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This brochure provides information about the qualifications and business practices of Harvest Capital Strategies LLC. If you have any questions about the contents of this brochure, please contact us at the telephone number and/or e-mail address above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Harvest Capital Strategies LLC is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training.

Additional information about Harvest Capital Strategies LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

We have included in this brochure references to products such as private investment funds *solely* for the purpose of describing our advisory business. This brochure is not intended as an offer of any of these products, which are privately offered only to qualified investors.

ITEM 2: MATERIAL CHANGES

Not applicable. This brochure is our initial brochure prepared under new requirements adopted by the U.S. Securities and Exchange Commission (the “SEC”) in July 2010.

ITEM 3: TABLE OF CONTENTS

	<u>Page</u>
ITEM 1: Cover Page	1
ITEM 2: Material Changes	2
ITEM 3: Table of Contents	3
ITEM 4: Advisory Business.....	1
ITEM 5: Fees and Compensation.....	2
ITEM 6: Performance-Based Fees and Side-By-Side Management.....	5
ITEM 7: Types of Clients	5
ITEM 8: Methods of Analysis, Investment Strategies and Risk of Loss	6
ITEM 9: Disciplinary Information.....	8
ITEM 10: Other Financial Industry Activities and Affiliations.....	9
ITEM 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	9
ITEM 12: Brokerage Practices.....	10
ITEM 13: Review of Accounts	14
ITEM 14: Client Referrals and Other Compensation	15
ITEM 15: Custody	15
ITEM 16: Investment Discretion	15
ITEM 17: Voting Client Securities	15
ITEM 18: Financial Information.....	16

ITEM 4: ADVISORY BUSINESS

Harvest Capital Strategies LLC (“we” or “HCS”) began operation in September 1999. We are wholly-owned by JMP Group LLC, which is in turn wholly-owned by JMP Group Inc., a public reporting company (“JMP Group”).

We provide discretionary investment advisory services to a number of private investment funds, which we refer to collectively as our “Funds.” At present, eight of our Funds (collectively, our “pass-through Funds”) are organized as limited partnerships in which we serve as the sole general partner, and one Fund is organized as a limited liability company in which serve as the sole managing member. The other Funds (collectively, our “company Funds”) are organized as non-U.S. companies. For each of these company Funds, we serve as the Fund’s investment manager.

We manage each Fund pursuant to the objectives specified in the materials by which the Fund offers its ownership interests to investors. We, as general partner or managing member of our pass-through Funds, determine those objectives for those Funds. The boards of directors of the company Funds have the authority to determine those Funds’ objectives, subject to our agreement, and to supervise those Funds’ investment and trading activities. Our agreements with the Funds generally impose no limits on the types of securities or other instruments in which the Funds may invest, the types of positions they may take, the concentration of their investments by sector, industry, fund, country, class or otherwise, the amount of leverage they may employ or the number or nature of short positions they may take. The Funds’ investors do not have the right to specify, restrict, or influence their Funds’ investment objectives or any investment or trading decisions.

We also provide discretionary investment advisory services to clients who are not Funds, which we refer to collectively as our “Separately Managed Accounts.” Typically, our Separately Managed Accounts are managed according to strategies that are similar to those of our Funds, but they may be subject to express investment restrictions or other special terms that do not apply to our Funds. These special terms are subject to negotiation on a client- by-client basis.

We do not participate in wrap fee programs.

As of December 31, 2010 the net asset value of our Funds and Separately Managed Accounts was approximately \$506.2 million (excluding approximately \$42.1 million in undrawn capital commitments by one of our investors to one of our Funds). We do not provide services on a non-discretionary basis.

ITEM 5: FEES AND COMPENSATION

Each Fund pays us a “management fee” at the beginning of each calendar quarter. Those fees are generally equal to a specified percentage (a “quarterly fee rate”), multiplied by either the net asset value of investors’ holdings in the Fund or, for one of our Funds, the value of the investors’ capital commitments to that Fund. Depending on the Fund, our quarterly fee rates generally range from 0.25% per quarter (or 1.00% per year) to 0.50% per quarter (or 2.00% per year).

Each company Fund also pays us an “incentive fee,” generally equal to 20% (with certain exceptions for particular company Funds) of the increase in value of the outstanding Fund shares, to the extent those increases exceed previous decreases in value (a “high water mark”). The “high water mark” is designed to prevent us from receiving an incentive fee on profits that simply restore previous losses.

In addition (and with one exception, described in the next paragraph), as the general partner or managing member of each pass-through Fund, we are generally entitled to receive “incentive allocations” equal to 20% of the increases in those Funds’ limited partners’ capital account balances, to the extent those increases exceed a similar “high water mark.”

One of our pass-through Funds is organized as a “fund of managed accounts,” each of which is managed by us according to the core investment strategy of one of our other Funds. As the general partner of this pass-through Fund, we receive incentive allocations equal to 3% of the increases in the Funds’ limited partners’ capital account balances (subject to a “high water mark”). In addition, as investment manager to each of the Fund’s managed accounts, we receive an incentive fee, calculated separately for each such managed account, equal to 17% of the net profit generated by that account alone (subject, in each case, to a “high water mark”).

The Funds generally pay incentive fees or make incentive allocations at the end of each calendar quarter and at other times when Fund investors withdraw capital or redeem shares (in the case of our company Funds), but then only in relation to the amount of capital withdrawn or shares redeemed. For each period and for each Fund, the foregoing fees and allocations are the aggregate of amounts calculated separately for each investor or group of investors in each Fund. They are not generally negotiable, but our agreements with the Funds give us the authority to vary them for particular investors. Once paid, incentive fees and incentive allocations are not be reduced by losses incurred in later periods.

Other Expenses

Each Fund also pays all of the expenses of its administration and operation. These expenses include, among other things:

- brokerage commissions;
- interest on margin and other borrowings;
- borrowing charges on securities sold short;
- investment transaction costs;
- custodial fees;
- bookkeeping, accounting and audit fees and expenses;

- legal fees;
- expenses that we incur for investment research and due diligence;
- tax preparation fees;
- other professional fees;
- governmental fees and taxes;
- telephone expenses;
- travel and travel-related expenses that we incur in connection with investment activities (including attending professional investment and industry specific conferences);
- costs of reporting to investors;
- cost of governance activities (such as obtaining investor consents); and
- all other reasonable expenses related to the management and operation of the Fund or the purchase, sale or transmittal of Fund assets, all as we determine in our sole discretion.

The Funds do not currently pay custodial fees directly. Instead, their assets are held by “prime brokers” as custodians. Nevertheless, the Funds may be considered to pay for custodial services indirectly through: payments to the prime brokers of commissions and other transaction costs; payments of financing charges related to margin borrowings and stock loans; and the prime brokers’ ability to earn money on certain balances the Funds maintain with them (subject to laws and regulations governing their activities).

Each Fund also bore certain costs in connection with its organization and the initial offering and sale of ownership interests in it, and each Fund also continues to bear the costs of its ongoing offering of those ownership interests.

We may advance costs described above for a Fund and the Fund must reimburse us.

We provide office personnel and space required for the performance of our services for the Funds. The Funds do not reimburse us for doing so (except to the extent of our fees and incentive allocations).

For a more detailed discussion of brokerage and transaction costs, clients are directed to “Item 12: Brokerage Practices.”

Separately Managed Accounts

For our Separately Managed Accounts, we generally receive a combination of asset-based and performance-based fees. These fees are negotiated on a case-by-case basis with the client; however, for Separately Managed Accounts that are managed according to strategies similar to particular Funds, the asset- and performance-based fees we charge our clients are generally similar to the fees and allocations that we charge or assess as to those Funds.

Our Separately Managed Account clients also generally bear all fees and expenses incurred in relation to the maintenance and operation of the Separately Managed Account, or the valuation, purchase, sale or transmittal of assets in the account. These expenses include: investment transaction costs (including markups, markdowns and commissions); interest on margin and other borrowings; borrowing charges on

securities sold short; administrator and custodial fees; accounting and audit fees and expenses; legal fees; tax preparation fees; governmental fees and taxes; bookkeeping and other professional fees; and costs of reporting.

Prepayment of Fees

As noted above, the Funds pay management fees to us quarterly in advance. Fund investors are generally allowed to withdraw capital or redeem shares as of the end of a calendar quarter, at which time there generally will be no prepaid fees. We are not required to refund any portion of our management fee if a Fund allows an investor to withdraw or redeem as of a time other than a calendar quarter-end, however.

If we were to terminate our status as general partner or managing member of a pass-through Fund or as investment manager of a company Fund at a time other than as of the end of a quarter, we would refund to the Fund a portion of the management fee that was paid at the beginning of the termination quarter, pro rated based on the number of days remaining in that quarter.

Similarly, for our Separately Managed Accounts, our investment management agreements generally provide for payment of quarterly asset-based fees in advance. Those agreements also provide that if the client (or we) terminate the agreement other than as of the end of a quarter, we will refund to the client a portion of any asset-based fee that was paid at the beginning of the termination quarter, pro rated based on the number of days remaining in that quarter.

Other Compensation and Conflicts of Interest

Our affiliates, including our parent company, JMP Group, and its broker-dealer affiliates, may provide investment banking and financial consulting services to companies in which our Funds or Separately Managed Accounts are invested, and those affiliates may receive fees from those companies for those services. Our affiliates may also receive underwriting discounts, fees or commissions relating to investments by our Funds or Separately Managed Accounts in public or private offerings in which our affiliates act as underwriters, dealers or placement agents or in similar capacities. These arrangements could be seen as providing an incentive for us to cause our Funds or Separately Managed Accounts to make investments they would not otherwise make, for the purpose of helping our affiliates obtain those revenues.

The activities of JMP Group and our other affiliates, including (among other things) their consulting, financial advisory, investment banking and brokerage and research activities, may present other conflicts of interest and may otherwise affect the activities of our Funds or Separately Managed Accounts. For example, JMP Group or an affiliate may provide financial, investment banking or other services to third parties who have interests that conflict with those of our Funds or Separately Managed Account clients, or those of companies in which they are invested (which we refer to as “client portfolio companies”). In particular, JMP Group and our other affiliates may also represent companies in which our Fund or Separately Managed Account clients desire to invest. And they may represent companies competing with client portfolio companies for acquisition or business opportunities.

Among other things, it is possible that our Funds or Separately Managed Accounts could be precluded from attempting to acquire securities of a company for whom JMP Group or an affiliate is acting as an adviser because of that company’s requirement that JMP Group and its affiliates (including us) act

exclusively on the company's behalf or refrain from trading in its securities. If a client company of JMP Group (or an affiliate) did not impose such a requirement, and a Fund or Separately Managed Account did trade in that company's securities, conflicts of interest would be inherent. Similarly, when JMP Group or an affiliate acts as an adviser to a company as "buyer" in an acquisition context, our Funds and Separately Managed Accounts may be precluded from buying securities of the target company. Where such a buyer is a client portfolio company, our Funds and Separately Managed Accounts may also be precluded from selling any of their investments during the term of the engagement. Our relationship to JMP Group could also prevent our Funds or Separately Managed Accounts from participating in a secondary offering as selling shareholders if JMP Group or an affiliate were involved in the offering as an underwriter.

JMP Group or its affiliates may also make a market in, or provide research on, client portfolio companies. JMP Group's trading and research activities generally will be carried out without regard for our Funds' or Separately Managed Accounts' positions. However, such activities may have an effect on the value of those positions, and at times, JMP Group's trading and brokerage activities could give JMP Group an interest adverse to those of our Funds or Separately Managed Accounts. In addition, JMP Group's research on a security issued by a client portfolio company may adversely affect the value of that security.

We generally disclose the potential conflicts of interest described above to investors in our Funds and to our Separately Managed Account clients. We also maintain policies and practices that we believe limit material adverse consequences to investors in our Funds which may arise from these conflicts of interest.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Each company Fund pays us a performance-based incentive fee and each pass-through Fund allocates or pays to us a portion of the increase in value of investors' investments, as described above under "Item 5: Fees and Compensation." We also generally charge performance-based fees to our Separately Managed Account clients, though those fees are generally subject to negotiation and may therefore vary from client to client.

While we have the right to waive incentive fees or incentive allocations as to particular investors in a Fund, we manage each Fund's assets as an undivided pool. We also generally manage our Separately Managed Accounts in parallel with our Funds (subject to any investment limitations or other special requirements that we may negotiate). As a result, we do not believe that our performance-based fee arrangements give rise to incentives to favor any particular Fund or Separately Managed Account over another. Our potential to receive incentive fees or allocations, and the fact that we will not have to refund any such fees or allocations if the Funds later experience losses, may nevertheless create an incentive for us to make investments that are riskier or more speculative than would otherwise be the case.

ITEM 7: TYPES OF CLIENTS

Our Funds are privately-offered investment funds that are not regulated under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act") because of Sections 3(c)(1) and 3(c)(7) of that act and, in the case of our company Funds, their adherence to the substantive provisions of Section 3(c)(7) as to U.S. investors. Each Fund imposes minimum investor qualification standards and minimum investment requirements.

Our Separately Managed Account clients are pooled investment vehicles, high net worth individuals or institutional investors. Our Separately Managed account clients must generally be “qualified clients” under Rule 205-3 of the Investment Advisers Act of 1940, as amended.

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

In managing our Funds and Separately Managed Accounts, we seek to generate above-average returns with below-average market risk in their areas of specialization. Our investment teams focus on performing fundamental, bottoms-up research on companies in a variety of industry sectors and seek to identify those securities that they believe are over or under-valued by a significant margin. This proprietary research effort generally focuses on U.S. publicly traded securities, but can also include securities of privately held companies, and may also have some exposure to foreign equity markets. It can also involve securities of companies with varying market capitalization, depending on the strategy of the Fund or Separately Managed Account.

Our fundamental research process begins by examining a wide variety of publicly available information, including annual reports, public filings, proxies and press announcements. Our research includes speaking with Wall Street analysts in order to assess market sentiment, as well as utilizing a variety of market data and research services such as Bloomberg, Factset, Capital IQ, and ThompsonReuters. Our investment teams also leverage their own expertise and experience as part of this analytical process.

Investing in securities involves a risk of loss that clients should be prepared to bear.

Risk of Loss

The following is a summary of some of the material risks associated with our investment strategies. As a summary, it is inherently incomplete and does not attempt to describe all of the risks associated with those strategies.

Reliance on Key Personnel. Our investment advice depends on the judgment and analysis of our investment professionals. Should any of those professionals terminate their relationship with us, die or become otherwise incapacitated for any period of time, our Funds and Separately Managed Accounts could experience losses.

Effect of General Economic Conditions. The success of our investment strategies may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, developments in governmental regulation and national and international political circumstances. These factors may affect the success of the businesses in which our client portfolio companies are engaged, as well as the markets for securities in those client portfolio companies. Unexpected volatility or illiquidity could result in client losses.

Use of Leverage. Extensive use of leverage through margin borrowing and other means is a part of the “core” investment strategy. Leverage increases both the possibilities for profit and the risk of loss. For Funds or Separately Managed Account seeking to use borrowings to generate leverage, those borrowings will usually be from securities brokers and dealers and are typically secured by the securities and other assets of the Fund or Separately Managed Account. Under certain circumstances, a broker or dealer acting as a lender to a Fund or Separately Managed Account may demand an increase in the collateral that

secures the Fund's or Separately Managed Account's obligations, and, if the Fund or Separately Managed Account is unable to provide additional collateral, the broker or dealer could liquidate the Fund's or Separately Managed Account's collateral to satisfy those obligations. Liquidation in that manner could have extremely adverse consequences for the Fund or Separately Managed Account, including sales at disadvantageous times and prices and the acceleration of tax consequences.

Short Selling. Our Funds and Separately Managed Accounts may sell securities short as a regular part of their investing activities. In a short sale, the Fund or Separately Managed Account sells securities it does not own, in the hope that the market price will decline and that the Fund or Separately Managed Account will be able to buy replacement securities later at a lower price. To accomplish this, the Fund or Separately Managed Account borrows the securities from a broker or other third party. It "closes" the position by "returning" the security (buying a replacement security on behalf of the lender). The obligation to replace the borrowed securities does not typically have a specified "maturity" date and the lender generally may require replacement of the securities whenever it chooses. A short sale theoretically involves the risk of unlimited loss: the price at which the Fund or Separately Managed Account must buy "replacement" securities could increase without limit. As collateral for its replacement obligation, the Fund or Separately Managed Account is generally required to leave the proceeds of its short sales with the broker that effected the transactions, and deliver an additional amount of cash or other collateral upon the lender's request if the amount of the Fund's or Separately Managed Account's liability increases due to increases in the security's price or decreases in the value of the existing collateral.

Investments in Illiquid Securities. Our Funds and Separately Managed Accounts may invest a portion of their assets in securities for which there is no ready market. They may also invest in securities that, while they are publicly traded, are relatively illiquid. That may be because a security is thinly traded, because the Fund's or Separately Managed Account's position in a security is large in relation to the overall market for the security, because we, the Fund or the Separately Managed Account may be deemed an affiliate of the issuer, or because of various other factors affecting the Fund or the Separately Managed Account's ability to trade in the security. Our Funds and Separately Managed Accounts may also own securities that are relatively liquid when acquired but that become illiquid after the Fund or Separately Managed Account invests. Our Funds and Separately Managed Accounts may not be able to liquidate illiquid securities positions if the need were to arise; rapid sales of such securities could depress the market value of those securities, reducing profits, or increasing its losses, in the positions.

Hedging, Generally. In managing our Funds and Separately Managed Accounts, we may employ a variety of hedging strategies. Hedging strategies in general are usually intended to limit or reduce investment risk, but they can also be expected to involve transaction costs and may inherently limit or reduce the potential for profit.

Risk of Derivatives, Generally. Our Funds and Separately Managed Accounts may trade and invest in a variety of derivative instruments. Derivatives are financial instruments or arrangements in which the risk and return are related to changes in the value of other assets such as stocks, reference rates or indices. They can provide a form of "leverage" in that they permit the Funds and Separately Managed Account to speculate on fluctuations in the prices of securities indices or other assets while investing only a small percentage of the value of the underlying securities, or other assets. Trading and investing in derivatives can be highly speculative and can entail greater risks than the risks of investing in other securities. Prices of equity derivatives are generally more volatile than prices of the securities on which they are based. A

change in the market price of the underlying securities, indices or other assets or rates will cause a much greater change in the price of the derivative. The ability to profit or avoid risk through trading or investing in derivatives will depend largely on our ability to anticipate changes in the prices of underlying assets, reference rates or indices.

Options. Among the derivatives in which our Funds and Separately Managed Accounts may invest or trade are options on specific securities and options on securities indices. Our Funds and Separately Managed Accounts may buy or sell (write) both call options and put options, and when they write options they may do so on a “covered” or an “uncovered” basis. Our Funds’ and Separately Managed Accounts’ options transactions may be part of a hedging tactic (i.e., offsetting the risk involved in another securities position), a form of leverage in which the Fund and Separately Managed Account has the right to benefit from price movements in a large number of securities or other assets with a small commitment of capital, or an attempt to obtain profits through premiums received on options the Fund and Separately Managed Account writes. These activities involve risks that may be substantial.

Concentration of Investments. Our Funds and Separately Managed Accounts may at times have a relatively large portion of their capital exposed to a particular industry or market sector. Losses in one or more large positions, or a downturn in an industry or market sector in which the Fund or Separately Managed Account is concentrated, could materially adversely affect the Fund’s or Separately Managed Account’s performance in a particular period and could have a materially adverse effect on the Fund’s or Separately Managed Account’s overall financial condition.

Non-U.S. Investments. Our Funds and Separately Managed Accounts may invest in securities of non-U.S. companies and/or securities denominated in currencies other than U.S. dollars. These may include securities issued by companies in, and traded in, so-called “emerging markets.” Non-U.S. investing, and investing in emerging markets in particular, could subject our Funds and Separately Managed Account to certain risks not typically associated with investing in securities in the United States. Many non-U.S. stock markets are not as developed or efficient as those in the United States and may be more volatile than U.S. markets. The costs and expenses of investing in non-U.S. markets are generally higher than in the United States. There is generally less publicly available information about non-U.S. companies than about domestic companies. This makes it more difficult for us to keep informed of corporate action that may affect the price of a particular security. Additionally, some non-U.S. economies are less stable than the U.S. economy, due to, among other things, volatile political environments, less stable monetary systems and/or external political risks.

Portfolio Turnover. There may be times when we cause our Funds or Separately Managed Accounts to engage in significant short-term trading. High portfolio turnover involves, among other things, high transaction costs, particularly through increased brokerage costs and taxes. A Fund’s or Separately Managed Account’s portfolio turnover from time to time may exceed that of other investment vehicles or managed accounts.

ITEM 9: DISCIPLINARY INFORMATION

We have not been involved in any legal or disciplinary events since our inception that would be material to a client’s evaluation of the company or its personnel.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

We are an indirect, wholly-owned subsidiary of JMP Group. JMP Securities LLC (“JMP Securities”), a registered broker/dealer, is also an indirect, wholly owned subsidiary of JMP Group. Our relationship with JMP Group and JMP Securities may create certain conflicts of interest, including those described above under “Item 5: Fees and Compensation – Other Compensation and Conflicts of Interest.”

We are affiliated with Cratos CDO Management, LLC (“Cratos”), a single-purpose entity formed to manage a \$500 million collateralized loan obligation (“CLO”) portfolio originally funded in May 2007. In addition, our affiliate JMP Credit Advisors LLC (“JMP CA”) also manages a CLO portfolio. Personnel from JMP Group are active in the management of both Cratos and JMP CA.

We generally disclose the potential conflicts of interest described above to investors in our Funds and to our Separately Managed Account clients. We also maintain policies and practices that we believe limit material adverse consequences to investors in our Funds which may arise from these conflicts of interest.

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

Code of Ethics

We have adopted a Code of Ethics that describes the standards of business conduct that we require of employees and establishes procedures intended to prevent us, and our personnel and certain of their relatives, from inappropriately benefiting from our relationships with clients. Our Code of Ethics provides that:

- Our clients’ interests come before our employees’ interests and, except to the extent otherwise provided in client agreements, before our own interests;
- We must disclose all material facts about conflicts of which we are aware between ourselves and our employees’ interests, on the one hand, and our clients’ interests, on the other;
- Our employees must operate on our and their own behalf consistently with our disclosures to, and arrangements with, our clients regarding conflicts and our efforts to manage the impacts of those conflicts;
- We and our employees must not take inappropriate advantage of our or their positions of trust with or responsibility to our clients; and
- We and our employees must comply with all applicable securities laws.

Our Code of Ethics includes procedures for, and restrictions on, employee trading intended to prevent employees from benefiting from, or appearing to benefit from, any price movement that may be caused by client transactions or our recommendations regarding securities. Among other things, these include requirements that employees make a written request for, and receive clearance from, our Chief Compliance Officer (or his or her designees) before they buy or sell any security (other than certain government securities, shares of mutual funds not managed by us, and certain other types of securities that we do not believe create a potential for conflicts of interest) and prohibitions of transactions in securities that we are actively considering, or are, buying or selling for client accounts. The Code of Ethics also contains restrictions on and procedures to prevent inappropriate trading while we are in

possession of material nonpublic information (including information about our trading activity for clients).

Our Code of Ethics is available to clients or prospective clients upon request.

Personal Trading for Associated Persons

No employee may effect a transaction in an equity security (excluding mutual funds and exchange-traded funds, or “ETFs”) for an employee’s account if the employee knows that we are effecting or are considering effecting an equivalent transaction in the same equity security (excluding mutual funds and ETFs) for client accounts. Transactions in options, derivatives or convertible instruments that are related to an equity security (excluding mutual funds and ETFs) in which HCS is effecting or considering effecting transactions for client accounts are subject to the same limitations. The Chief Compliance Officer and his/her designee may consider granting an exception to this prohibition, but these exceptions will be rare.

No employee may trade on the same or opposite side in an equity position (excluding mutual funds and ETFs) for an employee’s account within five trading days before or five trading days after a client account trades the same security. Accordingly, any such trades will be made on the sixth trading day. Each of these time periods is referred to as a “Blackout Period.”

If one of our employee’s effects a transaction (in compliance with preclearance and other requirements) and we then effect any same-way transactions for client accounts in the same security within the applicable Blackout Period, the employee may, or may not, be considered to have violated the Blackout Period requirements. He or she may submit a written explanation to the Chief Compliance Officer including a representation that he or she had no material non-public information concerning the subject security at the time of his or her transaction. If the Chief Compliance Officer accepts the explanation, the employee will be considered not to have violated the Blackout Period requirements and the transaction may stand. However, if the Chief Compliance Officer, in his or her discretion, does not accept the employee’s explanation, the employee will be required to rescind the transaction (which may involve disgorging profits) and he or she could be subject to other sanctions.

We may also be limited or restricted from trading in a particular security due to our or our affiliates’ securities positions, contractual relationships, information to which we or they are privy or for other legal or regulatory reasons. See the discussion under “Item 5: Fees and Compensation – Other Compensation and Conflicts of Interest.”

All persons associated with us are required to report all personal securities transactions to us quarterly.

ITEM 12: BROKERAGE PRACTICES

Each of our Funds and Separately Managed Accounts will incur substantial brokerage commissions and other transaction expenses. We have complete discretion in deciding what brokers, dealers, banks and other financial intermediaries and counterparties with or through which to execute or enter into portfolio transactions, including through entities that are affiliated with us (collectively, “Transacting Parties”). In addition to paying commissions to Transacting Parties in connection with transactions effected on any agency basis, our Funds or Separately Managed Accounts may buy or sell securities directly from or to

Transacting Parties acting as principal (such as market-makers for over-the-counter securities) at prices that include markups or markdowns and may enter into derivatives transactions with Transacting Parties on terms that provide other compensation to those Transacting Parties. We have complete discretion in negotiating all these compensation arrangements. The following describes some noteworthy aspects of our use of, and relationships with, Transacting Parties.

Selection Criteria, Generally

As an SEC-registered investment adviser, we have a general duty to seek “best execution” for our clients’ securities transactions. What constitutes “best execution,” and determining how to achieve it, are inherently uncertain, however. In choosing Transacting Parties, we are not required to consider any particular criteria. In evaluating whether a Transacting Party will provide best execution, we consider a range of factors. These include, among others:

- historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions;
- the execution, clearance and settlement and error correction capabilities of the Transacting Party generally and in connection with securities of the type and in the amounts to be bought or sold;
- the Transacting Party’s willingness to commit capital;
- the Transacting Party’s reliability and financial stability;
- the size of the transaction; the availability of securities to borrow for short sales;
- the market for the security; and
- as discussed more fully below, the nature, quantity and quality of research and other services and products provided by the Transacting Party.

We are not required to select the Transacting Party that charges the lowest transaction cost, even if that Transacting Party can provide execution quality comparable to other Transacting Parties, and our Funds and Separately Managed Accounts should be expected at times to pay more than the lowest transaction cost available in order to obtain for itself and/or for HCS services and products other than the execution of securities transactions.

“Soft Dollars”

We may select Transacting Parties in recognition of the value of various services or products, beyond transaction execution, that they provide to our Funds, to our Separately Managed Account clients, or to ourselves. Selecting a Transacting Party in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with “soft dollars.”

Conflict of Interest. When we use “soft dollars” to obtain research or other products and services, we receive a benefit because we do not have to produce or pay for that research or those other products or services using cash from other sources. And, because many products and services that we may receive from Transacting Parties may provide general benefits to us, our interests in allocating our Funds’ and Separately Managed Accounts’ securities transactional business may conflict with those of a Fund or Separately Managed Account. For example, we may have an incentive, in order to induce brokers and

dealers to provide us with services or benefits to, among other things, cause a Fund or Separately Managed Account to:

- pay higher commissions and other compensation than it would otherwise pay broker-dealers that do not provide soft dollar services or products;
- place more trades than would be optimal for a Fund's or Separately Managed Account's investment strategy;
- use broker-dealers that do not obtain for a Fund or Separately Managed Account the best possible price on portfolio transactions; and
- use (and pay) broker-dealers in effect to act as intermediaries with other broker-dealers who actually execute transactions.

The extent of the conflicts of interest arising out of the use of soft dollars depends in large part on the nature and uses of the services and products acquired with soft dollars. We may or may not use other clients' soft dollars to pay for services and products a Fund or Separately Managed Account pays for and, if we do, that use may not be in proportion to account size, transaction volume, or uses of those services and products.

"Safe Harbor" under Section 28(e). A federal statute, Section 28(e) of the Securities Exchange Act of 1934, as amended, recognizes the potential conflict of interest involved in the use by an investment manager (such as HCS) of soft dollars generated by securities transactions to pay for various expenses but provides a "safe harbor" from breach of fiduciary duty claims if certain conditions and requirements are met. Under the Section 28(e) safe harbor, soft dollars may be used to acquire "research" and "brokerage" services and products for which a Fund or Separately Managed Account would not otherwise be required to pay. Services or products generally constitute "research" under Section 28(e) if they constitute advice, analyses or reports any of which express reasoning or knowledge as to the value of or investing in or trading securities, or as to issuers, industries, economic factors and trends, portfolio strategy or performance, but only to the extent we use them for lawful and appropriate assistance in making investment decisions for a Fund or a Separately Managed Account client. "Brokerage" services and products are those used to effect portfolio transactions or for functions that are incidental to effecting those transactions (such as clearance, settlement or short-term custody related to effecting clearing or settling transactions) or regulatorily required in connection with transactions. Using soft dollars to pay for services and products other than research and brokerage is not protected by the safe harbor, but does not necessarily constitute a violation of any law or fiduciary duty. Similarly, use of non-commission soft dollars or otherwise failing to satisfy procedural elements of the Section 28(e) safe harbor are not protected but are not necessarily prohibited. Nevertheless, we generally intend to use soft dollars (including markups and markdowns on principal transactions where protected) for purposes, and in ways, that satisfy the requirements of the Section 28(e) "safe harbor."

Research and Brokerage. The types of "research" we may receive from Transacting Parties include: reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial and industry publications; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; analytical software; proxy analysis services and systems (to the extent used to assist in making investment decisions), quotation services; and other products or services that may enhance our investment decision-making. "Brokerage" services and products (beyond typical execution services) include: computer

systems and facilities (including hardware) used for such things as communicating orders and settlement related information electronically to executing Transacting Parties and the Fund's prime broker, post-trade matching of trade information, communicating allocation instructions, and other clearance and settlement functions. We may use Fund soft dollars for "mixed use" products and services—products and services that are used in part for research or brokerage purposes and in part for other purposes. Even where our use of soft dollars to acquire research and brokerage services and products is protected by Section 28(e), we will have a conflict of interest in connection with that use because we might otherwise have to pay cash for those services and products and we may have an incentive to use Transacting Parties who provide those services and products more than we otherwise would.

Procedures. Transacting Parties from which we obtain soft dollar service or products generally establish "credits" based on past transactional business (including markups and markdowns on principal transactions), which may be used to pay or reimburse us for specified expenses. In some cases the process is less formal, and a Transacting Party simply may suggest a level of future business that would fully compensate the Transacting Party for services or products it provides. A Fund's or Separately Managed Account's actual transactional business with a Transacting Party may be less than the suggested level but can—and often will—exceed that level, and credits established may exceed the amounts used to acquire services and products. This may be in part because the Fund's or Separately Managed Account's investment activities generate aggregate commissions in excess of the levels of future business suggested by all Transacting Parties who provide services and products. And it may be in part because those Transacting Parties may also provide superior execution and may therefore be most appropriate for particular transactions. We may ask a Transacting Party who is executing a transaction for several accounts managed by us to "step out" of a portion of the transaction in favor of a Transacting Party who has provided or is willing to provide products or services for soft dollars. That is, the executing Transacting Party will allow a portion of the overall commissions or other compensation to be paid to the soft-dollar Transacting Party. This assists us in acquiring products and services with soft dollars while providing the benefits of aggregated transactions (as described in more detail below).

Cross- and Agency Cross Transactions

We may (but generally do not and are not obligated to) cause our Funds and Separately Managed Accounts to effect "cross" transactions (i.e., buy and sell securities from and to each other), subject to applicable law or regulation. We may do so if we believe that the cross transaction will be beneficial to both parties. In addition, JMP Securities (or other affiliate of ours) may engage in "agency cross transactions" (as defined in regulations under the Investment Advisers Act of 1940, as amended, and the California Code of Regulations; "Agency Cross Transactions") in which JMP Securities or such other affiliate acts as a broker for both the Fund or Separately Managed Account and another person on the other side of the transaction. JMP Securities may receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to such transactions.

Aggregation of Orders

We may (but are not required to) combine orders on behalf of a Fund or Separately Managed Account with orders for other accounts for which we have trading authority, or in which we have an economic interest. When we do so, we will allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. We believe combining orders in this way will, over time, be advantageous to all participants. However, the average

price could be less advantageous to a particular Fund or Separately Managed Account than if that Fund or Separately Managed Account had been the only account effecting the transaction or had completed its transaction before the other participants. Because we may also have an interest in particular Funds, there may be circumstances in which a Fund's transactions may not, under certain laws and regulations, be combined with those of some of ours and our affiliates' other clients, and that Fund may obtain less advantageous execution than those other clients.

Directed Brokerage; Prime Brokerage

We do not have any "directed brokerage" arrangements with our Funds. Instead, each Fund obtains custodial, clearing and related services through what is known as a "prime brokerage" arrangement. By using brokerage firms for these functions the Fund avoids paying custodial fees that banks charge other institutional investors. Prime brokers are compensated through brokerage commissions, interest on credit balances, margin borrowings, and stock loans. A Fund might be thought of as "directing" us to place transactions with a prime broker in order to pay for the custodial, clearing and related services the Fund obtains from the prime broker.

A prime broker may provide services to us and/or our affiliates, distinct from the custodial, lending and related services the prime broker provides a Fund and other clients. These services may include, among other things, information technology, website hosting, portfolio management software license and support service, consulting services with respect to various aspects of our business and introducing us to prospective advisory clients and prospective investors in the Fund and other investment funds we manage. They may be provided at lower than the market price for similar services or for no charge. A prime broker may also enter into financial transactions with us or our affiliates, and these transactions may be on terms more favorable than the terms available with other counterparties. These transactions might include lending money to us or our affiliates or investing in funds managed by us. To the extent we or our affiliates receive services from a prime broker at lower than market prices, or enter into transactions on terms better than terms available in the market, or collect fees from investments by a prime broker into our Funds, because we are responsible for selecting the prime broker or negotiating the rates of compensation paid to the prime broker by our Funds, conflicts may exist between our interests and those of our Funds'. We may have an incentive to cause a Fund to accept less favorable pricing for prime brokerage services (including interest and similar charges on margin borrowings and short positions) than might be available otherwise or to continue to use a prime broker when a Fund would not otherwise do so. We believe the compensation a Fund pays the prime broker is reasonable and competitive with rates charged by other prime brokers for services of comparable quality.

ITEM 13: REVIEW OF ACCOUNTS

Our Funds' and Separately Managed Accounts' portfolios are generally reviewed with regard to positions held, risk, exposure on a daily basis by our portfolio managers, traders, operations and the Chief Operating Officer.

We do not provide formal reports to the Funds, as we are their sole general partner or investment manager. Each Fund prepares annual financial statements that it causes to be audited by an independent certified public accounting firm and provides those statements to its investors and, in the case of our company Funds, those Funds' board of directors. Our Funds also provide periodic unaudited financial

reports to their investors. Our pass-through Funds provide also investors with Forms K-1 or other appropriate information to enable their investors to prepare their income tax returns.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

We may compensate independent third parties, as well as our broker-dealer affiliates (including JMP Securities), for client and investor referrals. Our compensation arrangements for referrals generally require us to pay a portion of the advisory and incentive fees, incentive allocations or other compensation that we receive over specified periods from clients or investors referred to us. All of our arrangements are structured so as to comply with the requirements of Rule 206(4)- 3.

ITEM 15: CUSTODY

Under the SEC's custody rules, as to those Funds for which we serve as general partner or managing member, we are considered to have "custody" of those Funds' assets, even though an independent custodian actually holds those assets. The SEC's rules generally require SEC-registered investment advisers that have custody of their clients' assets to cause certain account statements detailing holdings and transactions to be sent to clients and impose certain other obligations. However, advisers to investment funds like the Funds need not comply with those requirements if, among other things, the Funds provide investors with audited financial statements by a specified time each year and those financial statements meet certain requirements. We satisfy those conditions and therefore are not subject to reporting and other obligations.

ITEM 16: INVESTMENT DISCRETION

Our agreements with our Funds generally grant us complete discretion to manage the Funds' investment portfolios, without any specific limitations. Our Separately Managed Account clients may negotiate investment restrictions relevant to their specific circumstances. See the description above in "Advisory Business" and "Methods of Analysis, Investment Strategies and Risk of Loss."

ITEM 17: VOTING CLIENT SECURITIES

Our guidelines generally provide that proxies be voted in accordance with management recommendations. However, our portfolio managers have discretion to deviate from such guidelines. If the relevant portfolio manager determines that it is appropriate to exercise voting rights differently in a particular instance, the portfolio manager will make a determination as to how to vote that proxy.

Conflicts of Interest

We recognize that, in certain circumstances, we may face conflicts of interest in making decisions as to how proxies should be voted. These circumstances include proxy solicitations by issuers with whom we or its affiliates, including JMP Group (or any of its subsidiaries), or our individual portfolio managers, have material business relationships.

Our Chief Compliance Officer generally monitors the potential for conflicts of interest with respect to proxy voting, particularly with respect to proxies: (i) for issuers in which we, our Funds or our Separately Managed Accounts are deemed to have "beneficial ownership" that exceeds 5% and that is reportable

under Section 13 of the Exchange Act of 1934, as amended; and (ii) for issuers involved in transactions where JMP Group (or any of its subsidiaries) is known to be acting as a financial adviser or other financial intermediary, or to have other material business relationships.

If a conflict of interest with respect to a proxy vote is identified, we will not vote the proxy until it has been determined that the conflict of interest is not material, or we take appropriate steps to resolve the conflict of interest. Our Chief Compliance Officer will determine whether a conflict of interest is material. Materiality determinations will be based on an assessment of the particular facts and circumstances.

If our Chief Compliance Officer determines that a conflict of interest is material, one or more methods may be used to resolve the conflict, including:

- Causing the proxies to be “echo voted” or “mirror voted” in the same proportion as the votes of other proxy holders;
- Causing the proxies to be voted in accordance with the recommendations of an independent service provider that we may use to assist it in voting proxies;
- Disclosing the conflict to the client and obtaining the client’s consent before voting; or
- Such other method as is deemed appropriate under the circumstances, given the nature of the conflict

Our Chief Compliance Officer maintains a written record of the method used to resolve all material conflicts of interest arising with respect to proxy votes.

Clients may obtain a copy of our proxy voting policies and procedures, as well as relevant proxy voting records, by making a written request to us at the address given on the cover page of this brochure.

ITEM 18: FINANCIAL INFORMATION

We do not charge or solicit pre-payment of more than \$1,200 in fees per client six or months in advance. We have never filed for bankruptcy and are not aware of any financial conditions that are reasonably likely to impair our ability to meet our contractual obligations to clients.