparing and distributing reports, financial statements and notices to investors in Client; litigation and other extraordinary expenses; certain insurance expenses; and other expenses as may be detailed in the Client’s offering memorandum.

Please refer to Item 12 of this Firm Brochure for a further discussion of the Adviser’s brokerage practices.
Item 6. Performance-Based Fees and Side-by-Side Management

The Adviser and its investment personnel provide investment management services to multiple Clients. The Adviser is entitled to be paid performance-based compensation from the Clients. In addition, the Adviser's investment personnel are typically compensated by the Adviser on a basis that includes a performance-based component. The Adviser and its investment personnel, including investment personnel that share in performance-based compensation, manage both Client accounts that are charged performance-based compensation and accounts that are charged an asset-based fee, which is a non-performance-based fee. Certain Clients may have higher asset-based fees or more favorable performance-based compensation arrangements than other Clients. When the Adviser and its investment personnel manage more than one Client account, a potential exists for one Client account to be favored over another Client account. The Adviser and its investment personnel have a greater incentive to favor Clients that pay the Adviser (and indirectly its personnel) higher fees.

In addition, the Adviser, its affiliates and/or its principals invest in a number of Clients. Certain of such Clients utilize a higher degree of leverage than others. Because of the varying fee structures, leverage levels and allocation of proprietary capital from the investment of the Adviser, its affiliates and/or its principals, a potential exists for one Client to be favored over another Client. The Adviser and its investment personnel have a greater incentive to favor Clients that contain proprietary money, pay the Adviser (and indirectly the portfolio manager) performance-based compensation or higher fees or, potentially, use a higher level of leverage.

Additionally, certain investment personnel of the Adviser provide investment-related services to affiliates of the Adviser.

Allocation of Trades

The Financial Instruments traded on behalf of each Client (which, for the purpose of this Allocation of Trades section of this Item 6 shall include certain clients of the Adviser's affiliates (please refer to Item 10 of this Firm Brochure for a discussion of the Adviser's other financial industry activities and affiliations)) may involve substantial correlation with those traded on behalf of the other Clients. However, there can be no assurance that any Financial Instrument will be traded in the same way or at the same time on behalf of each entity.

Client orders in liquid, exchange-traded Financial Instruments are typically handled by a sophisticated, proprietary order management system (the “OMS”) and execution management system (the “EMS”) in order to direct the execution of the Clients’ orders in liquid, exchange-traded Financial Instruments through such systems (which for purposes hereof include either fully automated or with limited employee assistance). These systems also seek to algorithmically ensure proper allocation of fills among the Clients.

When appropriate, the Adviser may, but is not required to, aggregate its Clients' trade orders to achieve more efficient execution or to provide for equitable treatment among accounts. Clients (including Clients owned primarily or entirely by proprietary capital) participating in aggregated trades will generally be allocated securities or other instruments based on the average price achieved for such trades. In the event that multiple Clients and/or clients of applicable affiliates wish to purchase the same instrument concurrently, it is the Adviser's intention to allocate all filled orders and corresponding prices ratably based on desired trade amounts measured at the time that the trade was requested by the applicable desk. Notwithstanding the foregoing, an aggregated order may be allocated on a basis different from that specified above under certain circumstances. Examples of reasons for allocating orders on a different basis include, among other things, available cash, liquidity requirements, macro risk parameters set by the portfolio manager, legal and/or regulatory reasons (including a desire to avoid and/or minimize a regulatory filing, disclosure or other obligation) and/or to avoid odd lots. While the Adviser will endeavor
to ensure that its trade allocation system does not systematically advantage one account over another, due to the sheer volume of orders being placed and fills received, it is possible that for a relatively small number of trades, one account may be inadvertently advantaged over another during order placement and/or fill receipt. The Adviser will monitor, review and periodically modify its trade allocation system in an effort to minimize the occurrence of these events.

Further, because certain strategies used by certain Clients may have shorter trading horizon and/or use separate trading desks from similar strategies used by other Clients, it is likely that in many instances certain Clients will buy (or sell) Financial Instruments prior to certain other Clients buying (or selling) the same or similar Financial Instruments. In those instances where Clients use a separate trading desk, the Adviser’s trade allocation policy described above will not apply since that policy is only applicable to trades and investments that are made concurrently on the same desk. As a result, the prices paid by a Client and the amounts received by a Client may be adversely affected.

The introduction of any new strategy, capability or execution method, either by the Adviser or by another market participant, impacts existing strategies, capabilities and execution methods. Similarly, the use of separate execution modalities by certain strategies, including but not limited to, extremely low latency strategies (“Emerging Strategies”), particularly when existing investment management research is also being used by the Emerging Strategies, will frequently impact, to varying degrees, the price or amount of securities available to the Clients. Often times, the use of these separate execution desks in conjunction with investment management research used on behalf of the Clients will result in the Emerging Strategies receiving fills before and after Clients, which will likely result in the Emerging Strategies receiving executions at better prices and quantities than the Clients.

Although a significant proportion of the execution of investments made on behalf of each Client is done through the Adviser’s automated execution system, certain of the Adviser’s traders have substantial discretion in the execution of orders in an attempt to improve execution results and/or to achieve other specified objectives. Accordingly, even if multiple Clients, for instance, are executing the same strategy, differences may arise due to the level of discretion granted to the traders (e.g., all trades that involve the exercise of discretion could be allocated on a direct or indirect basis substantially more or all to one Client and substantially less or not at all to another Client). The Adviser measures and monitors each trader’s performance versus the modeled execution expected by the Adviser’s automated execution system on a regular basis. Accordingly, in the future each trader’s discretion regarding execution of orders for the Clients may change such that the discretion granted to the traders regarding the Clients is broadened or narrowed and exercised differently for different clients.

Because there will likely be overlap in the trading on behalf of the Clients, in order to minimize risk of preferential execution of one Client’s orders over another’s, the Adviser anticipates that generally, with the exceptions noted below, trades in a given instrument (other than trades which are sent by automated execution systems directly to electronic trading systems) will be handled by a single execution desk which will fill desired trades on the open market. However, multiple execution desks may handle the same instrument for a variety of reasons, including, but not limited to: when such instrument is not the primary instrument handled by one or both such desks but is instead used to hedge the primary instrument handled by such desk(s); when a separate trading desk is set up due to regulatory or policy limitations of a Client; or when one or more separate desks are set up because they are necessary for the execution of certain strategies. Certain strategies (including the Emerging Strategies) utilized primarily on behalf of specific Clients, frequently Clients which are owned largely or entirely by proprietary capital, generally rely on different execution logic, venues and pathways as compared to the strategies deployed on behalf of other Clients, many of which cannot currently be accommodated by the Adviser’s core trading desks. To employ these new execution modalities, the Adviser has created new, separate execution desks (e.g., order execution systems, traders, co-location facilities and/or similar capabilities) which are being used solely on behalf the strategies relying on the different execution logic, venues and pathways. Therefore, the resulting trades executed on these desks are allocated entirely to the entities in which these strategies are housed. It should be noted that the trading volume handled by these new desks is material when compared to the volume of trades handled by the Adviser’s core desks.
The Adviser’s trade allocation policy is designed to provide a fair allocation of purchases and sales of Financial Instruments among the various Clients, and to ensure compliance with appropriate regulatory requirements. However, because there will likely be overlap in the trading done in the Clients, it is likely that for a relatively small number of trades, one Client may be inadvertently advantaged over another during order placement, fill receipt, stock borrow allocations and/or applications of reporting limits. It is also possible that such advantaged Client may be owned largely or solely by proprietary capital. While the Adviser will monitor, review and periodically modify its trade allocation system in an effort to minimize the occurrence of these events, it is highly likely that a de minimis number of preferential allocations will remain, and the Adviser will only act to reverse or otherwise change these allocations in the event they are deemed by the Adviser, in its sole discretion, to be material. Further, because certain strategies used by certain Clients may have a shorter trading horizon than similar strategies used by other Clients, it is likely that in many instances those Clients with a shorter trading horizon will buy (or sell) Financial Instruments prior to or after the other Clients buying (or selling) the same or similar Financial Instruments which may have a materially adverse impact on the prices paid or received by a Client on its transactions.

Allocation of Strategies

As a process-driven, systematic investment manager, the Adviser utilizes multiple investment strategies (both systematic and, at times, non-systematic) on behalf of each of its Clients in order to generate results. The Adviser periodically reviews and assesses the amount of capital that can reasonably be allocated to its existing investment strategies. This amount is dependent on several factors including, among others, each Client’s investment objectives, current and projected market conditions, the development of new strategies, the licensing of certain strategies to affiliates (including, but not limited, to Two Sigma Advisers, LLC, an affiliated investment manager registered with the SEC (“TSA”)), obtainable financing (both in absolute terms and on a relative basis between third party capital and proprietary capital), various risk considerations and the amount of available third party capital and proprietary capital. The amount of third party capital invested through the Clients in any of the Adviser’s strategies, particularly those with limited capacity, does and will continue to face pressure from the continued growth of proprietary capital. The Adviser recognizes that this continued growth, as well as the higher amount of leverage that it can elect to apply to proprietary capital, is likely to create an increasing conflict of interest between third party capital and proprietary capital, as the Adviser determines how much proprietary capital it will elect to manage in each of its trading strategies and how much third party capital it elects to accept or return to investors going forward. The Adviser clearly cannot be free from, and is not free from, inherent conflicts of interest in making these elections, and shall be free to make such elections as it sees fit in its sole discretion.

Through its extensive research, the Adviser has developed and expects to continue to develop strategies and models, and to research the use of new investment techniques, which it believes could offer Clients solid absolute returns, but which cannot be fully utilized or in some cases utilized at all by the certain Clients because of the restrictive investment policies and mandates of such Clients (as set forth in each Client’s offering memorandum). These under-utilized or unutilized strategies, models and/or investment techniques may differ from those that are fully utilized by certain Clients because, among other reasons, (i) they have larger capacity than can be optimally used in such Clients; (ii) they involve asset classes outside the investment mandates of such Clients; (iii) they involve somewhat higher levels of volatility and/or liquidity risk than that targeted by such Clients; (iv) they are less strictly or fully hedged by taking somewhat larger exposures to certain style factors, sectors or other directional risks than that targeted by such Clients; and/or (v) they involve greater liquidity risk than that targeted by such Clients.

In the future, the Adviser may, in its sole discretion and without notice to any Client or investor in such Clients, (i) remove any or all strategies, models and/or investment techniques from utilization on behalf of any Client or (ii) materially increase or decrease a Client’s exposure to any strategies, models and/or investment techniques including eliminating a Client’s exposure to such strategies, models and/or investment techniques altogether.
Item 7. Types of Clients

The Adviser provides advisory services to private investment funds and commingled vehicles, typically organized as Delaware limited partnerships, Cayman Islands exempted corporations or other similar structures.

Clients are generally set up in master-feeder structures wherein each feeder fund invests portions of its assets into master funds. Each master fund then invests substantial portions of its assets into certain investment trading vehicles managed by the Adviser. In addition, a number of the feeder and/or master funds periodically invest varying portions of their assets into cash management vehicles managed by the Adviser. Currently, a significant majority (if not all) of the investments made on behalf of the Clients is made through either the investment trading vehicles or the cash management vehicles. The structure of any given Client is described in further detail in the applicable offering memorandum referencing such Client.
A. Methods of Analysis and Investment Strategies. The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The Adviser primarily combines multiple hedged and leveraged investment strategies with proprietary risk management and execution techniques to make investment decisions for its Clients. These strategies include, but are not limited to, the strategies described below.

The investment strategies that the Adviser employs include but are not limited to following:

Statistically-Based and Related Conditional Trading Strategies. Statistically-based trading generally involves the analysis of, among other things, intraday, daily, weekly and longer-term prices. Such statistically-based trading strategies may sometimes be characterized by their trend-following or mean-reverting nature. Related conditional trading strategies could additionally incorporate implied and realized volatility, volume, open interest, quantitative measures of risk-seeking versus risk-averting behavior and other statistical analysis that may be of value.

Basket Trading. Opportunities may arise whereby securities dealers advertise prices for an entire basket of securities for which they are seeking principal bids or offers. Techniques similar to those described in the statistically-based trading section above may be used to purchase, hedge and dispose of these baskets.

Merger (or Risk) Arbitrage. Merger, or risk, arbitrage involves taking short and long investment positions in the stock of corporations involved in significant transactions, including mergers, acquisitions, divestitures, tender offers (including fixed price and Dutch auction self-tenders), liquidations, recapitalizations, restructurings, spin-offs and other similar corporate events. The investment's value is driven by the ability to correctly estimate the spread between the security's current price and its value at the deal's completion. The technique also involves analysis of the legal details and specifics of the transaction, and the probability of its completion, in an effort to determine its value.

Closed-End Fund/Constituent Arbitrage. Closed-end fund/constituent arbitrage seeks to profit over time from stock price fluctuations by targeting discounted or high premium closed-end funds, companies with stock priced below net asset value, mispriced parent-subsidiary situations or firms when book value is the most accurate reflection of true value or liquidation value. Quantitative and qualitative analysis, regulatory and legal due diligence and other methods of research are used to seek to identify the underlying causes or factors that will affect ultimate values. Investments are often hedged with the underlying assets or holdings.

Fundamentally-Driven Trading Strategies. Fundamentally-driven trading strategies generally rely on fundamental data, including but not limited to, macroeconomic statistics, interest rates and supply and demand variables, industry-specific data and publicly available company-specific information.

Event-Driven Trading Strategies. Event-driven trading strategies generally seek to earn absolute returns from the purchase and/or sale of Financial Instruments based on anticipated outcomes of certain events. These events may be “micro” events such as company specific or transaction specific situations (e.g., a refinery outage). Alternatively, these events may be “macro” events such as changes in U.S. and non-U.S. government policies and economies with respect to particular business sectors or commodities, U.S. and non-U.S. political and economic events and changing trade prospects. In addition to the fundamental analysis regarding these events, a range of statistical and technical analysis may also be implemented to help determine the particular fundamentals that are relevant for price valuation.

Spread-Based and Long/Short Trading Strategies. Spread-based and long/short trading strategies generally seek to earn returns by a) taking a long position in an instrument believed to be undervalued
and b) taking a related short position in an instrument believed to be overvalued at substantially the same time. Such trading strategies may be based on a single market (e.g., long and short crude oil futures contracts with different delivery months) or related markets (e.g., long an S&P Index Futures contract and short a Nikkei Index Futures contract, or long a gold futures contract and short a gold ETF). The decision as to which instruments to purchase or sell short may be made based on a technical signal, a fundamental bottom-up analysis of a company or other reference item to which the instruments relate, the industry, current market and financial conditions and a perceived understanding of drivers of change within the company, industry, market or region.

**Volatility Arbitrage and Trading Strategies.** Volatility arbitrage and trading strategies generally attempt to profit from predicting the volatility of selected instruments, and typically include trading in such instruments associated options and indexes, and possibly hedging with respect to their underlying instrument(s) by methods such as, but not limited to, delta hedging.

**Structured Credit Trading Strategies.** Structured credit trading packages a wide variety of fixed income assets in the forms of Collateralized Bond Obligations (CBOs), Collateralized Debt Obligations (CDOs), Collateralized Loan Obligations (CLOs), Asset-Backed Securities (ABS), Commercial Mortgage Backed Securities (CMBS), Residential Mortgage Backed Securities (RMBS), Insurance Linked Securities (ILS), credit and total return derivatives and hybrid instruments in respect of the foregoing and other corporate, governmental and insurance related fixed income instruments, and derivatives on any of these instruments. The underlying assets, which by themselves are often complex, are bundled into vehicles, derivatives and structures characterized by complicated and non-standardized cash flows with allocations often to various tranches. Structured credit trading strategies generally seek to trade certain issues and/or tranches of such credit instruments and/or derivatives on these instruments to try to take advantage of perceived fragmentation or dislocations in the structured credit markets.

**Contributor-Based and Sentiment-Based Strategies.** Contributor and sentiment-based strategies rely on indicators based on data submitted by or as proxies for general market views. This may include so-called bullish and bearish indicators and data from the Two Sigma PICS™ and Macro PICS™ Program and/or any other alpha capture system developed by the Adviser. Two Sigma PICS™ and Macro PICS™ Program (and other alpha capture systems developed by the Adviser) are strategies developed by the Adviser that routinely obtain recommendations and other insight (“inputs”) on a variety of subjects, including industries, investment instruments, currencies, indices and markets from diverse sources, including both employees of the Adviser and third parties, traders, analysts and experts on selected subjects, and convert the inputs into investment forecasts. These forecasts are then used by the Adviser’s algorithmic programs, together with forecasts from other investment techniques, to generate investment instructions.

**B. Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies.**

**Quantitative Strategies and Trading.** The Adviser uses quantitative mathematical models that rely on patterns inferred from historical prices and other financial data in evaluating prospective investments. However, most quantitative models cannot fully match the complexity of the financial markets and therefore sudden unanticipated changes in underlying market conditions can significantly impact the performance of the Adviser. Further, as market dynamics shift over time, a previously highly successful model may become outdated – perhaps without the Adviser recognizing that fact before substantial losses are incurred. Moreover, there are likely to be an increasing number of market participants who rely on models that may be similar to those used by the Adviser, which may result in a substantial number of market participants taking the same action with respect to an investment and some of these market participants may be substantially larger than any given Client. Should one or more of these other market participants begin to divest themselves of one or more positions, a “crisis correlation”, independent of any fundamentals and similar to the crises that occurred in September 1998 and August 2007, could occur, thereby causing certain Clients to suffer material, or even total, losses.
Although the Adviser generally will attempt to deploy relative value strategies, this does not mean that the Clients will not be affected by adverse market conditions similar to those described above and/or others. There can be no assurances that strategies pursued will be profitable, and various market conditions may be materially less favorable to certain strategies than others. Mispricings, even if correctly identified, may not be corrected by the market, at least within a time frame over which it is feasible for any given Client to maintain a position. Even pure arbitrage positions can result in significant losses if a Client does not maintain both sides of the position until expiration. Certain Clients utilize high degrees of leverage and therefore could be forced to liquidate positions prematurely in order to meet margin or collateral calls, causing an otherwise “pure” arbitrage position to result in major losses.

*Arbitrage Transaction Risks.* If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur and can be magnified to the extent the Adviser is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable “spreads”, which can also be identified, reduced or eliminated by other market participants.

*Relative Value Risk.* In the event that the perceived mispricings underlying the Adviser’s relative value trading positions were to fail to converge toward, or were to diverge further from, relationships expected by the Adviser, Client accounts may incur a loss.

*Leverage.* The Adviser employs substantial leverage in connection on behalf of many, if not all, of its Clients. Such leverage may be achieved by borrowing funds from U.S. and non-U.S. brokers, banks, dealers and other lenders, purchasing or selling Financial Instruments on margin or with collateral and using options, trading futures, forward contracts, swaps and various other forms of derivatives and other instruments which have substantial embedded leverage.

If a Client utilizing a levered strategy can no longer utilize margin or post collateral under such agreements, the Client could be required to liquidate a significant portion of its Financial Instruments, and future trading may be constrained. As a result, restrictions on the availability of credit from such parties could adversely affect a Client’s performance.

The use of margin, short-term borrowing and collateral requirements creates additional risks to Clients. Specifically, a Client may use a substantial portion of its capital as to post margin or collateral. If the value of a Client's Financial Instruments fell below the margin or collateral level required by a prime broker or dealer, the prime broker or dealer would require additional margin deposits or collateral amounts. If a Client were unable to satisfy any margin or collateral call by a prime broker or dealer, the prime broker or dealer could liquidate the Client’s positions in some or all of the Financial Instruments that are in the Client’s account with the prime broker or for which the dealer is the counterparty and cause the Client to incur significant losses. The failure to satisfy a margin or collateral call, or the occurrence of other material defaults under margin, collateral or other financing agreements, could trigger cross-defaults under a Client’s agreements with other brokers, dealers, lenders, clearing firms or other counterparties, multiplying the adverse impact to the Client. In addition, because the use of leverage will allow a Client control of or exposure to positions worth significantly more than the margin or collateral posted for such positions, the amount that a Client may lose in the event of adverse price movements will be high in relation to the amount of this margin or collateral amount.

In the event of a sudden decrease in the value of a Client’s assets, the Client might not be able to liquidate assets quickly enough to satisfy its margin or collateral requirements. In that event, the Client may become subject to claims of financial intermediaries that extended “margin” loans or counterparty credit. Such claims could exceed the value of the assets of the Client. Trading of futures, forward contracts, equity swaps and other derivatives, for example, generally involves little or no margin deposit or collateral requirement and, therefore, provides substantial leverage. Accordingly, relatively small price movements in these Financial Instruments (and others) may result in immediate and substantial losses to a Client.

The banks and dealers that provide financing to a Client can apply essentially discretionary margin, “haircut”, financing and collateral valuation policies. Changes by banks and dealers in any of the
foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that a Client will be able to secure or maintain adequate financing.

Finally, it should be noted that certain Clients may employ higher degrees of leverage than others. It should be noted that the use of leverage by such higher-levered Clients that invest in the same investment trading vehicles as lower-levered Clients may create certain cross-collateralization risks.

**Hedging.** The Adviser employs hedging for certain Clients by taking long and short positions in related Financial Instruments. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of such portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus seeking to moderate the decline in the portfolio position’s value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio position should increase. In the event of an imperfect correlation between a position in a hedging instrument and the portfolio position that it is intended to protect, the desired protection may not be obtained, and a portfolio utilizing the hedging strategy may be exposed to risk of loss. In addition, it is not possible to hedge fully or perfectly against any risk, and hedging entails its own costs. Positions which would typically serve as hedges may actually move in the same direction as the Financial Instruments they were initially attempting to hedge, adding further risk (and losses) to the Client. The Adviser may determine in its sole discretion not to hedge against certain risks and certain risks may exist that cannot be hedged.

**Commodities.** Commodity investments are affected by business, financial market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on its commodity investments. Prices of commodity investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Adviser’s portfolio and the value of its investments. In addition, the value of the Adviser’s portfolio may fluctuate as the general level of interest rates fluctuates.

**Short Selling Risk.** A Client’s investment program may include a significant amount of short selling. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a “short squeeze” can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

**Reliance on Technology.** The Adviser’s trading strategies are highly reliant on technology, including hardware, software and telecommunications systems. In addition, the Adviser’s data gathering, research, forecasting, order execution, trade allocation, risk management, operational, back office and accounting systems are all highly automated and computerized. Such automation and computerization relies on an extensive amount of both proprietary software and third party hardware and software. Because of the quantity and nature of the software utilized by the Adviser, software errors do occur and will continue to occur, and certain of these errors will impact the Clients’ portfolios. Additionally, with respect to third party hardware and software, such errors are often entirely outside of the control of the Adviser. The Adviser seeks to reduce the incidence of software errors through a certain degree of internal testing and seeks to reduce the impact of such errors through certain real-time monitoring and the use of certain independent safeguards in the overall portfolio management system and often, with respect to proprietary software, in the software code itself. Despite such testing, monitoring and independent safeguards, these software errors may result in, among other things, the execution of unanticipated trades, the failure to execute anticipated trades, the failure to properly allocate trades among Clients, the failure to properly gather and organize available data and/or the failure to take certain hedging or risk reducing actions. These errors may be extremely hard to detect. Regardless of how difficult their detection appears in retrospect, some
of these errors may go undetected for long periods of time and some may never be detected. The degradation or impact caused by errors may be compounded over time. Finally, the Adviser may detect certain errors that it chooses, in its sole discretion, not to address or fix. The Adviser does not expect to perform a materiality analysis on the vast majority of errors it discovers. Clients, and investors in Clients, should assume that software errors and their ensuing risks are an inherent part of investing with a process-driven, systematic investment manager such as the Adviser. Accordingly, the Adviser does not expect to disclose discovered software errors to the Clients or investors in the Clients.

The Adviser seeks, on an ongoing basis, to create adequate backups of software and hardware where possible but there is no guarantee that such efforts will be successful.

Further, to the extent that an unforeseeable software or hardware malfunction or problem is caused by a defect, virus or other outside force, the Clients may be materially adversely affected. Merger Arbitrage/Deal Risk. The most significant risk in merger arbitrage is that a transaction will be abandoned such that the value of securities purchased may fall, resulting in loss of capital. This loss may be increased if the price of the shorted security (i.e., the acquiring company) rises as the deal is called off. Abandonment may occur for a number of reasons including (i) regulatory or antitrust prohibitions, delays or restrictive conditions for approval of the merger; (ii) problems arising out of due diligence review; (iii) incompatibility of the managements of the two parties; (iv) incompatibility of strategies; or (v) a movement outside of the required price range in "collar" transactions. When a deal is not abandoned, there may still be a risk of price renegotiation or a timing delay.

Frequent Trading. The Adviser’s primary strategies involve frequent trading of securities which results in significantly higher commissions and charges to Client accounts due to increased brokerage, which will offset Client profits.

Statistical Measurement Error. Many of the trading strategies employed by the Adviser rely on patterns inferred from the historical series of prices and other financial data. Even if all the assumptions underlying the models were met exactly, the model can only make a prediction, not afford certainty. There can be no assurance that the future performance will match the prediction. Further, most statistical procedures cannot fully match the complexity of the financial markets and as such, results of their application are uncertain. In addition, changes in underlying market conditions can adversely affect the performance of a statistical model.

C. Risks Associated With Types of Securities that are Primarily Recommended (including Significant, or Unusual Risks).

Equity Securities. The value of equity securities fluctuates in response to issuer, political, market and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

Rights and Warrants. Rights and warrants entitle the holder to buy equity securities at a specific price for a specific period of time. Rights and warrants may be considered more speculative than certain other types of investments in that they do not entitle a holder to dividends or voting rights with respect to the underlying securities that may be purchased nor do they represent any rights in the assets of the issuing company. Also, the value of a right or warrant does not necessarily change with the value of the underlying securities and a right or warrant ceases to have value if it is not exercised prior to the expiration date.
Exchange-Traded Funds (“ETFs”). Equity-based ETFs are subject to risks similar to those of stocks; fixed income-based ETFs are subject to risks similar to those of bonds and other fixed-income securities. Investments in an ETF are also subject to the fees and expenses of the ETF, which may include a management fee, other fund expenses and a distribution fee. It should be noted that the Investment Company Act of 1940, as amended, places certain restrictions on the percentage of ownership that a private investment fund may have in an ETF which is a registered investment company.

Options and Derivatives. A Client, at the direction of the Adviser, may engage in trading in options on individual securities, securities sectors, securities indices, futures contracts, foreign exchange contracts or commodities. Trading in options can result in a greater potential for profit or loss than trading in the underlying instruments. The value of an option may change because of a change in the value of the underlying instruments, the passage of time, changes in the market's perception as to the future price behavior of the underlying instruments or any combination of the foregoing and/or other factors. Additionally, Clients may purchase and sell exchange-traded options or privately negotiated OTC options. There can be no guarantee that there will at all times be a liquid market for these options. If an options market were to become illiquid or otherwise unavailable, an option holder would be able to realize profits or limit losses only by exercising the option and an options seller or writer would remain obligated until the option is exercised or expires.

Futures. A Client, at the direction of the Adviser, may engage in regulated futures transactions, for independent profit opportunities and for hedging of existing long and short positions. Trading in futures involves significant risks, including, but not limited too: (i) price volatility; (ii) highly leveraged trading; and (iii) possible illiquidity. Clients may sustain a total loss of the initial margin and any maintenance margin that it posts to a broker to establish or maintain a position in the futures market. If the market moves against a Client's position, such Client may be called upon to post a substantial amount of additional margin, on short notice, in order to maintain its position. If a Client does not provide the required margin within the prescribed time, its position may be liquidated at a loss, and a Client will be liable for any resulting deficit in its account. Under certain market conditions, a Client may find it difficult or impossible to liquidate a position. The use of leverage can lead to large losses. Non-U.S. futures markets may have greater risk than U.S. futures markets. Unlike trading on U.S. commodity exchanges, trading on non-U.S. commodity exchanges is not regulated by the Commodity Futures Trading Commission (the “CFTC”) and may be subject to greater risks than trading on domestic exchanges.

An option on a futures contract is a right or an obligation to either buy or sell the underlying futures contract at a specific price. The risks of trading options on futures are similar to the risks of trading securities options. See “Options and Derivatives” above. In addition, if the purchaser of an option on a futures contract exercises the option, the holder will, in effect, be buying or selling the underlying futures contract, and will then be subject to the same risks as are attendant to futures trading.

Commodity Derivatives. A Client may, at the direction of the Adviser, trade commodity forward contracts, commodity futures contracts or other commodity derivatives. Trading commodities and commodity derivatives is a highly specialized investment activity entailing greater than ordinary investment risk. Commodity-related markets are also highly volatile. The low margin collateral required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or instrument can produce a disproportionately larger profit or loss. There is no assurance that a liquid secondary market will exist for commodity derivatives purchased or sold, and a Client may be required to maintain a position until exercise or expiration, which could result in material losses.

Deliverable Commodities Futures. Although the Client’s current investment strategies do not anticipate taking delivery of underlying commodity positions, such strategies may involve active trading of physical commodities contracts close to their delivery date. Market conditions may cause Clients to be unable or make it commercially unreasonable for Clients to avoid taking delivery of certain commodities. In certain cases, Clients may lack the necessary license or approvals to take delivery of various contracts. In this case, Clients risk being bought in or forced to deliver or take delivery under commercially unattractive terms.
Foreign Instruments. Trading in non-U.S. instruments and derivatives on non-U.S. instruments may involve risks and considerations not present in the trading of U.S. instruments and derivatives. Since non-U.S. instruments generally are denominated, pay interest and are settled in non-U.S. currencies, the value of the assets of a Client as measured in U.S. Dollars may be affected favorably or unfavorably by changes in the exchange rate between the U.S. Dollar and other currencies. The weakening of a country’s currency relative to the U.S. Dollar will affect, potentially adversely, the Dollar value of a Client’s investments that are denominated in such country’s currency. As a result, a Client could realize a net loss on an investment, even if there were a gain on the underlying investment before currency losses were taken into account. Currency exchange rates can be affected unpredictably by controls or restrictions imposed by U.S. or non-U.S. central banks or other governmental agencies in joint or unilateral efforts to alter exchange rate trends. Political developments in the United States or abroad may also affect currency exchange rates. To the extent a Client trades instruments denominated in non-U.S. currencies, it may be adversely affected by restrictions on the conversion or transfer of non-U.S. currencies. The Adviser may (but may not necessarily) seek to hedge these risks by trading currencies, currency futures contracts, forward currency contracts, swaps, or any combination thereof (whether or not exchange traded), but there can be no assurance that such strategies will be effective. As a result, a default on the instrument may deprive a Client of unrealized profits and/or collateral held by the counterparty or may force a Client to cover its commitments for purchase or resale of the underlying currency at the then current market price.

In addition, there may be less publicly available information about foreign economies and foreign companies than the U.S. economy and U.S. companies. Non-U.S. companies may not be subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies. Many non-U.S. securities markets have substantially less volume than U.S. securities markets and, therefore, securities of non-U.S. companies are generally less liquid and at times their prices may be more volatile than securities of comparable U.S. companies. In addition, in many non-U.S. markets there is less government supervision of exchanges, brokers, dealers and issuers than in the United States. Although a Client typically would trade instruments (and derivatives thereon) of or related to companies and governments in countries that the Adviser believes to have stable political environments, there is a possibility of expropriation or confiscatory taxation, seizure or nationalization of non-U.S. bank deposits, establishment of exchange controls, the adoption of non-U.S. government restrictions or other adverse political, social or diplomatic developments that could adversely affect any such investment. Some of the instruments may be subject to taxes levied by non-U.S. governments, which have the effect of increasing the cost of such trading and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income from non-U.S. instruments held by a Client may be reduced by a withholding tax at the source. Tax conventions between certain countries and the United States, however, may reduce or eliminate such taxes, and some or all of such taxes may be creditable against the U.S. federal income tax liability of Partners which are U.S. taxpayers but may be eliminated or changed at any time.

Forward Contracts. Trading in forward contracts involves significant risks. Forward contracts are not traded on exchanges; rather, banks and dealers act as principals in these markets. A Client, in trading forward contracts, will therefore be subject to the risk of credit failure or the inability of or refusal of forward contract dealers to perform with respect to its forward contracts. There is no limitation on the daily price movements of forward contracts, and a dealer is not required to continue to make markets in such contracts. There have been periods during which forward contract dealers have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the bid and ask price. Forward contract trading may therefore be or become highly illiquid.

Foreign Exchange Contracts. A Client may, at the direction of the Adviser, enter into foreign currency spot trades, forward contracts and/or other derivatives thereon for speculative, hedging or other investment purposes. Foreign currency spot trades, forward contracts and other derivatives involve a risk of loss if currency exchange rates move against a Client, unless such derivatives are hedges of foreign currency risk of a Client in its investments. In addition, forward contracts and certain currency derivatives are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract, or derivative counterparty may result in a loss to a Client for the value of unrealized profits on the contract or
derivative or for the difference between the value of its commitments, if any, for purchase or sale at the current currency exchange rate and the value of those commitments at the forward contract exchange rate.

It is contemplated that most foreign currency forward contracts will be with banks, including among others, investment banks and brokerage firms. There are no limitations on daily price moves of spot trades, forward contracts or many derivatives. Banks, including investment banks and brokerage firms, are not required to continue to make markets in currencies. There have been periods during which certain banks, including investment banks, and certain brokerage firms have refused to continue to quote prices for forward contracts or derivatives or have quoted prices with an unusually wide spread. The imposition of credit controls by governmental authorities might limit the level of such forward trading to less than that which the Adviser would otherwise recommend, to the possible detriment of a Client. Neither the CFTC nor the U.S. banking authorities regulate forward currency transactions or derivatives through banks. Clients may be subject to the risk of bank or brokerage firm failure or the inability of or refusal by a bank or a brokerage firm to perform with respect to such contracts.

Non-Deliverable FX Forwards. Non-Deliverable FX Forwards ("NDFs") are subject to the risks of loss associated with standard foreign exchange transactions. In addition, NDFs are subject to the risk that an event would force the parties to the transaction to find an alternative basis for determining settlement amounts such as, among other things, a general or specific default, inconvertibility, non-transferability or nationalization of one of the underlying currencies in the NDF. If on any date upon which an NDF transaction is to be valued such an event has occurred or is continuing, the settlement amount to be delivered may be adjusted by the clearing broker or its counterparty, acting in a reasonable manner. Such adjustments will result in changes to the prices at which such transactions were effected and such changes could be material. The fixation of a trade at a settlement price, the determination of whether such a disruption has occurred and the settlement amount associated therewith are beyond the control of the Adviser and the relevant Client.

Emerging Market Equity Securities and Futures. Trading in emerging market equity securities and futures involves additional risks and special considerations not typically associated with trading in other more established economies or securities markets, such as: (i) increased risk of nationalization or expropriation of assets or confiscatory taxation; (ii) greater social, economic and political uncertainty including war; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. Dollars; (v) increased likelihood of governmental involvement in and control over the economies; and (vi) governmental decisions to cease support of economic reform programs or to impose centrally planned economies.

A Client’s trading in equity securities and futures in emerging markets may be subject to such additional risks as (i) greater volatility, less liquidity and smaller capitalization of securities markets; (ii) greater volatility in currency exchange rates; (iii) greater risk of inflation; (iv) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (v) less extensive regulation of the securities markets; (vi) longer settlement periods for securities transactions and less reliable clearance and custody arrangements; (vii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (viii) certain considerations regarding the maintenance of securities and cash with non-U.S. brokers and securities depositories.

Emerging Market Fixed Income Securities and Futures. A Client may, at the direction of the Adviser, also trade emerging market fixed income securities and futures, including short-term and long-term futures denominated in various currencies. In addition to the risks related to investments in emerging markets generally and in emerging market equity securities and futures as outlined above, emerging market debt futures are subject to greater risk of loss due to high volatility. Additionally, evaluating credit risk for non-U.S. fixed income securities and futures involves great uncertainty because credit rating agencies throughout the world have different standards, making comparisons across countries difficult. Because investors generally perceive that there are greater risks associated with such emerging market instruments, the yields or prices of such fixed income securities and futures may tend to fluctuate more.

16
than those for higher-rated fixed income securities or futures. The market for emerging market interest rate futures may be thinner and less active than that for developed market futures, which can adversely affect the prices at which futures are sold. In addition, adverse publicity and investor perceptions about emerging market interest rate futures may be a contributing factor to a decrease in the value and liquidity of such futures.

**Fixed Income and Related Instruments.** A Client may be subject to interest rate risk in connection with its positions in futures contracts on interest rates, sovereign notes and bonds and futures contracts on sovereign notes and bonds, options on such futures contracts and interest rate swaps. Generally, the value of fixed income instruments will change inversely with changes in interest rates. As interest rates rise, the market value of such instruments tends to decrease. Conversely, as interest rates fall, the market value of such instruments tends to increase. This risk will typically be greater for instruments based on longer-term interest rates than for instruments based on shorter-term interest rates.

**Sovereign Notes and Bonds and Related Derivatives.** A Client may, at the direction of the Adviser, trade in U.S. Government securities and in derivatives upon these instruments. Generally, these securities include U.S. Treasury obligations and obligations issued or guaranteed by U.S. Government agencies, instrumentalities or sponsored enterprises. U.S. Government securities also include Treasury receipts and other stripped U.S. Government securities, when the interest and principal components of stripped U.S. Government securities are traded independently. These securities are subject to market and interest rate risk. A Client, at the direction of the Adviser, may also trade in domestic or foreign government-issued inflation-protected securities (e.g., Treasury Inflation-Protected Securities (“TIPS”), Inflation Linked Gilts (“ILG”), etc.) and in futures, swaps and other derivatives on these securities and/or other inflation related underlyings.

A Client, at the direction of the Adviser, may also trade foreign or U.S. sovereign notes and bonds which may be unrated by a recognized credit-rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than higher-rated debt securities. A Client may trade foreign or U.S. debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets.

A Client may, at the direction of the Adviser, trade foreign or U.S. sovereign notes and bonds which are not protected by financial covenants or limitations on additional indebtedness. A Client may trade distressed sovereign notes and bonds which are subject to the significant risk of the issuer's inability to meet principal and interest payments on the obligations (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity risk. A Client may therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for foreign or U.S. sovereign notes and bonds involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, which can make it difficult to accurately calculate discounting spreads for valuing Financial Instruments. A Client may also trade derivatives on any or all such sovereign notes and bonds.

**Repurchase Agreements or Reverse Repurchase Agreements.** Under a repurchase agreement, a Client sells a security to a counterparty and simultaneously agrees to repurchase the security back from the counterparty at an agreed upon price and date, with the difference between the sale price and the repurchase price establishing the cost of the transaction to a Client. Repurchase agreements essentially constitute a form of borrowing secured by collateral in the form of securities and will have the effect of leveraging a Client's assets. These agreements may be entered into on an overnight, specified term or open-ended basis.

A Client may also enter into reverse repurchase agreements, whereby a Client purchases a security from a counterparty and simultaneously agrees to resell the security back to the counterparty at an agreed upon price and date, with the difference between the purchase price and the resale price establishing a Client’s return. If the seller of securities under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, a Client will seek to
dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, a Client's ability to dispose of the underlying securities may be restricted. If the seller fails to repurchase the securities, a Client may suffer a loss to the extent proceeds from the sale of the underlying securities are less than the repurchase price.

Additionally, certain types of bank obligations which may be acquired by a Client may not be covered by insurance from the U.S. Federal Deposit Insurance Corporation or the U.S. Federal Savings and Loan Insurance Corporation.

**Credit Derivative Contracts.** A Client may, at the direction of the Adviser, engage in trading of credit derivative contracts, which are contracts that transfer price, spread and/or default risks of debt and other instruments from one party to another, both for bona fide hedging of existing long and short positions, but also for independent profit opportunities. Such instruments may include one or more credits. The market for credit derivatives may be relatively illiquid, and there are considerable risks that may make it difficult either to buy or sell the contracts as needed or at reasonable prices. There are also risks in determining whether an event will trigger payment under the contract and whether such payment will offset the loss or payment due under another instrument. The occurrence of a credit event is generally the occurrence of bankruptcy, failure to pay, the acceleration of an obligation or modified restructuring of a credit obligation or instrument.

A Client may be either the buyer or seller in these transactions. If a Client is a buyer of credit protection and no credit event occurs, a Client may recover nothing. Worse still, if a credit event occurs, a Client, as a buyer, typically will receive full notional value for a reference obligation that may have little or no value. Buyers of credit derivatives carry the risk of non-performance by the seller due to an inability to pay.

As a seller of credit protection, a Client would typically receive a fixed rate of income throughout the term of the contract, which typically is between one month and five years, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligations. Sellers of credit derivatives carry the inherent price, spread and default risks of the underlying instruments.

Credit default swaps involve greater risks than if a Client had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. A buyer of credit protection also may lose its investment and recover nothing should no credit event occur. If a credit event were to occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to a Client. Further, in certain circumstances, the buyer can receive the notional value of a credit default swap only by delivering a physical security to the seller, and is at risk if such deliverable security is unavailable or illiquid. Such a delivery “crunch” is a distinct risk of these investments.

**Illiquidity and Credit Risk of Derivative Instruments.** A Client may, at the direction of the Adviser, enter into transactions involving privately negotiated, OTC derivative instruments, including among others, derivatives on interest rates, commodities, bonds, volatility, energy, foreign currencies, equity and indices of any and all of these underlying instruments. Such transactions may include derivatives on derivatives of any or all of these underlying instruments as well. There can be no assurance that a liquid secondary market will exist for any particular derivative instrument at any particular time. Although OTC derivative instruments are designed to meet particular financing needs and, therefore, typically provide more flexibility than exchange-traded products, the risk of illiquidity is also greater as these instruments can generally be closed out only by negotiation with the other party to the instrument. OTC derivative instruments, unlike exchange-traded instruments, are not guaranteed by an exchange or clearinghouse and thus are generally subject to greater credit risks and the possibility of non-performance by the counter party.
**Distressed Securities.** A Client may, at the direction of the Adviser, invest in “distressed securities” securities, private claims and obligations of domestic and foreign entities which are experiencing significant financial or business difficulties. Investments may include loans, commercial paper, loan participations, trade claims held by trade or other creditors, stocks, partnership interests and similar financial instruments, executory contracts and options or participations therein that are not publicly traded. Distressed securities may result in significant returns to a Client, but also involve a substantial degree of risk. A Client may lose a substantial portion or all of its investment in a distressed environment or may be required to accept cash or securities with a value less than a Client’s investment. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court’s discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility and the spread between the bid and asked prices of such instruments may be greater than normally expected. In trading distressed securities, litigation is sometimes required, which can be expensive and can frequently lead to unpredicted delays or losses.

**High-Yield Securities.** A Client may, at the direction of the Adviser, make investments in “high-yield” bonds and preferred securities that are not investment grade. Securities in the lower rating categories are subject to greater risk of loss, as to timely repayment of principal and timely payment of interest or dividends than higher-rated securities. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. The yields and prices of lower-rated securities may tend to fluctuate more than those for higher-rated securities. High-yield securities that are rated BB or lower by S&P or Ba or lower by Moody’s (or equivalent ratings by other firms) are often referred to in the financial press as “junk bonds” and may include securities of issuers in default. “Junk bonds” are considered by the ratings agencies to be predominantly speculative and may involve major risk exposures such as: (i) vulnerability to economic downturns and changes in interest rates; (ii) sensitivity to adverse economic changes and corporate developments; (iii) redemption or call provisions which may be exercised at inopportune times; and (iv) difficulty in accurately valuing or disposing of such securities.

**Special Situations.** A Client may, at the direction of the Adviser, have investments in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to a Client of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a Client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Client may invest, there is a potential risk of loss by a Client of its entire investment in such companies. In connection with such transactions (or otherwise), a Client may purchase securities on a when-issued basis, which means that delivery and payment take place sometime after the date of the commitment to purchase and is often conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, reorganization or debt restructuring. The purchase price and/or interest rate receivable with respect to a when-issued security are fixed when a Client enters into the commitment. Such securities are subject to changes in market value prior to their delivery.

**Loan Participations.** A Client may, at the direction of the Adviser, invest in corporate secured loans acquired through assignment or participations. In purchasing participations, a Client will usually have a contractual relationship only with the selling institution, and not the borrower. A Client generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the loan agreement agreed to by the selling institution. A Client may not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of set-off the borrower has.
against the selling institution. In addition, in the event of the insolvency of the selling institution, under the laws of the United States and the states thereof a Client may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution’s interest in, or the collateral with respect to, the secured loan. Consequently, a Client may be subject to the credit risk of the selling institution as well as of the borrower. Certain of the secured loans or loan participations may be governed by the law of a non-U.S. jurisdiction, which may present additional risks as regards the characterization under such laws of such participation in the event of the insolvency of the selling institution or the borrower.
Item 9. Disciplinary Information

This Item is not applicable.
Item 10. Other Financial Industry Activities and Affiliations

The Adviser and certain of its related persons are affiliated with and/or own an interest in Two Sigma Securities, LLC (“TSS”), a broker-dealer registered with the SEC and a member of FINRA. TSS is a member of the NYSE, the NYSE Arca, the NYSE Amex, the BATS Y and BATS Z Exchanges, the NASDAQ OMX, the NASDAQ OMX BX, the NASDAQ OMX PSX, the EDGA and the EDGEX (Direct Edge), the CME, the NSX and the CBSX. TSS is an “introducing broker-dealer” that does not custody customer (or Client) assets or clear or settle trades. However, the Adviser does use TSS to execute trades on behalf of certain of its Clients which generally contain a high proportion of proprietary capital.

TSS draws upon existing research, technology and other proprietary assets of the Adviser when TSS engages in market making and trading. TSS generates substantial trading volume and expects such trading volume to grow. The Adviser may cause Clients to trade through TSS in the future when the Adviser believes it would be in that Client’s best interest to do so. Additionally, the Adviser may become affiliated with one or more additional broker-dealers, exchanges and/or other U.S. or non-U.S. regulated entities.

While it is expected that TSS (and such other regulated entities, as applicable) would charge a Client commissions and other fees that compare favorably with those charged for similar services offered by other firms with similar capabilities, such commissions and other fees charged by TSS (or such other regulated entity) may not be the result of arms’ length negotiations and may not necessarily be the lowest commission rates or fees available. This may result from the fact that TSS (and such other regulated entities, as applicable) may provide services and/or execution capabilities for which comparable rates may not be available or ascertainable.

The Adviser or a related person may also have a conflict of interest arising from the additional compensation they may be entitled to receive based upon, in large part, the amount of commissions, fees and other revenues received or derived by TSS (or any other applicable regulated entity) from a Client or a Client’s orders. In other words, the Adviser may be incentivized to cause a Client to execute trades through TSS (or any other applicable regulated entity) rather than through a non-affiliated entity and/or to engage in more transactions than it would if such trades were executed through a non-affiliated entity. Accordingly, the Adviser or a related person may be deemed to have a financial conflict of interest with respect to the utilization of TSS (or any other applicable regulated entity) as compared with other entities, as well as with respect to the extent and frequency of Client transactions executed or sent through such an entity. Similarly, since the Adviser and TSS have certain ownership and control relationships in common, certain intrinsic conflicts of interest may exist when the Adviser causes a Client to execute transactions directly or indirectly with TSS (or any other applicable regulated entities) rather than with non-affiliated parties.

The Adviser recognizes the potential conflicts of interest associated with TSS executing trades on behalf of Clients and will seek to mitigate many of these potential conflicts through the following current policies and procedures, including but not limited to the following: (i) TSS will not trade principally with Clients; (ii) all TSS trades will be cleared through third-party clearing brokers; (iii) the Adviser and TSS have executed an information protection agreement to ensure appropriate treatment is provided to the confidential information, including information regarding orders, that the Adviser may send to TSS; (iv) the Adviser’s Conflicts & Risk Management Committee (“CRMC”), directed by the Adviser’s Chief Risk Officer (as further discussed below), will oversee the Adviser’s interactions with TSS; and (v) Ernst & Young, the Adviser’s auditor for each of the Clients that utilize TSS, has been engaged to perform an annual review (formally known as an “Agreed Upon Procedure” engagement) of certain aspects of the trading interaction between the Adviser and TSS. Such engagement is expected to include items such as the Adviser’s best execution processes and the commission rates paid by such Clients. In addition, the Adviser will monitor its Clients’ transactions and seek to ensure that they are conducted in the best interests of the Clients, including continuing to seek to obtain best execution for its Clients. The Adviser has established internal review processes and mechanisms to review conflicts of interest arising from Client transactions and will
report on such matters to the Adviser’s management. Furthermore, the Adviser and its affiliates have substantial direct or indirect incentives to see that the assets of the Clients appreciate in value.

The Adviser and certain of its related persons are affiliated with and/or own interests in TSA. The Adviser currently licenses certain strategies (and related models, optimizers and other order management and execution management systems) that it has developed, and intends to continue licensing certain new strategies that it develops, to TSA. TSA utilizes these strategies on behalf of its clients. The Adviser has the sole discretion to select the strategies that it licenses to TSA and may license strategies to TSA that it does not utilize on behalf of Clients even though such strategies have a positive expected return. The Adviser makes such determinations after factoring in, among other things, a strategy’s capacity constraints and other potentially relevant issues relating to each of its relevant Clients. However, once the Adviser has licensed a strategy to TSA, TSA has sole discretion as to how such strategy is utilized on behalf of its clients and how such strategy is weighted within a given client. It is entirely possible, therefore, that clients of TSA will obtain greater benefit from such licensed strategies than any or all of the Clients. The Adviser is not, and does not intend to be, a fiduciary with respect to TSA’s clients and, as such, does not base its licensing decisions on the needs or investment mandates of TSA’s clients. The Adviser may, in the future, at its sole discretion, license certain strategies to other affiliates including TSS or other affiliated broker-dealers.

In addition to licensing strategies (and related models, optimizers and other order management and execution management systems) to TSA, the Adviser provides various services to TSA pursuant to a Services Contract (the “Services Contract”) including, but not limited to, administrative, technical and clerical services, access to technology equipment and office facilities, maintenance and support services, and other related and miscellaneous services. TSA pays the Adviser a fee for the provision of these services, however, such fee is borne by TSA and will not be borne, directly or indirectly, by investors who invest in TSA’s clients.

In addition to licensing certain strategies (and related models, optimizers and other order management and execution management systems) to TSA and providing various services to TSA, TSA currently directs certain of its clients to invest in certain Clients of the Adviser and the Adviser may, in the future, direct certain Clients to invest in clients of TSA.

Finally, the Adviser and certain of its related persons are affiliated with and/or own interests in Principals which, as the general partner or allocations shareholder of various Clients, is entitled to receive the performance-based compensation from the Clients as discussed in Item 5 hereof and similar performance-based compensation from certain clients of TSA.
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser and its supervised persons to put the interests of the Clients before their own interests and to act honestly and fairly in all respects in their dealings with Clients. All of the Adviser’s personnel are also required to comply with applicable federal securities laws. The Adviser will supply a complete copy of its Code to any Client or prospective Client or any investor or prospective investor in the Clients who requests a copy of the Code by contacting Matthew B. Siano, Esq., Managing Director, General Counsel, by email at matt.siano@twosigma.com or by telephone at 212-625-5700 or Douglas H. Shulman, Esq., Vice President, Chief Compliance Officer, by email at douglas.shulman@twosigma.com or by telephone at 212-625-5700.

The Adviser and its related persons may effect transactions for their own accounts in the same securities or other Financial Instruments purchased and sold for Clients.

To ensure trading by the Adviser’s supervised persons is conducted (i) in a matter that does not adversely affect the Adviser’s trading on behalf of the Clients and (ii) in a manner that is consistent with the fiduciary duties owed by the Adviser to the Clients, the Adviser has adopted the Code and attendant policies and procedures governing Financial Instrument transactions by the Adviser’s supervised persons and other “covered persons” (as defined in the Code). The Code contains provisions designed to (i) prevent improper personal trading by the Adviser’s supervised persons and other covered persons; (ii) identify actual or potential conflicts of interest; and (iii) provide guidance in resolving any actual or potential conflicts of which the Adviser is aware of in favor of the Clients. The Code attempts to accomplish these objectives by, among other things (i) requiring certain pre-clearance of personal trades by the Adviser’s supervised persons and other covered persons; (ii) restricting the number of such trades by the Adviser’s supervised persons and other covered persons in a given month; (iii) prohibiting certain trading by the Adviser’s supervised persons and other covered persons in securities of issuers listed on the Adviser’s and TSA’s “restricted list” (as that term is defined in the Code); and (iv) requiring certain minimum holding periods.

The Code also contains policies and procedures in the following key areas: (i) gifts and business entertainment; (ii) outside business activities; (iii) recordkeeping; (iv) oversight of the Code; (v) conflicts of interest; (vi) the treatment of confidential information; (vii) complying with SEC rules and regulations; and (viii) reporting misconduct. Periodic training regarding the Code is provided to the Adviser’s supervised persons.

The Adviser, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of Clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a Client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information outside of the Adviser and that prohibit the communication of such information internally within the Adviser to persons other than the general counsel and/or the chief compliance officer or their designees and to assure that the Adviser is meeting its obligations to Clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to a Client or using such information for a Client’s benefit. In such circumstances, the Adviser will have no responsibility or liability to the Client for not disclosing such information to the Client (or the fact that the Adviser possesses such information), or not using such information for the Client’s benefit, as a result of following the Adviser’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law.
The Adviser’s advisory affiliates may trade in Financial Instruments for their own accounts and may engage in personal securities transactions in securities and other Financial Instruments in which Clients may invest. These activities create conflicts of interest between the Adviser’s advisory affiliates and the Adviser’s Clients with regard to such matters as allocation of opportunities to participate in, or refrain from participation in, particular Financial Instruments or to dispose of certain Financial Instruments.

The Code contains provisions designed to prevent improper personal trading by the Adviser’s supervised persons. Pursuant to the Code, all of the Adviser’s “access persons” (i.e., any partner, officer, director, member, or employee of the Adviser or any such person’s spouses, immediate family members, any person to whom an access person provides primary financial support, partnerships and corporations in which access persons maintain a certain level of beneficial interest, and any person with whom access persons share common financial support) must obtain pre-approval prior to trading a reportable security as defined under Rule 204A-1 of the Rules and Regulations promulgated under the U.S. Investment Advisers Act of 1940, as amended, unless such person has a long-term managed account with an independent adviser who has discretionary investment authority. The Adviser’s access persons are prohibited from trading securities on the restricted list, and generally are prohibited from participating in “new issues.” Short selling is prohibited. It is specifically noted that certain trading desk personnel and their immediate family members, spouses and persons to whom they provide primary financial support are precluded from trading in instruments and derivatives on instruments for which they have trading responsibilities for the Adviser. Further, all purchase and sale transactions completed by certain trading desk personnel and their immediate family members, spouses and persons to whom they provide primary financial support, regardless of market, must be pre-cleared by the chief compliance officer or a designated member of the Adviser’s compliance group. The Adviser’s current personal trading policies limit the brokers that supervised persons can use for personal trading. All positions in reportable securities need to be disclosed upon joining the Adviser, and duplicates of brokerage account statements generally must be sent directly to the Adviser’s compliance group.

As noted in Item 6 “Performance-Based Fee and Side-by-Side Management”, certain of the Clients may be owned primarily or entirely by proprietary capital. Other than as set forth in Item 6, such Clients will be treated the same as all other Clients with respect to the allocation of trades.

Additionally, the Adviser has employed an independent risk manager and chartered a Conflicts and Risk Management Committee (the “CRMC”). The CRMC is directed by an independent risk manager and comprised of certain of the Adviser’s and TSA’s senior management and control personnel. The CRMC’s primary focus is to seek to identify and manage potential conflicts of interest surrounding investment process decisions.
Market intermediaries used to execute Client trades are selected primarily on the basis of their execution capability, financial stability, reputation, access to the market for the securities being trade and expertise. The Adviser need not solicit competitive bids for orders and does not have an obligation to seek the lowest available commission cost. It is not the Adviser’s practice to negotiate “execution only” commission rates, thus Clients may be deemed to be paying for research, brokerage or other services provided by market intermediaries in recognition of the commissions, mark-ups or other compensation (collectively, “Commissions”) received.

In determining the market intermediaries through which, and Commission rates and other transaction costs at which, investment transactions for a Client are to be executed, the Adviser will seek to obtain the best price and negotiate the most favorable Commission and lowest costs obtainable on each type of transaction. Consistent with seeking overall best execution, the Adviser may also obtain research, brokerage and other services that would otherwise be a Client expense provided by the market intermediary for Commissions paid in connection with the transaction and the Adviser may place transactions that may involve increased transaction costs for the foregoing services with a market intermediary that also (i) provides the Adviser (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the market intermediary or (ii) refers investors to the Adviser or other products advised by the Adviser (or an affiliate). Accordingly, a Client may pay to market intermediaries that provide these services and benefits higher Commissions, mark-ups, fees, costs or other compensation than such Client would pay to other market intermediaries that do not provide these services and benefits based on the Adviser’s recognition of the value of the research, brokerage and other services that would otherwise be Client expenses being provided.

When appropriate, the Adviser may, but is not required to, aggregate its clients’ trade orders to achieve more efficient execution or to provide for equitable treatment among accounts. Clients participating in aggregated trades will be allocated securities or other instruments based on the average price achieved for such trades. See Item 6 above for additional information concerning the Adviser’s aggregation and allocation policies.

Except for services that would be a Client expense or as otherwise described below, the Adviser currently only uses Commissions to obtain research and brokerage services that constitute research and brokerage within the meaning of Section 28(e). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants’ advice on portfolio strategy; data services (including services providing market data, company financial data, certain valuation and pricing data and economic data); advice from brokers on order execution; investment and economic recommendations; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations. The use of Commissions arising from a Client's investment transactions for services other than research and brokerage will be limited to services that would otherwise be a Client expense. The use of Commissions to obtain such other services would be outside the parameters of Section 28(e).

In some instances, the Adviser may receive a product or service that may be used only partially for Section 28(e) types of services or services for which a Client is obligated to pay (e.g., an order
management system, trade analytical software or proxy services). In such instances, the Adviser will make a good faith effort to determine the proportion of the product or service used for Section 28(e) types of services or services for which such Client is obligated to pay and the proportion used for other purposes. The proportion of the product or service used for Section 28(e) types of services or services for which the Client is obligated to pay may be paid through Commissions generated by transactions for the Client and the proportion used for other purposes will be paid for by the Adviser from its own resources.

The Adviser may use “soft dollars” for brokerage and research products and services that provide lawful and appropriate assistance to the Adviser in carrying out its investment decision-making responsibilities, as permitted under the safe harbor of Section 28(e). The Adviser may also use soft dollars to pay certain client expenses that are outside of the scope of Section 28(e). The Adviser acknowledges and understands that it has an obligation to seek “best execution” for its Clients' transactions under the circumstances of the particular transaction. Consequently, notwithstanding the Adviser’s soft dollar policy, no transaction shall be directed to a broker unless best execution of the transaction is reasonably expected to be obtained.

To the extent the Adviser uses soft dollars to pay for a product or service that includes a function that is not an eligible research or brokerage service under Section 28(e) or that the Adviser uses for purposes other than investment decision making, the Adviser will make an appropriate allocation of such product or service as a “mixed-use” item.

The use of Commissions (or certain markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services. In addition, the receipt of benefits and the determination of the appropriate allocation in the case of “mixed use” products or services (as noted above) creates an additional potential conflict of interest between the Adviser and the Clients. The Adviser may cause Clients to pay Commissions (or certain markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for Clients. However, the Adviser will make a good faith determination that the amount of Commissions paid is reasonable in light of the research and brokerage services obtained.

Research and brokerage services obtained by the use of Commissions arising from a Client's portfolio transactions may be used by the Adviser (and may be shared with its affiliates) in its other investment activities, including, for the benefit of other Clients. The Adviser does not seek to allocate soft dollar benefits proportionately based on the Client which generated such soft dollar credits.

During the Adviser’s last fiscal year, as a result of client brokerage commissions (or markups or markdowns), the Adviser and/or its related persons acquired research reports (including market research); corporate governance research and rating services; inputs from research analysts, traders, analysts, experts on selected subjects, and other market participants; and data services (including services providing market data, news data, company financial data, certain valuation and pricing data and economic data).

In selecting or recommending broker-dealers, the Adviser may consider whether the Adviser or a related person receives client referrals from a broker-dealer or third party. The Adviser may have an incentive to select or recommend a broker-dealer based on its interests to receive client referrals rather than on the Client’s interests to receive most favorable execution. To address this conflict of interest, the Adviser will execute Client trades through broker-dealers that refer clients to the Adviser only if it is determined by the Best Execution Committee of the Adviser that Client trades with such broker-dealers are otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer or pay a higher commission than the Adviser would otherwise pay as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.
Please refer to Item 6 – “Allocation of Trades” for further information regarding the procedures adopted by the Adviser for allocation trades among its Clients including procedures for order aggregation.
Item 13. Review of Accounts

A. Frequency and Nature of Review.

John Overdeck and David Siegel, the Co-Chairman of the Adviser, along with additional Adviser personnel, regularly review the trading activity conducted on behalf of the Clients. These reviews consist of a review and analysis of (i) various trading data, (ii) internally-generated risk reports and (iii) an evaluation of such other information the Adviser deems appropriate. The Co-Chairmen also periodically review each Client’s allocated portfolio holdings and performance.

B. Factors Prompting a Non-Periodic Review of Accounts.

Not applicable.

C. Content and Frequency of Regular Account Reports.

A Client’s investors receive written reports from the Client as described in the offering or organization documents of the Client.

Clients may enter into agreements with certain investors to provide such investors with additional reports, including detailed information regarding portfolio positions.
Item 14. Client Referrals and Other Compensation

The Adviser receives certain research or other products or services from broker-dealers through “soft-dollar” arrangements. These “soft-dollar” arrangements create an incentive for the Adviser to select or recommend particular broker-dealers based on the Adviser’s interest in receiving the research or other products or services from such broker-dealers. Please see Item 12 above for further information on the Adviser’s “soft-dollar” practices, including the Adviser’s procedures for addressing conflicts of interest that arise from such practices.
Item 15. Custody

This Item is not applicable.

Item 16. Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to Clients. Other than those restrictions set forth in the applicable offering memorandum or investment management agreement, Clients generally may not impose restrictions on investing in certain securities or certain types of securities.

Prior to assuming full discretion in managing a Client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary Client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the Client (subject to restrictions on its activities set forth in the applicable offering memorandum, investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the Client. See Item 6 for a discussion of the Adviser's allocation and aggregation practices.

The Adviser may, directly or indirectly, from time to time, cause certain of the Clients to purchase equity securities that are part of an initial public offering (sometimes referred to as “IPOs” or “New Issues”). The Adviser will determine those Clients that are eligible to participate in the IPOs and will allocate such IPO securities in a manner consistent with the Adviser’s fiduciary duties among such Clients. The Adviser is authorized to determine, among other things the (i) manner in which New Issues are directly purchased, held, transferred and sold and any adjustments (including interest) with respect thereto; (ii) manner in which the investors will participate in the profits and losses from New Issues; (iii) investors who are eligible and ineligible to participate in the profits and losses from New Issues; (iv) method by which profits and losses from New Issues are to be allocated among the investors in a manner that is permitted under the FINRA rules; and (v) time at which New Issues are no longer considered as such under the FINRA rules.
Item 17. Voting Client Securities

Although the trading frequency (and correspondingly relatively shorter holding periods, frequently changing position sizes and changing position directionality) of the securities targeted by the investment strategies employed by the Adviser significantly reduces the importance and usefulness of the proxies the Adviser receives and votes, or causes to be voted, on behalf of the Clients, the Adviser employs proxy voting guidelines and proxy voting procedures that are designed to seek to ensure that in cases when the Adviser votes proxies with respect to Client securities, such proxies are voted in the best interests of the Clients.

In voting proxies, the Adviser utilizes the services of a third-party proxy agent that votes pursuant to guidelines agreed with the Adviser in advance which the Adviser believes are in the best interests of the Client. If a material conflict of interest between the Adviser and a Client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Client or take some other appropriate action. The Adviser does not make any qualitative judgment regarding its Clients’ investments.

An investor in a Client can obtain (i) a copy of the Adviser’s proxy voting policies and procedures and (ii) information on how the Adviser voted proxies for each applicable Client in which they are invested, by contacting the Adviser’s Chief Compliance Officer, Douglas H. Shulman, Esq. at (212) 625-5700.
Item 18. Financial Information

This Item is not applicable.
Item 19. Requirements for State-Registered Advisers

This Item is not applicable.
This Item is not applicable.
This brochure supplement provides information about John A. Overdeck that supplements Two Sigma Investments, LLC’s brochure. You should have received a copy of that brochure. Please contact the Investor Relations department of Two Sigma Investments, LLC if you did not receive Two Sigma Investments, LLC’s brochure or if you have any questions about the contents of the brochure or this supplement.

Additional information about John A. Overdeck is available on the SEC’s website at www.adviserinfo.sec.gov.
2. Educational Background and Business Experience.

John A. Overdeck received his Bachelor of Science degree in Mathematics with Distinction from Stanford University in 1989. In 1986, he represented the United States in the International Mathematics Olympiad, winning a Silver Medal. Mr. Overdeck studied Statistics as a doctoral candidate at Stanford.

While working as a summer student at Bell Labs in Murray Hill, New Jersey in 1992, Mr. Overdeck was recruited to join D.E. Shaw as a statistical modeler. Initially, he was responsible for fitting statistical arbitrage models in the U.S. and U.K. markets. After nine months with D.E. Shaw, he was given book-running responsibility for the firm’s Japanese equities and warrants strategies. In 1994, Mr. Overdeck was promoted by D.E. Shaw to Vice President and moved to London to continue his work developing and managing the firm’s Japanese equities and warrants strategies as well as to assist in the formation of the firm’s warrant market-making efforts. A year later, he was named Director and in 1997 Mr. Overdeck was named Senior Officer of D.E. Shaw Investment Management International, D.E. Shaw’s London investment subsidiary. Over time, he managed the successful addition of a variety of quantitative areas including Japanese, Asian and European convertible bonds, special situation equity pairs trading and currency volatility trading while also supervising European Statistical Arbitrage traders. During his time there, he built a staff of 18, and managed notional securities positions in excess of $2 billion and more than $200 million of the firm’s capital. He was named a Managing Director and Limited Partner of the firm in January 1998. In the 1998 hedge fund crisis, the relatively liquid positions managed by the London office were closed early and Mr. Overdeck was called back to New York in September to serve as the firm’s acting treasurer and risk manager. After the crisis, he was in charge of the firm’s restructuring effort, including playing a leading role in the spin-off of D.E. Shaw’s India and Financial Products businesses.

In April 1999, Mr. Overdeck left D.E. Shaw to join Amazon.com as Vice President and Technical Assistant to Jeff Bezos, founder of Amazon.com. After three months he was promoted to Vice President of Customer Relationship Management and supervised 90 employees in the creation of Amazon’s world-renowned personalization, community and email marketing features and technology. As well as the host of visible changes to the business, Mr. Overdeck led efforts to make Amazon’s technology more scalable with a terabyte Oracle 8i data warehouse, which is a “services” architecture for personalization and a parallel Linux cluster data-mining environment.

Mr. Overdeck became a founder and Co-Chairman of Two Sigma Investments, LLC in May 2001 where he is primarily responsible for the model development, trade execution and risk management areas of the firm.

3. Disciplinary Information.

None.

4. Other Business Activities.

Mr. Overdeck is also a beneficial owner, and serves as the Co-Chairman, of Two Sigma Advisers, LLC, a registered investment adviser affiliated with Two Sigma Investments, LLC. Two Sigma Investments, LLC licenses certain strategies to Two Sigma Advisers, LLC. In addition, Two Sigma Investments provides various services to Two Sigma Advisers, LLC including, but not limited to, administrative, technical and clerical services, access to technology equipment and office facilities, maintenance and support services, and other related or miscellaneous services. Two Sigma Advisers, LLC pays Two Sigma Investments, LLC a fee for provision of these licenses and services.

5. Additional Compensation.

None.

Mr. Overdeck, along with David M. Siegel, is a Co-Chairman of Two Sigma Investments, LLC. Both are subject to the Code of Ethics and all other policies and procedures of Two Sigma Investments, LLC which are monitored by Douglas H. Shulman, Esq., Two Sigma Investments, LLC’s Chief Compliance Officer. All three individuals can be reached at (212) 625-5700.
This brochure supplement provides information about David M. Siegel that supplements Two Sigma Investments, LLC’s brochure. You should have received a copy of that brochure. Please contact the Investor Relations department of Two Sigma Investments, LLC if you did not receive Two Sigma Investments, LLC’s brochure or if you have any questions about the contents of the brochure or this supplement.

Additional information about David M. Siegel is available on the SEC’s website at www.adviserinfo.sec.gov.
2. Educational Background and Business Experience.

David M. Siegel is a Summa Cum Laude graduate of Princeton University. In 1991, he earned a Ph.D. in Computer Science from the Massachusetts Institute of Technology where he studied for eight years in the Artificial Intelligence Laboratory. Dr. Siegel's thesis work at MIT focused on the design and control of a four-fingered dexterous robotic hand.

While pursuing his doctorate in 1985, Dr. Siegel helped Bear Stearns & Co. create the world's first index arbitrage trading system based on distributed Sun workstations and relational database technology. When deployed, the resulting system executed an S&P 500 basket trade in 50% less time than existing mainframe-based solutions.

In 1992, Dr. Siegel joined D.E. Shaw to build quantitative trading systems. His initial work focused on building a next-generation trading platform. Dr. Siegel was the architect of the core technology systems for D.E. Shaw's equity trading. Dr. Siegel also managed projects to expand D.E. Shaw's automated trading capability into the Japanese market and established a software development facility in Hyderabad, India to reduce programming costs. In 1995, Dr. Siegel was promoted to the newly created position of Chief Information Officer of D.E. Shaw. While at D.E. Shaw, Dr. Siegel founded and served as President of FarSight Financial Services, an integrated personal financial services website. FarSight performed the world's first retail stock trade on the Internet and was also the first website to combine banking and trading features under a single account. FarSight was ultimately acquired by Merrill Lynch.

In 1997, Dr. Siegel joined Tudor Investment Corporation as Chief Technology Officer. At Tudor, he rapidly completed a top-to-bottom overhaul of the firm's entire information processing technology, including trader workstations, risk management systems and back office software.

In 1999, Dr. Siegel founded and served as Chief Executive Officer of Blink.com, a consumer website providing portable bookmarks to web users who access the Internet from more than one computer. In its first year of operation, over one million users subscribed to the Blink service.

Dr. Siegel became a founder and Co-Chairman of Two Sigma Investments, LLC in May 2001 where he is primarily responsible for trading and modeling technology as well as a range of business development initiatives.

3. Disciplinary Information.

None.

4. Other Business Activities.

Dr. Siegel is also a beneficial owner, and serves as the Co-Chairman, of Two Sigma Advisers, LLC, a registered investment adviser affiliated with Two Sigma Investments, LLC. Two Sigma Investments, LLC licenses certain strategies to Two Sigma Advisers, LLC. In addition, Two Sigma Investments provides various services to Two Sigma Advisers, LLC including, but not limited to, administrative, technical and clerical services, access to technology equipment and office facilities, maintenance and support services, and other related or miscellaneous services. Two Sigma Advisers, LLC pays Two Sigma Investments, LLC a fee for provision of these licenses and services.

5. Additional Compensation.

None.

Dr. Siegel, along with John A. Overdeck, is a Co-Chairman of Two Sigma Investments, LLC. Both are subject to the Code of Ethics and all other policies and procedures of Two Sigma Investments, LLC which are monitored by Douglas H. Shulman, Esq., Two Sigma Investments, LLC’s Chief Compliance Officer. All three individuals can be reached at (212) 625-5700.
This brochure supplement provides information about Kenneth C. Baron that supplements Two Sigma Investments, LLC’s brochure. You should have received a copy of that brochure. Please contact the Investor Relations department of Two Sigma Investments, LLC if you did not receive Two Sigma Investments, LLC’s brochure or if you have any questions about the contents of the brochure or this supplement.

Additional information about Kenneth C. Baron is available on the SEC’s website at www.adviserinfo.sec.gov.
2. Educational Background and Business Experience.

Kenneth C. Baron graduated from the University of Chicago in 1987 with a BA in Mathematics. While at the University of Chicago, Mr. Baron also completed the concentration requirements for BAs in Statistics and in Economics. In the fall of 1987, Mr. Baron entered the Ph.D. program in Statistics at Stanford University. While at Stanford, Mr. Baron did research on time series analysis and developed robust techniques to measure the predictability of bond yields and equity returns. Mr. Baron received his Ph.D. in Statistics from Stanford in 1993. While completing his PhD in Statistics, Mr. Baron took multiple Ph.D.-level business school courses in Finance and Econometrics.


In May 1997, Mr. Baron joined Credit Suisse First Boston as a Director in the Global Foreign Exchange area. In Global Foreign Exchange, Mr. Baron worked for the FX Fund, which was, at the time, CSFB’s largest risk taking entity in the foreign exchange markets. While at CSFB Mr. Baron researched and traded foreign exchange spot and option positions based on multi-month time horizons. Mr. Baron worked for the FX Fund through December 1999, at which time his multi-year contract with CSFB was completed.

In January 2000, Mr. Baron joined Moore Capital Management as the Director of Quantitative Research. At Moore Capital, Mr. Baron developed several quantitative indicators to forecast changes in equity indices, fixed income futures, and foreign exchange markets. Mr. Baron did investment analysis and worked closely with senior portfolio managers and Louis Bacon, the founder of Moore Capital.

In March 2001, Mr. Baron left Moore Capital and joined Longitude, Inc., a derivatives and technology company. Mr. Baron worked as a senior quantitative researcher (he was promoted to be Director of Research in 2004) developing parimutuel pricing and replication algorithms. Related to his work at Longitude, Mr. Baron co-authored an article published in Risk Magazine and co-authored the technical book, Parimutuel Applications in Finance published by Palgrave, a division of Macmillan Publishing. Mr. Baron helped facilitate the sale of Longitude’s assets to the International Securities Exchange and Goldman Sachs, which was completed in April 2006.

In March 2006, Mr. Baron joined Citadel Investment Group as a senior quantitative researcher for the Statistical Macro Group. Mr. Baron developed trading strategies for futures markets, foreign exchange markets, and related option markets. In the fall of 2007, Mr. Baron was promoted to head of quantitative research for the Statistical Macro Group and took on responsibilities for the portfolio. Mr. Baron left Citadel Investment Group in March 2008.

Mr. Baron joined Two Sigma Investments, LLC in May 2008 as a Vice President in Quantitative Research. At Two Sigma Investments, LLC, Mr. Baron develops trading strategies in the futures and foreign exchange markets. In the fall of 2008, Mr. Baron took on certain portfolio management responsibilities for Two Sigma Investments, LLC’s portfolios of futures trading strategies. In the December 2009, Mr. Baron was promoted to Managing Director.

3. Disciplinary Information.

None.

4. Other Business Activities.
None.

5. Additional Compensation.

None.


Mr. Baron has certain portfolio management responsibilities for Two Sigma Investments, LLC’s portfolios of futures trading strategies. He reports directly to John A. Overdeck. Both Mr. Baron and Mr. Overdeck are subject to the Code of Ethics and all other policies and procedures of Two Sigma Investments, LLC which are monitored by Douglas H. Shulman, Esq., Two Sigma Investments, LLC’s Chief Compliance Officer. All three individuals can be reached at (212) 625-5700.
Brochure Supplement

Christopher P. Sales

Date Prepared 03/31/2011

Two Sigma Investments, LLC
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(212) 625-5700

This brochure supplement provides information about Christopher P. Sales that supplements Two Sigma Investments, LLC’s brochure. You should have received a copy of that brochure. Please contact the Investor Relations department of Two Sigma Investments, LLC if you did not receive Two Sigma Investments, LLC’s brochure or if you have any questions about the contents of the brochure or this supplement.

Additional information about Christopher P. Sales is available on the SEC’s website at www.adviserinfo.sec.gov.
2. Educational Background and Business Experience.

Christopher P. Sales graduated from Stanford University with a B.S. degree conferred with distinction in Computer Science in May 1995 and was granted concurrently a B.A. degree in Management-Engineering from Claremont McKenna College.

Upon graduation, Mr. Sales joined D. E. Shaw as a quantitative developer. Mr. Sales worked on market making systems for D. E. Shaw’s Financial Products group before moving into its proprietary trading division. In January 1999, Mr. Sales became the research and technical manager for D. E. Shaw’s Equity-Linked Arbitrage group. In this role, Mr. Sales directed quantitative research and software development for D. E. Shaw’s global proprietary equity derivatives trading, including listed option, corporate debt and convertible bond arbitrage. He was promoted to Vice President in January 2000.

In March 2001, Mr. Sales joined Credit Suisse First Boston, Inc.’s Equity Derivatives and Convertibles unit to lead CSFB’s proprietary equity volatility research and trading. In this role, Mr. Sales directed both CSFB’s Listed Option Proprietary Trading group and its Statistical Arbitrage joint venture, with the latter focusing on equity volatility’s overlap with equity statistical arbitrage. In response to listed option markets developments, Mr. Sales established and led CSFB’s electronic option market making efforts. Mr. Sales was promoted to Director at CSFB in December 2001.

Mr. Sales left CSFB in February 2002 to form Glacis Capital Management, LLC. Mr. Sales was one of two founding partners of the firm, which at its peak managed over four hundred million dollars in capital and employed fifteen people. The focus of the firm was on equity statistical arbitrage, and Mr. Sales’ responsibilities included management of event and international related research and trading.

Mr. Sales dissolved Glacis in December 2004 and joined Two Sigma Investments, LLC in April 2005 to assume the role of Vice President, Head of Equity Derivatives. Mr. Sales was initially tasked with developing an equity volatility desk focused on listed and OTC equity derivatives trading. Since 2006, this mandate has broadened to include research and trading of derivatives across a wide range of underlying asset classes and regions. In December 2007 Mr. Sales was promoted to Managing Director. In addition to his portfolio management responsibilities for certain of Two Sigma Investment, LLC’s derivatives strategies, Mr. Sales continues to be involved in the development of models and trading strategies for Other Managed Funds.

3. Disciplinary Information.

None.

4. Other Business Activities.

None.

5. Additional Compensation.

None.


Mr. Sales has certain portfolio management responsibilities for Two Sigma Investments, LLC’s portfolios of derivative trading strategies. In addition to such responsibilities, Mr. Sales continues to be involved in the development of models and trading strategies for Two Sigma Investments, LLC. He reports directly to John A. Overdeck. Both Mr. Sales and Mr. Overdeck are subject to the Code of Ethics and all other policies and procedures of Two Sigma Investments, LLC which are monitored by Douglas H. Shulman, Esq., Two Sigma Investments, LLC’s Chief Compliance Officer. All three individuals can be reached at (212) 625-5700. Both can be reached at (212) 625-5700.
This brochure supplement provides information about Geoffrey Duncombe that supplements Two Sigma Investments, LLC’s brochure. You should have received a copy of that brochure. Please contact the Investor Relations department of Two Sigma Investments, LLC if you did not receive Two Sigma Investments, LLC’s brochure or if you have any questions about the contents of the brochure or this supplement.

Additional information about Geoffrey Duncombe is available on the SEC’s website at www.adviserinfo.sec.gov.
2. Educational Background and Business Experience.

Geoffrey Duncombe earned a B.S. degree with honors in mathematics from Penn State University and a M.S. in financial mathematics from New York University’s Courant Institute.

Mr. Duncombe joined the Mergers and Acquisition group of Dresdner Kleinwort Wasserstein in 2001, where he worked until 2003. Following Wasserstein, Mr. Duncombe attended graduate school at NYU to study financial mathematics and interned in the Quantitative Strategies group at Goldman Sachs Asset Management (GSAM), which he joined full-time in 2005. At GSAM, he was responsible for developing, managing and trading volatility and correlation strategies across equity, fixed income, currency and commodities asset classes. He was also involved in research and portfolio management of global macro strategies, including directional and relative value trading of futures and forwards.

Mr. Duncombe joined Two Sigma Investments, LLC in May, 2008 to assume responsibility for OTC derivative model development, risk management and opportunistic trading for the Funds and the Horizon Entity. Mr. Duncombe was given certain portfolio management responsibilities in June, 2010.

3. Disciplinary Information.

None.

4. Other Business Activities.

None.

5. Additional Compensation.

None.


Mr. Duncombe has certain portfolio management responsibilities for Two Sigma Investments, LLC’s portfolios of derivative trading strategies. He reports directly to John A. Overdeck. Both Mr. Duncombe and Mr. Overdeck are subject to the Code of Ethics and all other policies and procedures of Two Sigma Investments, LLC which are monitored by Douglas H. Shulman, Esq., Two Sigma Investments, LLC’s Chief Compliance Officer. All three individuals can be reached at (212) 625-5700.
GLOSSARY OF TERMS

1. **Advisory Affiliate:** Your advisory affiliates are (1) all of your officers, partners, or directors (or any person performing similar functions); (2) all persons directly or indirectly controlling or controlled by you; and (3) all of your current employees (other than employees performing only clerical, administrative, support or similar functions).

If you are a “separately identifiable department or division” (SID) of a bank, your advisory affiliates are: (1) all of your bank’s employees who perform your investment advisory activities (other than clerical or administrative employees); (2) all persons designated by your bank’s board of directors as responsible for the day-to-day conduct of your investment advisory activities (including supervising the employees who perform investment advisory activities); (3) all persons who directly or indirectly control your bank, and all persons whom you control in connection with your investment advisory activities; and (4) all other persons who directly manage any of your investment advisory activities (including directing, supervising or performing your advisory activities), all persons who directly or indirectly control those management functions, and all persons whom you control in connection with those management functions. [Used in: Part 1A, Items 7, 11, DRPs; Part 1B, Item 2]

2. **Annual Updating Amendment:** Within 90 days after your firm’s fiscal year end, your firm must file an “annual updating amendment,” which is an amendment to your firm’s Form ADV that reaffirms the eligibility information contained in Item 2 of Part 1A and updates the responses to any other Item for which the information is no longer accurate. [Used in: General Instructions; Part 1A Instructions, Introductory Text, Item 2; Part 2A, Instructions, Appendix 1 Instructions; Part 2B, Instructions]

3. **Brochure:** A written disclosure statement that you must provide to clients and prospective clients. See SEC rule 204-3; Form ADV, Part 2A. [Used in: General Instructions; Used throughout Part 2]

4. **Brochure Supplement:** A written disclosure statement containing information about certain of your supervised persons that your firm is required by Part 2B of Form ADV to provide to clients and prospective clients. See SEC rule 204-3; Form ADV, Part 2B. [Used in: General Instructions; Used throughout Part 2]

5. **Charged:** Being accused of a crime in a formal complaint, information, or indictment (or equivalent formal charge). [Used in: Part 1A, Item 11; DRPs]

6. **Client:** Any of your firm’s investment advisory clients. This term includes clients from which your firm receives no compensation, such as members of your family. If your firm also provides other services (e.g., accounting services), this term does not include clients that are not investment advisory clients. [Used throughout Form ADV and Form ADV-W]

7. **Control:** Control means the power, directly or indirectly, to direct the management or policies of a person, whether through ownership of securities, by contract, or otherwise.

   - Each of your firm’s officers, partners, or directors exercising executive responsibility (or persons having similar status or functions) is presumed to control your firm.

   - A person is presumed to control a corporation if the person: (i) directly or indirectly has the right to vote 25 percent or more of a class of the corporation’s voting securities; or (ii) has the power to sell or direct the sale of 25 percent or more of a class of the corporation’s voting securities.

   - A person is presumed to control a partnership if the person has the right to receive upon dissolution, or has contributed, 25 percent or more of the capital of the partnership.
• A person is presumed to control a limited liability company ("LLC") if the person: (i) directly or indirectly has the right to vote 25 percent or more of a class of the interests of the LLC; (ii) has the right to receive upon dissolution, or has contributed, 25 percent or more of the capital of the LLC; or (iii) is an elected manager of the LLC.

• A person is presumed to control a trust if the person is a trustee or managing agent of the trust.

[Used in: General Instructions; Part 1A, Instructions, Items 2, 7, 10, 11, 12, Schedules A, B, C, D; DRPs]

8. **Custody:** Custody means holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them. You have custody if a related person holds, directly or indirectly, client funds or securities, or has any authority to obtain possession of them, in connection with advisory services you provide to clients. Custody includes:

   ▪ Possession of client funds or securities (but not of checks drawn by clients and made payable to third parties) unless you receive them inadvertently and you return them to the sender promptly but in any case within three business days of receiving them;

   ▪ Any arrangement (including a general power of attorney) under which you are authorized or permitted to withdraw client funds or securities maintained with a custodian upon your instruction to the custodian; and

   ▪ Any capacity (such as general partner of a limited partnership, managing member of a limited liability company or a comparable position for another type of pooled investment vehicle, or trustee of a trust) that gives you or your supervised person legal ownership of or access to client funds or securities. [Used in: Part 1A, Item 9; Part 1B, Instructions, Item 2; Part 2A, Items 15, 18]

9. **Discretionary Authority or Discretionary Basis:** Your firm has discretionary authority or manages assets on a discretionary basis if it has the authority to decide which securities to purchase and sell for the client. Your firm also has discretionary authority if it has the authority to decide which investment advisers to retain on behalf of the client. [Used in: Part 1A, Instructions, Item 8; Part 1B, Instructions; Part 2A, Items 4, 16, 18; Part 2B, Instructions]

10. **Employee:** This term includes an independent contractor who performs advisory functions on your behalf. [Used in: Part 1A, Instructions, Items 1, 5, 11; Part 2B, Instructions]

11. **Enjoined:** This term includes being subject to a mandatory injunction, prohibitory injunction, preliminary injunction, or a temporary restraining order. [Used in: Part 1A, Item 11; DRPs]

12. **Felony:** For jurisdictions that do not differentiate between a felony and a misdemeanor, a felony is an offense punishable by a sentence of at least one year imprisonment and/or a fine of at least $1,000. The term also includes a general court martial. [Used in: Part 1A, Item 11; DRPs; Part 2A, Item 9; Part 2B, Item 3]

13. **FINRA CRD or CRD:** The Web Central Registration Depository ("CRD") system operated by FINRA for the registration of broker-dealers and broker-dealer representatives. [Used in: General Instructions, Part 1A, Item 1, Schedules A, B, C, D, DRPs; Form ADV-W, Item 1]

14. **Foreign Financial Regulatory Authority:** This term includes (1) a foreign securities authority; (2) another governmental body or foreign equivalent of a self-regulatory organization empowered by a foreign government to administer or enforce its laws relating to the regulation of investment-related activities; and (3) a foreign membership organization, a function of which is
to regulate the participation of its members in the activities listed above. [Used in: Part 1A, Items 1, 11; DRPs; Part 2A, Item 9; Part 2B, Item 3]

15. **Found:** This term includes adverse final actions, including consent decrees in which the respondent has neither admitted nor denied the findings, but does not include agreements, deficiency letters, examination reports, memoranda of understanding, letters of caution, admonishments, and similar informal resolutions of matters. [Used in: Part 1A, Item 11; Part 1B, Item 2; Part 2A, Item 9; Part 2B, Item 3]

16. **Government Entity:** Any state or political subdivision of a state, including (i) any agency, authority, or instrumentality of the state or political subdivision; (ii) a plan or pool of assets controlled by the state or political subdivision or any agency, authority, or instrumentality thereof; and (iii) any officer, agent, or employee of the state or political subdivision or any agency, authority, or instrumentality thereof, acting in their official capacity. [Used in: Part 1A, Item 5]

17. **High Net Worth Individual:** An individual with at least $750,000 managed by you, or whose net worth your firm reasonably believes exceeds $1,500,000, or who is a “qualified purchaser” as defined in section 2(a)(51)(A) of the Investment Company Act of 1940. The net worth of an individual may include assets held jointly with his or her spouse. [Used in: Part 1A, Item 5]

18. **Home State:** If your firm is registered with a state securities authority, your firm’s “home state” is the state where it maintains its principal office and place of business. [Used in: Part 1B, Instructions]

19. **Impersonal Investment Advice:** Investment advisory services that do not purport to meet the objectives or needs of specific individuals or accounts. [Used in: Part 1A, Instructions; Part 2A, Instructions; Part 2B, Instructions]

20. **Investment Adviser Representative:** Investment adviser representatives of SEC-registered advisers may be required to register in each state in which they have a place of business. Any of your firm’s supervised persons (except those that provide only impersonal investment advice) is an investment adviser representative, if –

   • the supervised person regularly solicits, meets with, or otherwise communicates with your firm’s clients,

   • the supervised person has more than five clients who are natural persons and not high net worth individuals, and

   • more than ten percent of the supervised person’s clients are natural persons and not high net worth individuals.

NOTE: If your firm is registered with the state securities authorities and not the SEC, your firm may be subject to a different state definition of “investment adviser representative.”

[Used in: General Instructions; Part 1A, Item 7; Part 2B, Item 1]

21. **Investment-Related:** Activities that pertain to securities, commodities, banking, insurance, or real estate (including, but not limited to, acting as or being associated with an investment adviser, broker-dealer, municipal securities dealer, government securities broker or dealer, issuer, investment company, futures sponsor, bank, or savings association). [Used in: Part 1A, Items 7, 11, DRPs; Part 1B, Item 2; Part 2A, Items 9 and 19; Part 2B, Items 3, 4 and 7]

22. **Involved:** Engaging in any act or omission, aiding, abetting, counseling, commanding, inducing, conspiring with or failing reasonably to supervise another in doing an act. [Used in: Part 1A, Item 11; Part 2A, Items 9 and 19; Part 2B, Items 3 and 7]
23. **Management Persons**: Anyone with the power to exercise, directly or indirectly, a **controlling** influence over your firm's management or policies, or to determine the general investment advice given to the **clients** of your firm.

Generally, all of the following are management persons:

- Your firm’s principal executive officers, such as your chief executive officer, chief financial officer, chief operations officer, chief legal officer, and chief compliance officer; your directors, general partners, or trustees; and other individuals with similar status or performing similar functions;
- The members of your firm’s investment committee or group that determines general investment advice to be given to **clients**; and
- If your firm does not have an investment committee or group, the individuals who determine general investment advice provided to **clients** (if there are more than five people, you may limit your firm’s response to their supervisors).

[Used in: Part 1B, Item 2; Part 2A, Items 9, 10 and 19]

24. **Managing Agent**: A managing agent of an investment adviser is any **person**, including a trustee, who directs or manages (or who participates in directing or managing) the affairs of any unincorporated organization or association that is not a partnership. [Used in: General Instructions; Form ADV-NR; Form ADV-W, Item 8]

25. **Minor Rule Violation**: A violation of a **self-regulatory organization** rule that has been designated as “minor” pursuant to a plan approved by the SEC. A rule violation may be designated as “minor” under a plan if the sanction imposed consists of a fine of $2,500 or less, and if the sanctioned **person** does not contest the fine. (Check with the appropriate **self-regulatory organization** to determine if a particular rule violation has been designated as “minor” for these purposes.) [Used in: Part 1A, Item 11]

26. **Misdemeanor**: For jurisdictions that do not differentiate between a **felony** and a misdemeanor, a misdemeanor is an offense punishable by a sentence of less than one year imprisonment and/or a fine of less than $1,000. The term also includes a special court martial. [Used in: Part 1A, Item 11; DRPs; Part 2A, Item 9; Part 2B, Item 3]

27. **Non-Resident**: (a) an individual who resides in any place not subject to the jurisdiction of the United States; (b) a corporation incorporated in or having its **principal office and place of business** in any place not subject to the jurisdiction of the United States; and (c) a partnership or other unincorporated organization or association that has its **principal office and place of business** in any place not subject to the jurisdiction of the United States. [Used in: General Instructions; Form ADV-NR]

28. **Notice Filing**: SEC-registered advisers may have to provide **state securities authorities** with copies of documents that are filed with the SEC. These filings are referred to as “notice filings.” [Used in: General Instructions; Part 1A, Item 2; Execution Page(s); Form ADV-W]

29. **Order**: A written directive issued pursuant to statutory authority and procedures, including an order of denial, exemption, suspension, or revocation. Unless included in an order, this term does not include special stipulations, undertakings, or agreements relating to payments, limitations on activity or other restrictions. [Used in: Part 1A, Items 2 and 11; Schedule D; DRPs; Part 2A, Item 9; Part 2B, Item 3]
30. **Performance-Based Fee:** An investment advisory fee based on a share of capital gains on, or capital appreciation of, client assets. A fee that is based upon a percentage of assets that you manage is not a performance-based fee. [Used in: Part 1A, Item 5; Part 2A, Items 6 and 19]

31. **Person:** A natural person (an individual) or a company. A company includes any partnership, corporation, trust, limited liability company ("LLC"), limited liability partnership ("LLP"), sole proprietorship, or other organization. [Used throughout Form ADV and Form ADV-W]

32. **Principal Place of Business or Principal Office and Place of Business:** Your firm’s executive office from which your firm’s officers, partners, or managers direct, control, and coordinate the activities of your firm. [Used in: Part 1A, Instructions, Items 1 and 2; Schedule D; Form ADV-W, Item 1]

33. **Proceeding:** This term includes a formal administrative or civil action initiated by a governmental agency, self-regulatory organization or foreign financial regulatory authority; a felony criminal indictment or information (or equivalent formal charge), or a misdemeanor criminal information (or equivalent formal charge). This term does not include other civil litigation, investigations, or arrests or similar charges effected in the absence of a formal criminal indictment or information (or equivalent formal charge). [Used in: Part 1A, Item 11; DRPs; Part 1B, Item 2; Part 2A, Item 9; Part 2B, Item 3]

34. **Related Person:** Any advisory affiliate and any person that is under common control with your firm. [Used in: Part 1A, Items 7, 8, 9; Schedule D; Form ADV-W, Item 3; Part 2A, Items 10, 11, 12, 14; Part 2A, Appendix 1, Item 6]

35. **Self-Regulatory Organization or SRO:** Any national securities or commodities exchange, registered securities association, or registered clearing agency. For example, the Chicago Board of Trade ("CBOT"), FINRA and New York Stock Exchange ("NYSE") are self-regulatory organizations. [Used in: Part 1A, Item 11; DRPs; Part 1B, Item 2; Part 2A, Items 9 and 19; Part 2B, Items 3 and 7]

36. **Sponsor:** A sponsor of a wrap fee program sponsors, organizes, or administers the program or selects, or provides advice to clients regarding the selection of, other investment advisers in the program. [Used in: Part 1A, Item 5; Schedule D; Part 2A, Instructions, Appendix 1 Instructions]

37. **State Securities Authority:** The securities commission (or any agency or office performing like functions) of any state of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, or any other possession of the United States. [Used throughout Form ADV]

38. **Supervised Person:** Any of your officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on your behalf and is subject to your supervision or control. [Used in Part 2]

39. **Wrap Brochure or Wrap Fee Program Brochure:** The written disclosure statement that sponsors of wrap fee programs must provide to each of their wrap fee program clients. [Used in: Part 2, General Instructions; Used throughout Part 2A, Appendix 1]

40. **Wrap Fee Program:** Any advisory program under which a specified fee or fees not based directly upon transactions in a client’s account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions. [Used in: Part 1, Item 5; Schedule D; Part 2A, Instructions, Item 4, used throughout Appendix 1; Part 2B, Instructions]