

**ALTERNATIVE INVESTMENT PARTNERS, LLC  
AIP ALTERNATIVE STRATEGIES FUNDS  
UNDERLYING FUNDS TRUST**

**PROXY VOTING POLICIES AND PROCEDURES**

**I. INTRODUCTION AND OVERVIEW**

The following Proxy Voting Policies and Procedures (“Policies and Procedures”) are being adopted by Alternative Investment Partners, LLC (“AIP”) to establish the policies and procedures for voting and documenting the proxies, which arise on AIP Alternative Strategies Funds and the Underlying Funds Trust (together, the “Trusts”) on behalf of each of its respective series (the “Fund(s)”) underlying portfolio securities.

Generally, AIP, through either the Chief Investment Strategist (as defined below), one of the sub-advisers of the Funds, or in consultation with a sub-adviser of the Funds, will conduct a thorough review of and analysis of the underlying company’s proxy statements.

The fundamental purpose that underlies these Policies and Procedures is to ensure that each vote will be in a manner, which reflects the best interest of the Funds and, in AIP’s reasonable belief, maximizes the value of the Funds’ investment.

The Policies and Procedures were developed with the recognition that a company’s management is entrusted with the day-to-day operations of the company, as well as its long-term strategic direction, subject to the oversight of the company’s board of directors. Accordingly, AIP believes that the recommendation of management on most issues deserves weight in determining how proxy issues should be voted. The company’s position, however, will not be supported in any situation where AIP reasonably believes that it is not in the best interest of the Funds, and AIP reserves the right to vote contrary to management where it believes a particular proxy proposal may adversely affect the company.

The Chief Investment Strategist is Lee Schultheis.

**II. ADMINISTRATION**

**Proxy Voting.** Proxy voting authority rests with the Chief Investment Strategist, or at his direction a sub-adviser of the Fund. In evaluating issues, the Chief Investment Strategist, or the designated sub-adviser, may consider information from many sources, including management of a company presenting a proposal, shareholder groups and independent proxy research services.

**Proxy Administrator.** AIP designates Kristina Labermeier as its Proxy Administrator (“Proxy Administrator”) who will be responsible for ensuring that all

proxy matters are communicated to Chief Investment Strategist for consideration. The Proxy Administrator will then vote the proxies consistent with the instructions of the Chief Investment Strategist or designated sub-adviser.

**Conflicts of Interest.** Occasionally, AIP, a sub-adviser, or an affiliate of either, may be subject to conflicts of interest in the voting of proxies due to business or personal relationships it maintains with persons having an interest in the outcome of certain votes. In such situations AIP or the sub-adviser may; defer to the voting recommendation of either the Funds' Audit Committee, a non-conflicted party, an independent third party proxy voting service provider; or in consultation with legal counsel, to determine the appropriate method to resolve the conflict of interest. Conflicts may arise as to votes involving AIP, the sub-adviser, their affiliates or affiliates of the Funds. In such cases, AIP will follow the voting guidelines described herein, including the process for handling conflicts. Under normal circumstances, if a conflict is determined not to be material, AIP will vote the proxy in accordance with this policy. The method selected by AIP to vote proxies in the presence of a conflict may vary depending upon the facts and circumstances of each situation and the requirement of applicable law. In all such cases, AIP will take steps designed to ensure that the decision to vote the proxies was based on the Funds' best interest and was not a product of the conflict.

### **III. REPORTING AND RECORD RETENTION**

AIP will maintain the following records:

- I. A copy of the Policies and Procedures.
- II. A copy of each proxy statement AIP receives regarding the Funds' underlying portfolio securities.
- III. A copy of any document created by the Proxy Administrator that was material to making a decision on how to vote proxies on behalf of a client or that memorialized the basis for the decision.

ADP will maintain the following records:

- IV. Records of each vote cast by AIP on behalf of the Funds including, where applicable: (i) the name of the issuer of the portfolio security; (ii) the exchange ticker symbol of the portfolio security; (iii) the Council on Uniform Security Identification Procedures ("CUSIP") number for the portfolio security; (iv) the shareholder meeting date; (v) a brief identification of the matter voted on; (vi) whether the matter was proposed by the issuer or by a security holder; (vii) whether AIP cast its vote on the matter; (viii) how AIP cast its vote (e.g., for or against proposal, or abstain; for or withhold regarding election of directors); and (ix) whether AIP cast its vote for or against management.

The foregoing records will be retained for such period of time as is required to comply with applicable laws and regulations.

#### **IV. PROXY VOTING GUIDELINES.**

The following are our Proxy Voting Guidelines (the “Guidelines”). It is intended that the Guidelines will be applied with a measure of flexibility. It is anticipated that most votes will be consistent with the Guidelines. However, the Chief Investment Strategist, or designated sub-adviser, may occasionally take an independent view on certain issues and vote differently than the Guidelines. For proxy votes inconsistent with the Guidelines, the Proxy Administrator will review all such proxy votes in order to determine whether the voting rationale appears reasonable. There may also be issues listed on a proxy ballot that are not covered by the Guidelines. In those instances, the Chief Investment Strategist, or designated sub-adviser, shall consult with the Proxy Administrator and will then vote the proxy in his/her best judgment.

##### **1. Operational Items.**

**Adjourn Annual Meeting.** We generally vote AGAINST proposals to provide management with the authority to adjourn an annual meeting absent compelling reasons. However, we will generally FOR proposals to change the date, time or location of an annual meeting.

**Amend Bylaws (minor changes).** We generally vote FOR bylaw or charter changes that are of a housekeeping nature (updates or corrections).

**Change Company Name.** We generally vote FOR proposals to change the corporate name.

**Ratifying Auditors.** We generally vote FOR proposals to ratify auditors.

##### **2. Board of Directors.**

**Voting on Director Nominees.** We generally vote on a case-by-case manner on any proposal regarding director nominees.

**Age Limits.** We generally vote AGAINST proposals to impose a mandatory retirement age for directors.

**Board Size.** We generally vote FOR proposals seeking to fix the board size or designate a range for the board size. We generally vote AGAINST proposals that give management the ability to alter the size of the board outside a specified range without shareholder approval.

**Cumulative Voting.** We vote these issues on a case-by-case basis relative to the company’s other governance provisions.

**Director and Officer Indemnification.** We vote AGAINST proposals to eliminate entirely directors' and officers' liability for monetary damages for violating their duty of care. We vote other indemnification issues on a case-by-case basis, using the Delaware Corporate law as the standard.

**Filling Vacancies/Removal of Directors.** We vote AGAINST proposals that provide directors may be removed only for cause. We vote FOR proposals to restore shareholder ability to remove directors with or without cause. We vote AGAINST proposals that provide only continuing directors may elect replacements to fill board vacancies. We vote FOR proposals that permit shareholders to elect directors to fill board vacancies.

**Independent Chairman.** We vote on a case-by-case basis on proposals requiring that positions of chairman and CEO be held separately.

**Stock Ownership Requirements.** We generally vote AGAINST proposals that mandate a minimum amount of stock that directors must own in order to qualify as a director or to remain on the board.

**Term Limits.** We vote AGAINST proposals to limit the tenure of outside directors.

### 3. Proxy Contests.

**Voting for Director Nominees in Contested Elections.** Votes in a contested election of directors must be evaluated on a case-by-case bases, considering the management's track record, background to the proxy contest, qualifications of the director nominees (both sides) and an evaluation of the proposed objectives from each side.

**Reimbursing Proxy Solicitation Expenses.** Voting to reimburse proxy solicitation expenses should be analyzed on a case-by-case basis considering all factors.

**Confidential Voting.** We generally vote FOR proposals requesting that corporations adopt confidential voting.

### 4. Anti-takeover Defenses and Voting Related Issues.

**Amend Bylaws without Shareholder Consent.** We vote AGAINST proposals giving the board exclusive authority to amend the bylaws.

**Poison Pills.** We vote FOR shareholder proposals that ask a company to submit its poison pill for shareholder ratification. We will review on a case-by-case basis shareholder proposals to redeem a company's poison pill. We will also review on a case-by-case basis proposals to ratify a poison pill.

**Shareholder Ability to Act by Written Consent.** We vote AGAINST proposals to restrict or prohibit shareholder ability to take action by written consent. We vote FOR proposals to allow or make easier shareholder action by written consent.

**Shareholder Ability to Call Special Meetings.** We vote AGAINST proposals to restrict or prohibit shareholder ability to call special meetings. We vote FOR proposals that remove restrictions on the right of shareholders to act independently of management.

**Supermajority Vote Requirements.** We vote AGAINST proposals to require a supermajority shareholder vote. We vote FOR proposals to lower supermajority vote requirements.

## **5. Mergers and Corporate Restructurings.**

**Appraisal Rights.** We vote FOR proposals to restore, or provide shareholders with rights of appraisal.

**Asset Purchases.** We vote on a case-by-case basis asset purchase proposals, considering purchase price, fairness, financial and strategic benefits, conflicts of interest, etc.

**Asset Sales.** We vote on asset sales on a case-by-case basis, considering the impact on the balance sheet, anticipated financial and operating benefits, anticipated use of funds, fairness of the transaction, conflicts of interest, etc.

**Conversion of Securities.** We vote for proposals regarding conversion of securities on a case-by-case basis, considering the dilution to existing shareholders, the conversion price relative to market value, financial issues, control issues, conflicts of interest, etc.

**Corporate Reorganization/Debt Restructuring.** We vote on a case-by-case basis on proposals to increase common and/or preferred shares and to issue shares as part of a debt restructuring plan, taking into consideration the dilution to existing shareholders' position, terms of the offer, financial issues, control issues, conflicts of interest, etc. We vote for the debt restructuring if it is expected that the company will file for bankruptcy if the transaction is not approved.

**Formation of Holding Company.** We vote FOR proposals regarding the formation of a holding company on a case-by-case basis, taking into consideration the reasons for the change, financial or tax benefits, regulatory benefits, increases in capital structure, etc. We generally vote AGAINST the formation of a holding company if the transaction would have an adverse impact on shareholder rights.

**Joint Ventures.** We vote on a case-by-case basis proposals to form joint ventures, taking into consideration the percentage of assets contributed, percentage of ownership, financial and strategic benefits, conflicts of interest, etc.

**Liquidations .** We vote on a case-by-case basis proposals on liquidations after reviewing the relevant factors.

**Mergers and Acquisitions.** Votes on mergers and acquisitions should be considered on a case-by-case basis, determining whether the transaction enhances shareholder value.

**Private Placements.** We vote on a case-by-case basis proposals regarding private placements, considering dilution to existing shareholders' position, terms of the offer, financial issues, conflicts of interests, etc.

**Spin-offs.** Votes on spin-offs will be considered on a case-by-case basis depending on the tax and regulatory benefits, valuations, fairness, conflicts of interest, etc.

## **6. State of Incorporation.**

**Control Share Acquisition Provisions.** We generally vote AGAINST changes seeking to protect management from challenges in legitimate proxy contests.

**Greenmail.** We vote FOR proposals to adopt anti-greenmail charter of by-law amendments or otherwise restrict a company's ability to make greenmail payments.

**Reincorporation Proposals.** Proposals to change a company's state of incorporation should be evaluated on a case-by-case basis, giving consideration to both financial and corporate governance concerns, including the reasons for reincorporating, a comparison of the governance provisions, and a comparison of the jurisdictional laws.

**State Anti-takeover Statutes.** We review on a case-by-case basis proposals to opt in or out of state takeover statutes, including control share acquisition statutes, control share cash-out statutes, fair price provisions, stakeholder laws, poison pill endorsements, anti-greenmail provisions, etc.

## **7. Capital Structure.**

**Adjustments to Par Value of Common Stock.** We vote FOR management proposals to reduce the par value of common stock.

**Common Stock Authorization.** We vote FOR proposals to increase the number of shares of common stock authorized for issuance on a case-by-case basis. Generally, we vote AGAINST proposals at companies with dual-class capital structures

to increase the number of authorized shares of the class of stock that has superior voting rights.

**Dual-class Stock.** We generally vote AGAINST proposals to create a new class of common stock with superior voting rights. We vote FOR proposals to create a new class of non-voting or sub-voting common stock if deemed to be in the best interest of shareholders.

**Pre-emptive Rights.** We review on a case-by-case basis proposals that seek pre-emptive rights, considering the size of the company, characteristics of its shareholder base and the liquidity of the stock.

**Preferred Stock.** We vote AGAINST proposals authorizing the creation of new classes of preferred stock with unspecified voting, conversion, dividend distribution and other rights. We vote FOR proposals to authorize preferred stock in cases where the company specifies the voting, dividend, conversion and other rights of such stock and the terms of the preferred stock appear reasonable.

**Recapitalization.** Proposals on the recapitalization or reclassification of securities are voted on a case-by-case basis, taking into account the liquidity, fairness, impact on voting power and dividends, and other alternatives.

**Reverse Stock Split.** We vote FOR management proposals to implement a reverse stock split when the number of authorized shares will be proportionately reduced. We vote FOR management proposals to implement a reverse stock split to prevent delisting. Other situations are voted on a case-by-case basis.

**Stock Splits and Dividends.** We generally vote FOR proposals to increase the common share authorization for a stock split or share dividend.

## **8. Executive and Director Compensation.**

Votes with respect to compensation plans should be determined on a case-by-case basis. The methodology used in reviewing compensation plans considers long-term corporate performance (on both an absolute and relative basis), cash compensation and other relevant factors.

**Director Compensation.** Votes on compensation plans for directors are determined on a case-by-case basis.

**Director Retirement Plans.** We generally vote AGAINST retirement plans for non-employee directors. We generally vote FOR proposals to eliminate retirement plans for non-employee directors.

**Employee Stock Repurchase Plans.** Votes on employee stock purchase plans should be determined on a case-by-case basis.

**Incentive Bonus Plans.** We vote on a case-by-case basis proposals to award incentive based compensation.

**Employee Stock Ownership Plans (ESOP).** We vote FOR proposals to implement an ESOP or increase authorized shares for existing ESOPs, unless the number of shares allocated to the ESOP is excessive.

**401(k) Employee Benefit Plans.** We vote FOR proposals to implement a 401(k) savings plan for employees.

**Option Expensing.** We generally vote FOR proposals asking the company to expense stock options, unless the circumstances suggest otherwise.

**Performance Based Stock Options.** We vote on a case-by-case basis proposals advocating the use of performance-based stock options, including indexed, premium-priced, and performance-vested options.

**9. Social Responsibility Issues.** AIP acknowledges its duty both as a corporate citizen and as a manager of investment funds to address important social issues. It is not AIP's intent to impose our moral or social views upon the Funds. Nor should AIP restrict in any way the day-to-day operating procedures of a corporation unless, in so doing, the economic value of the client's investment is enhanced.