

Hawkins Capital, L.P.

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This brochure provides information about the qualifications and business practices of Hawkins Capital, L.P. If you have any questions about the contents of this brochure, please contact us at (713) 238-2056. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Hawkins Capital, L.P. may refer to itself as a "registered investment adviser." Registration with the SEC or any state securities authority does not imply a certain level of skill or training

Additional information about Hawkins Capital, L.P. also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

Not Applicable.

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ADVISORY BUSINESS

Advisory Firm Description

Hawkins Capital, L.P. ("Hawkins Capital" or the "Firm") has been in business since November 2003. Russell Hawkins is the principal owner of the Firm.

Types of Advisory Services

Hawkins Capital, a Texas limited partnership, currently provides discretionary investment advice to a single private investment fund organized as a Delaware limited partnership (the "Fund"). The Firm's investment management services include determining the investment objectives of the Fund, determining appropriate asset allocation across the Fund's investment strategies, executing trades on behalf of the Fund, and monitoring existing and prospective investments in light of the Fund's objectives and risk parameters.

The Fund's objective is to provide investors ("Investors") an enhanced rate of return through an investment strategy of investing in a concentrated group of core long positions. The Fund will also take short positions when deemed appropriate. Further information about the Fund is available in the Fund's private placement memorandum ("PPM"), which will be provided to an Investor prior to investing in the Fund.

Tailored Services

The investments of the Fund are managed in accordance with the Fund's investment objective, strategies and guidelines and are not tailored to any particular Investor in the Fund. The Firm does not provide individualized investment advice to the Investors; therefore, Investors should consider whether the Fund meets their investment objectives and risk tolerance.

Assets Under Management

At December 31, 2010, the Firm had approximately \$1 billion of discretionary assets under management.

FEES AND COMPENSATION

Currently, the Firm charges the Fund a fee based in part on the Fund's assets under management and in part on the performance of the Fund. (Please see the section below entitled "Performance Fees and Side by Side Management" for more detailed information on performance fees.) Fees charged by the Fund to Investors, including performance fees, may vary and may be subject to waiver and/or negotiation. It is possible that different Investors will pay different management or performance fees.

Management Fees

The Management Fee accrues monthly in an amount equal to 0.0833% of the total market value of the Fund's net assets as of the end of each month (1.0% per annum)

and will be paid quarterly in arrears and will be deducted directly from the Fund. When a Management Fee is assessed for part of a month, the fee generally will be calculated on a *pro rata* basis.

The Fund may utilize multiple classes or similar structures pursuant to which the management fees for certain classes are discounted ("Discounted Classes"). Discounted Classes may be available to clients of certain investment advisers or other groups. The Firm does not pay any separate remuneration to these advisers in return for recommending or investing their clients in the Fund, however, those clients may pay advisory fees to their adviser. Currently, clients of Avalon Advisors LLC ("Avalon"), a registered investment adviser affiliated with the Firm (as discussed below), are eligible to invest in a Discounted Class. Other advisers' clients may also be eligible for such Discounted Classes.

Other Fund Fees and Expenses

In addition to the Management Fee, other fees and expenses borne by the Investors include (1) custodial fees and expenses; (2) legal, audit, and tax preparation fees and expenses; (3) governmental charges, taxes and duties; (4) transfer fees, registration fees and other expenses associated with buying, selling or holding investments, such as wire transfer and electronic fund fees; and (5) and certain other third-party expenses directly related to the administration of the Fund. The costs of quarterly and annual statements as well as meetings and communications from the Firm may also be included in the fees and expenses of the Fund. In addition, brokers' trading commissions and other transaction costs are generally charged to the Fund separately from the management and other fees. Please see the section below entitled "Brokerage Practices" for more detailed information on brokers' trading commissions and other transaction costs.

Generally, all costs of the Fund other than the expenses outlined above will be borne by the Firm and are intended to be covered by the Management Fee, as described above. However, under certain limited circumstances and as permitted by law, the Firm may use "soft dollars" to pay for these costs. The Firm's use of "soft dollars" is discussed below under the section entitled "Brokerage Practices".

Valuation

The Firm is compensated based on the value of the Fund's assets under management as well as the performance of the Fund. As a result, the Firm may benefit from an increase in securities valuations over market value (or fair value with respect to difficult to value securities). Additionally, where an Investor purchases or redeems interests in the Fund at a net asset value ("NAV") that is impacted by a discrepancy in valuation, such Investor may receive a greater or lesser interest in (or increased or decreased redemption proceeds from) the Fund than would have been the case absent the discrepancy. Similarly, existing and continuing Investors may suffer dilution or enjoy accretion as a result of such purchases or redemptions.

Generally, asset valuation is based on market prices (as determined by the Fund's custodian); however, with respect to difficult to value securities (e.g., distressed

securities), the Firm may, in its discretion, determine valuation in good faith by polling one or more relevant market makers in the particular security to be valued. While this method (and others that may be employed by the Firm in the event that the Firm is unable to obtain sufficient, reliable quotes) is intended to yield a good faith approximation of the value of an asset, no fair valuation method can, *ex ante*, be guaranteed to have reflected the actual or empirical value of any asset, as might be determined with the benefit of hindsight (particularly in periods of market distress). Thus, the fair value assigned to an asset may not match the next available and reliable market price or, in retrospect, have been the price at which that asset could have been sold during the period in which the particular fair values were being used in determining the Fund's value for performance, fee calculation or NAV purposes. The Firm's goal when assigning "fair value" is to determine the price that the Fund might reasonably expect to receive from the current sale of that asset in an arm's length transaction.

Withdrawals and Terminations

The Fund offers periodic withdrawal rights. Specific procedures and restrictions apply to withdrawals and terminations of the Fund (or an Investor's interests therein) and the Firm may, in its sole discretion, impose minimum redemption amounts and require maintenance of a minimum investment in the event of a partial withdrawal. In certain circumstances, the Firm may require an Investor to redeem all or part of its interest in the Fund, upon reasonable notice (or without such notice if necessary to ensure that the Fund remains in compliance with applicable law). Such redemptions may be imposed retroactively.

The Firm may determine to liquidate the Fund by written determination; provided however, the Investors may, within 90 days determine by resolution to continue the Fund and, if necessary, elect a new general partner. In the event the Fund is so dissolved, the Firm will be paid all fees earned up to the date of termination.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Performance Fees charged by the Firm will be in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended ("Advisers Act"), unless that rule is inapplicable by reason of Section 205(b) of the Advisers Act or interpretive positions of the Staff of the SEC. The specifics of any fee arrangements, including Performance Fees, may be subject to negotiation with an Investor. In particular, Performance Fees may be subject to, among other things, a "high water mark" pursuant to which losses are carried forward so that no Performance Fee is charged until the loss has been recouped, subject to certain adjustments.

Performance Fees generally equal 20% of the net realized and unrealized gains and income received by an Investor, with losses carried forward until made up. Any loss carry-forward is reduced proportionately to reflect withdrawals. Hawkins Capital deducts the Performance Fee from the Fund at the end of each year (or upon an Investor's withdrawal from the Fund at other than year-end with respect to the amounts withdrawn). With respect to amounts withdrawn less than 12 months after investment, the Performance Fee generally equals the greater of 20% of the net realized and unrealized

gains and income or 2% of the amount withdrawn. As noted above, these fees may vary from Investor to Investor and are subject to waiver and/or negotiation.

Performance based fee arrangements may create an incentive for the Firm to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

TYPES OF CLIENTS

The Firm currently provides investment advice only to the Fund, which is organized as a limited partnership under the laws of the State of Delaware and for which the Firm serves as general partner. The Firm expects the Fund to qualify for exemption from the definition of "investment company" under the Investment Company Act of 1940, as amended ("1940 Act") under 1940 Act Section 3(c)(7) and to offer interests to Investors pursuant to Regulation D under the Securities Act of 1933, as amended ("1933 Act"). As a result, this disclosure brochure ("Brochure") may discuss information relevant to such Investors, as necessary or appropriate. **Nonetheless, this Brochure is designed solely to provide information about the Firm and should not be considered to be an offer of interests in the Fund. It is also not an offer of, or agreement to provide, advisory services directly to any recipient.** Rather, this Brochure is designed solely to provide information about the Firm for the purpose of compliance with certain obligations under the Advisers Act and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided in the PPM. To the extent that there is any conflict between discussions herein and similar or related discussions in the PPM, the PPM shall govern.

The Fund generally requires a minimum investment of \$2 million. The Firm may, in its sole discretion, waive any such minimums

Investors in the Fund are expected to include high net worth individuals and institutional investors (meeting the qualifications of those exceptions and exemptions under which the Fund may operate) wishing to invest in accordance with the Fund's investment objective. Investors in the Fund must meet the requirements for "accredited investors" under the 1933 Act and "qualified clients" under the Advisers Act and, in some cases will also be required to be "qualified purchasers" under the 1940 Act and/or "qualified eligible persons" under regulations of the Commodity Futures Trading Commission.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

In managing the Fund, the Firm utilizes various investment strategies and methods of analysis, as described below. This section also contains a discussion of the primary risks associated with these investment strategies. However, it is not possible to identify all of the risks associated with investing, and the particular risks applicable to the Fund will depend on the nature of the Fund, its investment strategy or strategies and the types of securities held by the Fund, as discussed more fully in the Fund's PPM.

While the Firm seeks to manage the Fund so that risks are appropriate to the return potential for the strategy, it is often not possible or desirable to fully mitigate risks. Any

investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Investors should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses, including through diversification.

Investors should be aware that while the Firm does not limit its advice to particular types of investments, mandates may be limited to certain types of securities (e.g., publicly traded equity securities and debt securities) and may not be diversified. Investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

The Firm's Investment Program

The Firm generally follows a long-term growth and value approach and employs a fundamental, long-term approach in evaluating securities. In doing so, the Firm typically seeks to achieve a market-related return while maintaining low volatility. The Firm may raise cash reserves during periods of unusual market risk, but will generally seek to maintain a fully invested posture over a typical market cycle. In addition, securities will be selected for long-term investment (generally, a three to five year period), resulting in low portfolio turnover (less than 40% per annum, except in periods of extraordinary market turbulence).

The investment strategies Hawkins Capital uses to implement investment advice include the following:

- Long-term purchases (securities held at least a year)
- Short-term purchases (securities sold within a year)
- Trading (securities sold within 30 days)
- Short sales
- Margin transactions
- Option writing, including covered options, uncovered options or spreading strategies

The Firm generally seeks to provide an enhanced rate of return through an investment strategy of investing in a concentrated group of various equity, debt, and other securities, typically holding long positions in those securities and taking short positions when deemed appropriate. At various times, concentration in particular securities may be relatively high, and certain positions may represent as much as 10% to 25% of a portfolio.

Securities held in a portfolio may be purchased in the open market and be freely tradable or may be purchased directly from issuers in privately negotiated transactions and may be subject to restrictions on transfer or resale under contractual provisions or federal and state securities laws.

Publicly traded equity securities (principally common stocks and preferred stocks with or without warrants or conversion rights) and debt securities will comprise the majority of securities held in a portfolio. A portfolio may include public sector debt securities as well as options and other derivative instruments that would be purchased both for hedging

and investment purposes. When deemed appropriate, the portfolio may also be leveraged to enhance returns or to improve the risk and reward profiles of investments.

Risks Associated with the Fund's Investment Program

(a) *General.*

The investment activities of the Fund are inherently speculative. Prices and market movements may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Fund's activities. As a result, historical performance of the Fund's performance over any particular period will not necessarily be indicative of the results that may be expected in future periods. No guarantee or representation is made that the Fund's investment program will be successful, and investment results may vary substantially over time. The Fund's investment program will, as Hawkins Capital deems appropriate, utilize such investment techniques as option transactions, limited diversification, margin transactions, short sales, and leverage, which practices can, in certain circumstances, maximize the adverse impact to which the Fund may be subject.

(b) *Leverage; Interest Rates; Margin.*

The Firm intends to borrow funds on behalf of the Fund from time to time to increase the amount of capital available for investments. The amount of borrowings which the Fund may have outstanding at any time may be large in relation to its equity capital. Consequently, the level of interest rates generally, and the rates at which the Fund can borrow in particular, will affect the operating results of the Fund.

The Fund will pay interest on the funds borrowed. Interest costs incurred in connection with the use of leverage may or may not be recovered by income or appreciation in the assets purchased or carried, and will be lost in the event of a decline in the market value of such securities. In addition to interest, the Fund may be required to either pay a commitment fee or to maintain an average balance with the lender, both of which increase the costs of borrowing over the stated interest rate.

In general, the Fund's anticipated use of short-term margin borrowings results in certain additional risks to the Fund. For example, should the securities pledged to brokers to secure the Fund's margin accounts decline in value, the Fund could be subject to a "margin call," pursuant to which the Fund must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in the value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

(c) *Short Sales.*

The Fund may sell securities short. Selling securities short runs the risk of losing an amount greater than the amount invested. Theoretically, short selling may be subject to the unlimited risk of loss because there may be no limit on how much the price of a security may appreciate before the short position is closed out. In addition, the supply of

securities that can be borrowed fluctuates from time to time. The Fund may be subject to losses if the security lender demands return of the borrowed securities and an alternative lending source cannot be found or if the Fund is otherwise unable to borrow securities that are necessary to hedge their positions.

The Fund may use portfolio securities as collateral in connection with short sales, thereby increasing the extent to which the Fund can establish short positions and the concomitant risk of loss.

(d) *Options and other Derivative Investments.*

The Fund may purchase and sell options on securities on national and international securities exchanges and in the domestic and international OTC market and engage in other kinds of transactions in investments that derive their value from movement in the price of other underlying securities. These types of transactions may be utilized both for hedging purposes and to increase the possibility of achieving gains from any level of movement in the price of the underlying securities or groups of securities. The potential for greater gains, however, is inherently accompanied by the increased risk of loss.

Use of derivative instruments in general presents additional risks. When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Fund from achieving the intended hedge effect or expose the Fund to the risk of loss. In addition, derivative instruments may not be liquid in all circumstances, so that in volatile markets the Fund may not be able to close out a position without incurring a loss. Finally, there is a risk that the counterparty on any derivative may default in its obligations.

Although stock exchanges attempt to provide continuously liquid markets in which holders and writers of options can close out their positions at any time prior to the expiration of the option, there is no assurance that such a market will exist at all times for all outstanding options purchased or sold by the Fund. If an options market were to become unavailable, the Fund would be unable to realize its profits or limit its losses until it could exercise options it holds, and the Fund would remain obligated until options it wrote were exercised or expired.

The prices of all derivative instruments, including option prices, can be highly volatile. Price movements of derivative contracts in which the Fund's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instrument futures and options. This type of government intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Fund also is subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses.

(e) *Risk of Foreign Securities.*

The Fund may invest a portion of its assets in foreign securities either directly or through American Depositary Receipts ("ADRs"). ADRs represent securities issued by companies domiciled or operating in one or more foreign countries but trade separately in the applicable U.S. stock market. Although ADRs trade in the U.S. market like a security issued by a U.S. company, investing in an ADR still involves many of the same risks associated with investing directly in securities of foreign issuers.

Although investments in ADRs are themselves denominated in U.S. dollars, the ADRs represent securities that are denominated in other currencies. Accordingly, ADR investments are subject to the risk that their value will be affected by changes in the value of the underlying currency against the U.S. dollar.

Investments in many non-U.S. securities involve a greater degree of risk than an investment in U.S. securities. Among other things, non-U.S. securities investments may carry the risks of less publicly available information, more volatile markets, less strict securities regulation, less favorable tax provisions and a greater likelihood of war and expropriation of personal property than investments in U.S. securities. In addition, the Fund's investment opportunities in certain non-U.S. markets may be restricted by legal limits on foreign investment in local securities.

Non-U.S. securities markets generally are not as developed or efficient as those in the United States. In some cases, a market for a non-U.S. security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in most foreign securities markets are lower than in the United States. In addition, non-U.S. issuers are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to U.S. issuers, thereby potentially increasing the risk of fraud or other deceptive practices.

The fact that evidence of ownership of non-U.S. securities may be held outside the United States may subject the Fund to additional risks, including possible adverse political and economic developments and the attendant risk of seizure or nationalization of foreign deposits, and possible adoption of governmental restrictions that might adversely affect payments on foreign securities or might restrict payments to investors located outside the country of the issuers, whether from currency blockage or otherwise.

Since foreign securities often are purchased in currencies of foreign countries, the value of these assets as measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates and exchange control regulations. Some currency exchange costs may be incurred when the Fund changes investments from one country to another. Hawkins Capital may, but does not currently intend to, seek to hedge these risks by investing in currencies. In addition, if utilized, there can be no assurance that these strategies will be effective.

Furthermore, some foreign securities may be subject to brokerage or stock transfer taxes levied by foreign governments that would have the effect of increasing the cost of investment and may reduce the realized gain or increase the loss on such securities at the time of sale. The issuers of some of these securities, such as banks and other

financial institutions, may be subject to less stringent or different regulations than would be the case for U.S. issuers and therefore potentially carry greater risk. Custodial expenses for a portfolio of non-U.S. securities generally are higher than for a portfolio of U.S. securities. In addition, dividend and interest payments from, and capital gains in respect of, certain foreign securities may be subject to foreign taxes that may or may not be reclaimable.

(f) *Debt Securities.*

The Fund may invest in debt securities, including debt securities that are below investment grade, or “high yield” securities. The market value of debt securities generally varies in response to changes in interest rates and the financial condition of each issuer. These changes in market value will be reflected in the Fund’s net asset value. The Fund may make investments in “high yield” securities that are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal. 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. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of these securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which illiquidity can adversely affect the prices at which these securities can be sold.

General economic conditions and interest rates may affect high yield securities differently from other securities. Prices have been found to be less sensitive to interest rate changes than higher rated investments, but more sensitive to adverse economic changes or individual corporate developments. Also, during an economic downturn or substantial period of rising interest rates, highly leveraged issuers may experience financial stress that would adversely affect their ability to service principal and interest payment obligations, to meet projected business goals and to obtain additional financing. Changes by recognized rating agencies in their rating of any security and in the ability of an issuer to make payments of interest and principal will also ordinarily have a more dramatic effect on the values of these investments than on the values of higher rated securities. These changes in value will not affect cash income derived from these securities, unless the issuers fail to pay interest or dividends when due. These changes will, however, affect the Fund’s net asset value.

(g) *Reporting requirements with respect to publicly traded securities.*

The Fund may periodically acquire substantial ownership positions (in publicly traded small companies) that are voting securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (“Exchange Act”). When it acquires more than 5% of the outstanding shares of such securities, it is required to make filings with the SEC, disclosing other things the level of its beneficial ownership and its intent with respect to its holdings. The requirement to make and amend these filings may at times limit the ability of the Fund to react to developments affecting the securities that are the subject of

such filings. In addition, to the extent that the Fund is deemed to be a 10% holder of equity securities of a public company, it will be subject to the short-swing profits disgorgement rules under Section 16(b) of the Exchange Act.

(h) *Illiquid securities.*

Certain securities in which the Fund may invest may be subject to legal and/or contractual restrictions as to resale and may therefore be illiquid by their terms. Securities that constitute "restricted securities" under applicable securities laws may involve added expense to the Fund should the Fund be required to bear registration costs with respect to such securities. In the absence of registration, the Fund would be required to dispose of such restricted securities pursuant to an exemption from registration under the Securities Act, including transactions in reliance on Rule 144, which permits only limited sales under specified conditions unless at least two years have elapsed since the securities were acquired from the issuer and the seller is not affiliated with the issuer.

To the extent that marking to market such securities is not practicable, an investment will be carried at fair value as reasonably determined by Hawkins Capital. There is no guarantee that fair value will represent the value that will be realized by the Fund on the eventual disposition of the investment or that could, in fact, be realized upon an immediate disposition of the investment. Accordingly, a withdrawing Investor may, at the sole and absolute discretion of Hawkins Capital, receive securities owned by the Fund in lieu of cash. The risk of loss and delay in liquidating these securities will be borne by the Investors, with the result that the Investors may receive less cash than they would otherwise have received on the date of withdrawal.

(i) *Lack of Diversification*

The Fund may make only a limited number of investments. As a result of the Fund's lack of diversification, the poor performance of any one Fund investment could have a material adverse effect on the Fund's total performance and ability to achieve its objective. Concentration in particular securities is expected to be high and certain positions could have a cost basis of 10-25% of the overall cost basis of the Fund.

DISCIPLINARY INFORMATION

Not Applicable.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

By virtue of Mr. Hawkins's positions with the Firm and Avalon (together, the "Advisers"), the Firm is affiliated with Avalon. Among other things, Avalon provides separate account advisory services and may serve as general partner of, or investment adviser to, pooled investment vehicles not managed by the Firm. The Advisers have entered into certain space and cost sharing arrangements whereby the Firm may benefit from the use of facilities and equipment paid for, in part, by Avalon, including, but not limited to, Avalon's trading desk. To the extent practicable, in good faith and pursuant to written

arrangements, the Firm will reimburse Avalon for its use of these facilities and equipment.

Additionally, Avalon formerly served as general partner and investment adviser to the Fund. Investors in the Fund may be clients of Avalon. At times, Avalon may recommend to its clients that they invest in the Fund. Additionally, as discussed above, Avalon clients who invest in the Fund may be permitted to invest in Discounted Classes of the Fund. In his role with Avalon, Mr. Hawkins will refrain from any deliberations and decisions in connection with any recommendation for clients of Avalon to become Investors in the Fund.

The Fund may invest in the same securities as clients of Avalon. Due to Mr. Hawkins' roles with the Advisers, Avalon and the Firm have each adopted policies and procedures to ensure that the Fund and clients of Avalon are treated fairly and equitably, over time, with respect to the allocation of investment and trading opportunities. Under those procedures, the Advisers may aggregate orders for the Fund with those for clients of Avalon, consistent with the Advisers' bunching policies and procedures.

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

Code of Ethics

The Advisers may provide investment advisory services to numerous accounts and may give advice or take action with respect any private funds or other accounts they manage, or for their own accounts or the account of an access person, that may differ from action taken by the Firm or Avalon on behalf of other accounts. Neither the Firm nor Avalon is obligated to recommend, buy or sell, or to refrain from buying or selling any security that an Adviser, or access person may buy or sell for its or their own accounts or for any other account the Firm or Avalon manages. Additionally, each Adviser's personnel and affiliates may invest or otherwise have an interest, either directly or indirectly, in the Fund (or a private fund managed by Avalon) which, in turn, may invest in securities held in other managed accounts. Personal and proprietary investments by the Firm, Avalon and their respective personnel are limited by relevant Codes of Ethics (each a "Code") adopted pursuant to Rule 204A-1 under the Advisers Act, as described below.

A basic tenet of the Firm's Code is that the interests of the Fund are always placed first. The Code includes standards of business conduct requiring the Firm's supervised persons to comply with the federal securities laws and the fiduciary duties an investment adviser owes to its clients. Any supervised person of the Firm (each a "Covered Person") who fails to observe the Firm's Code and related policies and procedures risks serious sanctions, including dismissal and personal liability. A copy of the Code is available to any current or prospective Investor, upon request.

The Firm's and Avalon's buy or sell programs may extend over a period of months and securities are often held for extended periods of time. From time to time, the Advisers and their related persons, including Mr. Hawkins, may have interests in securities owned by or recommended to the Advisers' clients and may buy or sell such securities, to the extent consistent with the Firm's Code. As these situations may represent a potential

conflict of interest, each Adviser has implemented procedures relating to personal securities transactions and insider trading that are designed to identify potential conflicts of interest with clients, to prevent or mitigate actual conflicts of interest and to resolve such conflicts appropriately if they do occur.

Misuse of Nonpublic Information

The Firm, and its related persons may, from time to time, come into possession of material nonpublic and other confidential information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Firm and its related persons may be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such other person is a client. Accordingly, should such persons come into possession of material nonpublic or other confidential information with respect to any company, they may be prohibited from communicating such information to, or using such information for the benefit of, their respective clients, and have no obligation or responsibility to disclose such information to, nor responsibility to use such information for the benefit of, their clients or Firm personnel when following policies and procedures designed to comply with law.

The Firm's Code also includes a "Policy Statement on Insider Trading" in accordance with Section 204A of the Advisers Act which establishes procedures to prevent the misuse of material nonpublic information by the Firm and its related persons. Among other things, all personnel must read, sign and adhere to the Firm's policy on insider trading which reflects current securities law, including, but not limited to, the Insider Trading and Securities Fraud Enforcement Act of 1988.

Personal Securities Trading

The Code generally restricts the purchase and sale by access persons for their own accounts of any covered security on the same business day as a transaction in any such security is effected for the Fund. Access persons also generally may not engage in a personal transaction in a security for which any order for the Fund is pending until such order is executed or withdrawn. Notwithstanding the foregoing and subject to the Code, the Advisers' trading policies allow access persons to trade simultaneously with trades being placed for client accounts, when their funds are being managed by the Advisers in a similar manner to the Advisers' clients. All access persons are required to notify the Chief Compliance Officer ("CCO") or his designee in order to pre-clear personal securities transactions in initial public offerings ("IPOs") and limited offerings.

All Covered Persons must provide quarterly reports of their personal transactions to the Firm within 30 days after the end of each calendar quarter, which may consist of monthly brokerage statements for all accounts in which they have a beneficial interest, to the CCO. Covered Persons are required to direct their brokers to send copies of all brokerage confirmations and statements relating to personal securities transactions to the Firm, in order to assist in satisfying these reporting requirements. The Code also requires Covered Persons to comply with certain ethical restraints relating to clients and their accounts.

BROKERAGE PRACTICES

Selection of Custodians

The Firm may select one or more firms to serve as custodian ("Custodian") to hold the funds and securities of the Fund. The identity of and relevant information about the Custodian for the Fund will generally be provided in the Fund's PPM or otherwise disclosed to Investors. The Custodian may also serve as the prime broker and may execute transactions on behalf of the Fund, consistent with best execution. In addition to custody and execution, a Custodian or prime broker may provide other core functions (such as reporting, clearing, financing, securities lending and Investor service) as well as value added items (such as capital introductions, advanced research and analytics and technology services) to the Fund. The Firm may take advantage of some or all of these services with respect to any Fund it advises. Certain of these services may be outside the soft dollar safe harbor.

The Firm generally selects Custodians that it believes will provide specific services to the Fund, allowing the Fund to operate effectively and efficiently, by, for example, providing the Firm with electronic access to account information and trade confirmations, bulk mailing of statements to Investors, and access to specialized customer service personnel.

Investment and Brokerage Decisions and Review

Investment and brokerage decisions for the Fund, to the extent such discretion has been granted to the Firm, are made by the Firm's portfolio managers and traders, with assistance from other relevant personnel. As indicated above, the Advisers share a trading desk, related personnel and infrastructure. Mr. Hawkins sits on Avalon's Trading Committee (the "Committee"). At least quarterly, the Committee and other appropriate members of the Advisers' staffs meet to review trading practices and activities, including the quality of executions received and commission rates paid by discretionary accounts, in order to determine what changes, if any, should be made in the Advisers' brokerage arrangements. The goal of this process is to promote reasonable, good faith judgment to select broker-dealers or other trading venues that will consistently provide quality execution at acceptable cost.

The Firm also may choose which broker effects a particular transaction, and, on occasion, the commission the Fund pays for such trade. The Firm may "trade away" for specific trades, executing trades through brokers other than the Custodian, in order to gain access to greater inventory or better price or execution.

In placing brokerage, the Firm seeks to

- determine the Fund's trading requirements,
- select appropriate trading methods, venues and agents to execute the trades under the circumstances,
- evaluate market liquidity of each investment and take appropriate steps to mitigate excessive market impact, to the extent practicable,

- maintain confidentiality and proprietary information inherent in the decision to trade and
- review the results of executions on a periodic basis.

The Committee oversees trading for the Advisers. The Advisers coordinate their policies and procedures related to the trading desk in an effort to prevent conflicts of interest and treat all client accounts of the Advisers fairly and equitably over time. As appropriate, references herein to client accounts include the Fund and accounts managed by Avalon. The following summarizes the Firm's policies with respect to its exercise of investment and brokerage discretion.

The Advisers place all orders for the purchase or sale of securities with the primary objective of obtaining prompt execution of orders at the most favorable price and execution readily obtainable from responsible broker-dealers at competitive commission rates. The Advisers insist on a high standard of quality regarding execution services and deal only with brokers that can meet their standards. The Advisers may also place value on brokers and dealers who are able to provide useful brokerage and research assistance.

The Advisers' objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to the Fund's portfolio transactions. The best net results, giving effect to brokerage commissions, spreads and other costs (which may not be the lowest available but which ordinarily will not be higher than the generally prevailing competitive rate for similar types of trades), is normally an important factor in this decision but a number of other judgmental factors are considered as they are deemed relevant. In applying these factors, the Advisers recognize that different broker-dealers may have different execution capabilities with respect to different types of securities and transactions. The factors include, but are not limited to:

- the Advisers' knowledge of negotiated commission rates and spreads currently available;
- the nature of the security being traded;
- the size and type of the transaction;
- the nature and character of the markets for the security to be purchased or sold;
- the desired timing of the trade and speed of execution;
- the activity existing and expected in the market for the particular security;
- the broker-dealer's access to primary markets and quotation sources;
- the ability to effect transactions at all where a large block is involved or where liquidity is limited;
- confidentiality;
- the execution, clearance and settlement capabilities as well as the reputation and perceived soundness of the broker or dealer selected and others which are considered;
- the Advisers' knowledge of actual or apparent operational problems of any broker-dealer;
- the broker-dealer's execution services rendered on a continuing basis and in other transactions;

- the broker-dealer's reliability in executing trades, keeping records and accounting for and correcting its trade errors;
- the broker-dealer's ability to accommodate the Advisers' needs with respect to one or more trades, including willingness and ability to maintain quality execution in unusual or volatile market conditions and, if necessary, to commit capital by taking positions in order to complete trades;
- the availability of the broker-dealer to stand ready to execute difficult transactions in the future;
- the quality of communication links between the Advisers' trading desk and the broker-dealer's;
- the quality of brokerage and research services provided by the broker-dealer; and
- the reasonableness of spreads or commissions.

When buying or selling securities in dealer markets, the Advisers may, subject to best execution, deal directly with market makers either on a commission basis or on a "net" basis, without paying the market maker any commission, commission equivalent or markup/markdown other than the "spread". Net trades mean that the market maker profits from the "spread", that is, the difference between the price paid (or received) by the Advisers and the price received (or paid) by the market maker in trades with other broker-dealers or other customers. Most NASDAQ securities are now traded on a commission basis as more and more market makers shift from principal to agency trading.

From time to time, the Advisers may execute over-the-counter trades on an agency basis rather than directly through a market maker. In these situations, the broker used by the Advisers then acquires or disposes of a security through a market maker. The transaction thus may be subject to a mark-up or mark-down. The Advisers use a broker in such instances only when consistent with its duty to seek best execution. The use of a broker in this manner may benefit an account by providing anonymity in connection with a transaction or because the broker may, in certain cases, have greater expertise or capability in connection with both accessing the market and executing a transaction. The Firm has found that it may not receive the same level of service through a market maker as through a broker-dealer trading on an agency basis.

Additionally, from time to time, the Advisers may cause an account to engage in "step out" transactions in which the account pays commissions in respect of a transaction to one broker, but the transaction is executed by a second broker. The Advisers will only cause a client account to engage in such transactions to the extent that doing so is consistent with our duty to seek best execution.

The Advisers may also use an Electronic Communications Network ("ECN") or Alternative Trading System ("ATS") to effect such over-the-counter trades when, in the Advisers' judgment, doing so may result in equal or more favorable overall executions for the transactions. The Advisers will pay a commission to an ECN or ATS that, when added to the price, is still better than the overall execution price that might have been attained trading "net" with a market maker.

In allocating brokerage and consistent with relevant policies and procedures, the Advisers take into account the value of brokerage and research services provided by a broker-dealer, as long as such consideration does not jeopardize the objective of seeking best price and execution for Fund transactions. Broker-dealers typically provide a bundle of services, including research and execution of transactions. When appropriate under its discretionary authority and consistent with the duty to seek best execution, each Adviser may direct brokerage transactions for its client accounts to broker-dealers who provide that Adviser with useful research and brokerage products and services.

Research and Other Soft-Dollar Benefits

Research services provided by a broker-dealer can be either proprietary (*i.e.*, created and provided by the broker-dealer, including tangible research as well as access to analysts and traders) or third-party (*i.e.*, created by a third party but provided by the broker-dealer). The brokerage commissions used to acquire research in these arrangements are known as “soft dollars”. The Firm may use soft dollars to acquire both types of research; however, the Firm will not enter into any agreement or understanding with a broker-dealer that would obligate the Firm to direct a specific amount of brokerage transactions or commissions for such research (or brokerage) services. Nonetheless, certain broker-dealers may state in advance the amount of brokerage commissions they require for certain services and the applicable cash equivalent. Research or brokerage services that may be acquired by Hawkins Capital with soft dollars include, without limitation and to the extent permitted by applicable law: (i) research reports on companies, industries and securities; (ii) economic and financial data; (iii) financial publications; (iv) broker sponsored industry conferences; and (v) market data related software and services.

Section 28(e) of the Exchange Act provides a “safe harbor” that allows an investment adviser to pay for research and brokerage services with commission dollars generated by transactions for client accounts. Under SEC interpretations, client commissions may be used for certain research- and brokerage-related products and services that assist the Firm in meeting the Fund’s investment objectives or in managing the Fund. The receipt of these services in exchange for soft dollars benefits the Firm by allowing the Firm, at no cost to it, to

- supplement its own research and analysis activities,
- receive the views of and information from individuals and research staffs of other securities firms, and
- gain access to persons having special expertise on certain companies, industries, areas of economy and market factors.

The Advisers may allocate commissions for brokerage and research services that are also available for cash, when appropriate and permitted by law. While the receipt of research in exchange for soft dollars is not expected to reduce the Firm’s normal research activities, the Firm’s expenses could increase materially if it attempted to generate such additional information and services through its own staff. The Firm may also pay cash for certain services.

The Firm's policies with respect to the use of soft dollars are consistent with the safe harbor except where otherwise disclosed to Investors. As such, in determining whether to pay up for a particular execution, the Advisers evaluate whether the related product(s) or service(s) provided by the broker:

- (i) with respect to research items, consist of advice, analyses or reports containing substantive content with respect to appropriate subject matter(s) or (ii) with respect to brokerage items, are sufficiently related to the effectuation, clearance or settlement of transactions and are provided and/or used during the time period commencing when the trading desk communicates with the relevant broker-dealer for the purpose of transmitting an order for execution and concluding when the funds or securities are delivered to the relevant account or accountholder's agent;
- provide lawful and appropriate assistance to the Firm in carrying out its relevant responsibilities to the Fund; and
- are acquired for an amount of commissions which is reasonable in relation to the value of the product or service.

These determinations are made by and based primarily on the professional opinions of the persons responsible for the placement and review of such transactions. Such opinions are formed on the basis of, among other things, the experience of these individuals in the securities industry and information available to them concerning the level of commissions being paid by other investors of comparable size and type. The Firm may select broker-dealers based on its assessment of each broker-dealer's ability to provide quality executions and its belief that the research, information and other services provided by such broker-dealer may benefit client accounts. It is not possible to place a dollar value on the special executions or on the research services the Firm receives from broker-dealers effecting transactions in portfolio securities. Accordingly, broker-dealers selected by the Firm may be paid commissions for effecting portfolio transactions for client accounts in excess of amounts other broker-dealers would have charged for effecting similar transactions if the Firm determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or the Firm's overall duty to its discretionary accounts.

Research obtained with soft dollars will not always be utilized by the Firm for the specific account that generated the soft dollars. It should be noted that the value of research and brokerage services often cannot be measured with precision and commissions paid for such services certainly cannot always be allocated among such accounts in direct proportion to the value of such services to that account. Because the Advisers routinely batch client transactions, brokerage commissions attributable to one or more accounts may be allocated to brokers who provide statistical data and other research used by the Advisers in managing other accounts, and vice versa. Although it is inevitable, at least in the short run, that commission paid by one account may, in effect, subsidize services used in managing other accounts, the Advisers' various sources of research and brokerage services enable the Advisers to make better investment decisions and execute more effective trades. Therefore, the Firm usually does not attempt to allocate the relative costs or benefits of research among client accounts because it believes that,

in the aggregate, the research it receives benefits clients and assists the Firm in fulfilling its overall duty to its clients.

The Firm may use soft dollars to pay for any specific service or for any portion of its “mixed use” items (products or services that provide both research and non-research benefits), if such “mixed use” items are used by the Firm. If the Firm should choose to obtain a particular product, it may use its available soft dollar credits and pay cash to make up any difference. Further, if the product or service obtained by the Firm is a mixed use item, the Firm may use soft dollars for the research portion and pay cash for the non-research portion. Although the allocation between soft dollars and cash is not always capable of precise calculation, the Firm will make a good faith effort to allocate such items reasonably. Records of any such allocations and payments will be prepared and maintained. The use of soft dollars may incent the Firm to select broker-dealers based on the provision of soft dollars rather than the Fund's best interest.

Commission Rates or Equivalents

The Advisers endeavor to be aware of current charges of eligible broker-dealers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of their client accounts. As noted above, the Committee periodically reviews the quality of executions received from the broker-dealers it uses and may consider the services of other broker-dealers that may be available to execute transactions when evaluating the Advisers' best execution efforts. Any broker-dealer that has provided (or may be reasonably expected to provide) acceptable performance and whose financial condition and commission rates are acceptable to the Advisers may be selected to execute transactions. The Advisers may choose to maintain a list of approved brokers; however broker-dealers not on such a list may still be selected if the Advisers believe that using such a broker-dealer is consistent with the duty to seek best execution.

The Advisers may also choose to set non-binding ranges of commission rates or negotiate with broker-dealers, when possible. However, the Advisers will not select broker-dealers solely on the basis of “posted” commission rates nor always seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction. Although the Advisers generally seek competitive commission rates, they will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker-dealer involved resulting in higher commissions or their equivalents than would be the case with transactions requiring more routine services.

The Advisers use a number of different broker-dealers and may pay higher commission rates (or equivalents) to those broker-dealers whose execution capabilities, brokerage or research services, or other legitimate and appropriate services or efforts on the Advisers' behalf are particularly helpful in seeking good investment results for clients. The Advisers recognize that some brokerage firms are better than others at executing certain types of orders. Thus, it may be in the Fund's best interests to use a broker-dealer whose commission rates are not the lowest, but whose executions may result in more favorable overall results due to decreased transaction costs or otherwise. The overriding consideration in allocating orders for execution is the maximization of returns

through a combination of controlling transaction and securities costs (or maximizing proceeds) and seeking the most effective use of the broker-dealers' relevant capabilities.

The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research, and other services which will help the Advisers in providing investment management services to clients. The Advisers may, therefore, use a broker-dealer who provides useful research and brokerage services, even though a lower commission might be charged for the same transaction by a broker-dealer who offers no research services and minimal transaction assistance. In this connection, the Firm makes a good faith determination that the amount of commission is reasonable in relation to the value of the research and/or brokerage services rendered, viewed in terms of either the specific transaction or the Firm's overall responsibility to the Fund. However, the extent to which commission rates or net prices reflect the value of these services often cannot be readily determined.

Order Aggregation

The Fund and Avalon clients may invest in the same securities. Due to Mr. Hawkins's participation as a member of Avalon's Management Committee, the Advisers have adopted policies and procedures to ensure that the clients of each are treated fairly and equitably with respect to the allocation of investment opportunities and trading. Under those procedures, the Advisers may aggregate trades for Fund with those for Avalon-managed accounts (together with the Fund, the "Adviser Accounts"), consistent with the Advisers' bunching policies and procedures. Because the size and mandate of Adviser Accounts often differ, the securities held in Adviser Accounts may not be identical. In appropriate circumstances, any Adviser Account may purchase or sell a security prior to other Adviser Accounts. This could occur, for example, as a result of the specific investment objectives of an Adviser Account, differing cash resources arising from contributions or withdrawals, or the purchase of a small position to assess the overall investment desirability of a security.

Transactions for each Adviser Account are generally effected independently, unless the Advisers decide to purchase or sell the same securities for several Adviser Accounts at approximately the same time. As part of the duty to seek best price and execution and consistent with relevant advisory agreements, the Advisers may, but are not required to, "bunch" or batch together purchases or sales for those Adviser Accounts and allocate the trades, in a fair and equitable manner, over time, across participating Adviser Accounts. The Advisers may include proprietary and personal accounts in such aggregate trades, subject to their duty to seek best execution and to the relevant Codes. Prices received by personal or proprietary accounts will be no better than the average price assigned to participating Adviser Accounts. Executing transactions on a batched basis may facilitate best execution by, among other things, allowing the Advisers to negotiate more favorable commission rates or prices, to obtain more timely or equitable executions or reduce overall transaction costs and charges. The Firm and Avalon have adopted policies and procedures to allow trades reflecting contemporaneous investment decisions for the Fund and Avalon's client accounts to be batched for execution due to the benefits of batched transactions and the fact that both entities share trading facilities.

The Advisers seek to aggregate trade orders in a manner that is consistent with their duty to: (1) seek best execution of client transactions; (2) treat all clients fairly and equitably over time; and (3) not systematically advantage or disadvantage any client or group of clients. When a decision is made to aggregate transactions, the Advisers will allocate the results of those transactions among participating accounts in a manner that is fair and equitable over time. When a batched order is filled in its entirety, each participating account will participate at the average price paid or received, per share or unit, on that day for the bunched order, based generally on the initial amount requested for the account (subject to certain size- or cost-related exceptions), and each participating account will bear associated transaction costs based on its participation. When a bunched order is partially filled, the Advisers will allocate the order in accordance with relevant written allocation and aggregation procedures, described generally below.

Pro rata allocation is generally used when a batch order, which usually involves only non-directed Adviser Accounts and seeks only liquid, actively traded securities, cannot be fully executed in a single day, unless the client has expressly directed otherwise. The partial fill is generally allocated among the participating Adviser Accounts based on the size of each account's original order, subject to rounding in order to achieve "round lots". Unexecuted orders will continue until the block order is completed or until all component orders have been cancelled. New orders for the same security will be aggregated with any remaining unexecuted orders and will continue in the same manner. The Advisers generally apply a minimum order allocation amount of 100 shares, which may be adjusted based on market convention associated with the particular security. Similar market conventions may be applied to fixed income trades. If the remaining positions are too small to satisfy the minimum order amount, the Advisers may decide to allocate remaining securities to those accounts seeking large positions which were unfilled. The Advisers may also decide to allocate remaining securities to those accounts whose orders would be completed as a result of the allocation.

The Advisers may allocate on a basis other than *pro rata* if, under the circumstances, the Advisers believe that such other method of allocation is reasonable, does not result in improper or undisclosed advantage or disadvantage to participating accounts and results in fair access, over time, to investment and trading opportunities for all eligible accounts. These alternative methods of allocation, which may include rotational allocation and random allocation, may be especially appropriate when the transaction size is too limited to be effectively allocated *pro rata* among all eligible Adviser Accounts.

The Advisers may also consider the following factors when allocating trades:

- cash flow changes (including available cash, redemptions, exchanges, capital additions and capital withdrawals) which may provide a basis to deviate from a pre-established allocation as long as it does not result in an unfair advantage to specific Adviser Accounts or types of Adviser Accounts over time;
- Adviser Accounts with specialized investment objectives or restrictions emphasizing investment in a specific category of securities may be given priority over other Adviser Accounts in allocating such securities;
- the proportion that the size of any particular order bears to the total amount desired by all Adviser Accounts that may or will participate in the bunched order;

- the size of each account's original order;
- the desire to achieve "round lots";
- the relative size of participating accounts;
- each participating account's current holdings of the security and other securities; and
- for bond trades, street convention and good delivery may dictate minimum size and par amounts.

While the Advisers may effect trades in this manner to reduce the overall level of brokerage commissions paid or otherwise enhance the proceeds or other benefits of the trade for participating accounts, the Advisers may direct transactions to brokers based on both their ability to provide quality executions and the nature and quality of research and brokerage services, if any, those brokers provide. As a result, a client may not always pay the lowest available commission rate for trades effected on a batched basis, so long as the Advisers seek to obtain best price and execution under the circumstances and considering the research and brokerage services, if any, provided.

Allocation of "New Issues"

To the extent that the Firm may be permitted to invest in "new issues", as defined in relevant rules established by the Financial Industry Regulatory Authority ("FINRA"), such investments will be allocated fairly and consistently with FINRA Rule 5130 which provides that broker-dealers, their affiliates and certain other persons ("restricted persons") may not be able to participate in new issues. Only funds that are eligible under Rule 5130 to participate in profits and losses attributable to new issues will be permitted to receive allocations of new issues.

Measures taken to ensure that the Fund is eligible to participate in a new issue may include, for example, prohibiting or limiting investment by restricted persons or creating multiple class structures pursuant to which a certain class (or classes) of interests may be issued only to restricted persons while other classes will exclude restricted persons.

The Firm's Code requires that any investment in new issues by an access person be pre-cleared by the Firm's CCO. The Firm generally does not grant such requests.

REVIEW OF ACCOUNTS

Investment policy for the Fund is set by Russell Hawkins who will review the Fund's account, overall strategy and goals regularly. These reviews occur on an ongoing basis.

Investors in the Fund will receive such written reports as are provided for in the Fund's PPM and, to comply with the Rule 206(4)-2 under the Advisers Act ("Custody Rule"), annual audit reports will be provided within 120 days following the Fund's fiscal year end. On a quarterly basis, the Fund will generally send to each Investor a report which will contain information regarding (i) the value of the Investor's interest in the Fund and (ii) the performance of the Investor's interest in the Fund compared to an appropriate or agreed upon benchmark. Each Investor will also receive a Form K-1 for tax purposes. These reports may be sent by a third party service provider on behalf of the Firm.

Investors are also able to access and review their Fund accounts over the Internet.

CLIENT REFERRALS AND OTHER COMPENSATION

The Firm's use of a prime broker or Custodian may yield increased administrative ease and, therefore, increased profitability for the Firm. A prime broker may introduce Investors to the Fund. Because an increase in the size of the Fund would likely result in additional compensation to the prime broker, the prime broker may receive a benefit from introducing Investors to the Fund.

CUSTODY

Because the Firm (or an affiliate) serves as general partner of the Fund, the Firm is deemed to have custody over the Fund within the meaning of the Custody Rule. To comply with this Rule, each Investor in the Fund receives audited financial statements within 120 days following the Fund's fiscal year end. You should review these audited financial statements carefully. If you have invested in the Fund and have not received audited financial statements timely, please contact us immediately.

INVESTMENT DISCRETION

The Firm acts on a discretionary basis and is authorized to make the following determinations in accordance with the Fund's specified investment objectives:

- Which securities to buy or sell.
- The total amount of securities to buy or sell.
- The broker or dealer through whom securities are bought or sold.
- The commission rates at which securities transactions for the Fund are effected.
- The prices at which securities are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

The Firm follows the investment strategy set forth in the Fund's PPM. The Firm may, in the future, accept advisory accounts with limited discretion or where investment or brokerage discretion is limited or client-directed. In such cases, such direction will generally be required to be in writing, either as part of the client contract or otherwise. The Firm reserves the right, in its discretion, to change the brokerage arrangements described herein without further notice to Investors.

VOTING CLIENT SECURITIES

The Firm has written proxy voting policies and procedures as required by Rule 206(4)-6 under the Advisers Act. Under these policies and procedures, Mr. Hawkins is responsible for ensuring that votes are cast on behalf of the Fund and records are maintained. In determining how to vote a given proxy, Mr. Hawkins will first determine whether a conflict of interest exists with respect to the proxy. If such a conflict exists, the Firm will vote in accordance with a third-party proxy voting service. In the absence of such a conflict, the Firm will vote the proxy in the best economic interests of the Fund, as

determined by Mr. Hawkins. The Firm considers the quality of management and good corporate governance to be important factors in the security selection process, and strives to invest in companies with management teams that exhibit honesty, integrity and a shareholder orientation. Such managements are generally believed to be in the best position to make decisions that serve the interests of shareholders. Accordingly, a high degree of emphasis is placed on managements' opinions and proxies are often voted in accordance with managements' recommendations. However, the Firm may vote against management on proposals where it perceives a conflict exists between management and the Fund's interests, such as those which may insulate management or diminish shareholder rights.

Investors may obtain copies of the Firm's written proxy voting policies and procedures as well as information on how proxies were voted for the Fund(s) in which they invest by requesting such information from the Firm at the address and phone listed on the cover page of this brochure. Generally, the Firm will not disclose proxy votes to third parties. Investors in the Fund are not able to direct the Firm as to how to vote on a particular proxy matter.

FINANCIAL INFORMATION

Not Applicable.