

Item 1- Cover Page



2301 Rosecrans Ave. Suite 4195

El Segundo, CA 90245

[www.kwkmgmt.com](http://www.kwkmgmt.com)

(310) 536-8560 Main

(310) 536-8677 Fax

[info@kwkmgmt.com](mailto:info@kwkmgmt.com) E-mail

## Disclosure Brochure

March 29, 2011

This Brochure provides information about the qualifications and business practices of KWK Management, LLC. If you have any questions about the contents of this Brochure, please contact us at (310) 536-8560 or at [info@kwkmgmt.com](mailto:info@kwkmgmt.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

KWK Management, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about KWK Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2- Material Changes

On July 28, 2010, the United State Securities and Exchange Commission (“SEC”) published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 29, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Carol Weiss, Chief Compliance Officer, at (310) 536-8676 or [carol.weiss@kwkmgmt.com](mailto:carol.weiss@kwkmgmt.com). Our Brochure is also available on our web site free of charge.

Additional information about KWK Management, LLC is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with KWK Management, LLC who are registered, or are required to be registered, as investment adviser representatives of KWK Management, LLC.

### Item 3-Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 - Table of Contents.....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation.....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	3
Item 7 – Types of Clients .....	3
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	4
Item 9 – Disciplinary Information.....	8
Item 10 – Other Financial Industry Activities and Affiliations .....	9
Item 11 – Code of Ethics .....	11
Item 12 – Brokerage Practices .....	13
Item 13 – Review of Accounts .....	15
Item 14 – Client Referrals and Other Compensation .....	15
Item 15 – Custody.....	16
Item 16 – Investment Discretion .....	16
Item 17 – Voting Client Securities .....	17
Item 18 – Financial Information .....	17
Item 19 – Requirements for State-Registered Advisors.....	17

## **Item 4 - Advisory Business**

### **A. Advisory Firm**

KWK Management, LLC (“the Firm” or “Adviser”) is a private investment management company located in El Segundo, California. The Firm was founded by Kurtis W. Kupiec in August 1995 as a Delaware limited liability company and has been registered with the SEC since December 2005.

### **B. Specialization**

The Firm generally provides investment advice on a wide variety of U.S. and foreign investment products, including publicly traded and privately placed securities, but does not hold itself out as specializing in any particular type of investment advisory service.

### **C. Advisory Services**

The Firm manages private investment funds open to accredited domestic and offshore clients with long term investment objectives. Investors include high net worth individuals, family offices, endowments and foundations.

The Firm has organized and serves as the investment manager, always in the capacity of discretionary investment adviser, and the general partner, managing member or management shareholder, as applicable, to five private investment funds (each, a “Fund”; collectively, the “Funds”):

- KWK Partners, LP
- KWK Partners Offshore Fund, Ltd
- KWK Opportunity Fund, LP
- Coastview Equity Partners, LP
- Bankers Advisory Fund, LLC

KWK Partners Offshore, Ltd. is an offshore feeder fund to KWK Partners, L.P.; it invests solely in KWK Partners L.P.

The Firm intends to manage each Fund pursuant to the investment strategy described in the confidential offering memorandum of the Fund (the “Memorandum”). Under the investment management agreement with each Fund, Adviser has wide latitude to act upon any investment strategy to achieve the investment objective of the Fund without obtaining the consent of Fund investors. Prospective investors should carefully read the Fund’s Memorandum and consult with their own counsel and advisers as to all matters concerning an investment in the Fund.

#### **D. Wrap Fee Program**

Not applicable.

#### **E. Assets under Management (as of 12/31/2010)**

Discretionary: \$155,669,000

Non-Discretionary: \$0

### **Item 5 - Fees and Compensation**

#### **A. Types of Fees**

Adviser charges an annual management fee to each Fund of 1 to 2% of each Fund investor's capital account, paid monthly in arrears. Adviser, in its discretion, may waive or reduce the management fee as to all or any of the investors in a Fund (including a feeder fund) or agree with an investor to waive or reduce the management fee as to that investor.

Adviser generally receives from each Fund a monthly performance-based fee or allocation ("Performance Allocation") of 20% of the net capital appreciation (i.e., capital appreciation less capital depreciation and any accumulated net capital depreciation) of each investor's capital account subject to a traditional "high-water mark." Adviser, in its discretion, may waive all or a portion of an investor's Performance Allocation, or may agree to other changes in an investor's Performance Allocation. Investors in a feeder fund will not be charged an additional Performance Allocation.

***NOTE: Investors should refer to each Fund's Offering Memorandum, Subscription Agreements and other offering documents for additional/supplementary information regarding the Funds as well as the fees and expenses paid by the Funds. KWK Management, LLC reserves the right to negotiate fees and investment minimums.***

#### **B. Payment Method**

The management fee will be paid by each Fund by deduction from each investor's account in the Fund on the last business day of the month. The Performance Allocation is also made by deduction from each investor's account in a Fund on the last business day of the month for each month in which Performance Allocation is earned.

#### **C. Costs and Expenses**

The Funds bear all operation expenses, including management fees, expenses incurred in the purchase and sale of investments (including all fees and commissions of brokers and custodians, all fees and expenses relating to the registration and qualification for sale of such securities and all transfer taxes), legal expenses, and accounting fees, as determined

by the General Partner. For additional information regarding brokerage and execution fees, see Item 12 below.

#### **D. Refunds**

Not applicable.

#### **E. Sales Compensation**

Adviser will not receive sales commissions in connection with sales of interests in a Fund.

### **Item 6 - Performance-Based Fees and Side-By-Side Management**

Fees based on performance will only be charged in accordance with the provisions of Rule 205-3 under the Investment Advisers Act of 1940 as amended (the “Investment Advisers Act”). Performance Allocations may create an incentive for Adviser to cause a Fund to make investments that are riskier than it would otherwise make. In addition, since Adviser’s Performance Allocation is calculated on a basis which includes unrealized appreciation of the assets held by the Fund, it may be greater than if such compensation were based solely on realized gains.

In the event that some Funds to which Adviser provides investment advisory services are charged Performance Allocations but not others, a conflict may arise where Adviser has an incentive to treat some Funds preferentially as compared to others because those Funds pay Performance Allocations or because Adviser or one of its portfolio managers or affiliates has an interest in the Fund. Adviser has adopted a policy to allocate portfolio transactions and investment opportunities across multiple Funds in accordance with their respective investment strategies on a fair and equitable basis over time. All eligible Funds that can participate in a transaction share the same price on a pro rata allocation basis in an attempt to mitigate any conflict of interest. Investment opportunities are allocated among Funds with similar investment strategies to maintain consistency of portfolio strategy, taking into account cash availability, investment restrictions and guidelines, and portfolio composition.

### **Item 7 - Types of Clients**

Adviser’s clients are private Investment Funds organized by Adviser. Investors in the Funds include a wide variety of persons and entities such as:

- Qualified Individuals
- Pension and profit-sharing plans
- Trusts, estates, foundations/endowments and other charitable organizations
- Corporations and business entities other than those listed

The Firm restricts the number of investors and offers the interests in the Funds only through non-public transactions in order to maintain the Fund's exclusion from "investment company" status under the Investment Company Act of 1940, as amended.

Subscriptions for Fund interests will generally be accepted only from "accredited investors" (as defined in Regulation D under the Securities Act of 1933, as amended) and "qualified clients" (as defined in Rule 205-3 under the Investment Advisers Act) who are eligible to enter into a performance fee arrangement under the Investment Advisers Act, as applicable. In addition, investors must provide their level of sophistication as investors and ability to bear the risk of loss of their entire investment. The Firm may waive all or part of any admission standard within its sole discretion. The minimum subscription varies by fund but is generally at least \$250,000. However, Adviser may, in its sole discretion, waive or increase the minimum subscription requirement for any investor. Qualified prospective investors should carefully read the Fund's offering memorandum (the "Memorandum") and related documents. Prospective investors should consult with their own counsel or advisors to determine if an investment in the Funds is suitable.

## **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

### **A. Methods of Analysis and Investment Strategies**

The Firm has organized the Funds and serves as investment manager, always in the capacity of discretionary investment adviser, and general partner, managing member or management shareholder, as applicable, to each Fund. Each Fund has unique methods of analysis, strategies and risks, which are described in detail in the Fund's Memorandum.

In general, the Firm's main sources of information include:

- Regional, National and Global news sources,
- Financial news sources,
- Inspections of corporate activities,
- Research materials prepared by others,
- Annual reports, prospectuses and filings with the U.S. Securities and Exchange Commission,
- Company press releases,
- Congressional committee, and subcommittee hearings,
- And any other publicly released information or private non-insider discussions.

Value is attributed to specific securities based on a wide range of judgments including the estimate of unknowable future outcomes. In general, analysis methods can include:

- Fundamental analysis,
- Technical analysis,
- Cyclical reviews,
- Relative value,

- Reverse engineered value, or
- Discount of possible future cash flows.

There is no limit to investment strategies Adviser may utilize under the investment management agreements of the Funds. However, each Fund's Memorandum outlines the investment strategy, and any limits thereon, to be used in that Fund. Examples of investment strategies of the Funds include:

- KWK Partners, L.P. seeks a high level of total return, consistent with preservation of capital and prudent investment management, in a wide range of interest rate environments. The Fund invests primarily in short to intermediate duration mortgage-backed securities issued by government sponsored enterprises, including mortgage pass-through certificates and collateralized mortgage obligations
- KWK Opportunity Fund, LP seeks a high level of absolute return consistent with preservation of capital. The Fund directly invests a portion of its assets and implements additional non-correlated financial strategies through investment in other privately offered investment funds and Adviser may also engage other investment managers to directly invest portions of the Fund's asset.
- Coastview Equity Partners, LP seeks appreciation through an event-driven, relative-value investment approach that Adviser believes is less correlated to the movements of equity markets and less volatile than traditional long-equity or long-short equity investment approaches. The Fund may utilize arbitrage/hedging techniques designed to reduce certain risks associated with the Fund's portfolio.
- Bankers Advisory Fund, LLC seeks to generate high current income consistent with the preservation of capital liquidity in a wide range of interest rate environments. The Fund invests primarily in seasoned collateralized mortgage obligations and investment grade fixed income products.

In addition to the investment strategies discussed above, Adviser may seek to add value utilizing the following additional strategies:

- 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,
- Futures and options on futures transactions, derivative instruments, swap agreements, foreign securities, foreign currency transactions, and
- Hedging techniques designed to reduce certain risks.

***Note: All investments involve the risk of loss, including (among other things) loss of principal, a reduction in earnings (including interest, dividends and other distributions), and the loss of future earnings. These risks include market risk, interest rate risk, issuer risk, and general economic risk. Although we manage the assets in a manner consistent with risk tolerances, there can be no guarantee that our efforts will be successful. The investor should be prepared to bear the risk of loss.***

## **B. Investment Strategy Risks**

Each Fund's Memorandum describes the risk considerations determined to be of most significance to the Fund. Examples of such risks include:

- *Portfolio Management.* The performance of a client account depends on the skill of Adviser and its portfolio manager(s) in making appropriate investment decisions.
- *Concentration.* The Funds may hold a relatively small number of securities. Losses incurred in such securities could have a disproportionate effect on a Fund's overall financial condition.
- *Market Risk.* The prices of investments held by the Funds can be highly volatile. Price movements of forward contracts, futures contracts and other derivative contracts in which a Fund may invest 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.
- *Interest Rate Risk.* The value of a Fund's fixed securities will fluctuate with changes in interest rates. Generally, fixed income securities decrease in value if interest rates rise and increase in value if interest rates fall, with lower rated securities more volatile than higher rated securities. Generally, the longer a Fund's average portfolio maturity, the greater the value fluctuation.
- *Prepayment Rate Risk.* Many mortgage-backed securities may be prepaid prior to maturity. During periods of falling interest rates, prepayments may accelerate, which may require a Fund to reinvest the proceeds at a lower interest rate.
- *Liquidity Risk.* Because withdrawal rights in the Fund are subject to limitations and interests in a Fund are not readily tradable, an investment in the Fund is a relatively illiquid investment. An investment in a Fund should be considered only by persons who do not anticipate any short term need for their funds.
- *Credit Risk.* There is a risk that the issuer of a fixed income security held by a Fund will be unable to make interest or principal payments on time.

- *Regulatory Risk.* Governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments and interest rate-related futures and options. Such intervention often is intended directly to influence prices and could affect the investments of the Funds.
- *Other Risks Associated with using Leverage.* The use of leverage by buying securities on margin or use of certain derivatives is a speculative technique that involves special risk considerations. Interest costs on borrowings may fluctuate with changing market rates of interest and may partially offset or exceed the return earned on borrowed funds. Interest on borrowings will be an expense of a client account and will affect the investment performance of the account. To the extent a Fund is leveraged, the value of its assets will tend to increase more when its portfolio securities increase in value, and to decrease more when its portfolio securities decrease in value, than if its assets were not leveraged.
- *The Effect of Substantial Withdrawals.* Substantial withdrawals by Fund investors within a short period of time could require a Fund to liquidate securities positions more rapidly than would otherwise be desirable, possibly reducing the value of the Fund's assets and disrupting its investment strategy. Reduction in the size of the Fund could make it more difficult to generate a positive return or to recoup losses.
- *Portfolio Turnover.* Buying and selling securities generally involves some expense to the Funds, such as commissions and other transaction costs. Generally, the higher a Fund's portfolio turnover, the greater its brokerage costs and the greater the likelihood that it will realize taxable capital gains. Increased brokerage costs may adversely affect a Fund's performance.

While the investment objective, strategies, and risks of each Fund will be outlined in its Memorandum and related charter documents, there can be no assurance that the investment objective of the Funds as stated in their Memorandum will be achieved. An investment in each Fund is subject to varied and significant risks.

### **C. Portfolio Investment Risks**

Adviser generally provides investment advice on a wide variety of U.S. and foreign investment products, including publicly traded and privately placed securities, but does not invest in any particular type of investment product. Some of the risks specific to the types of investments in which the Funds may invest may include (but are not limited to):

- *Investment in Portfolio Funds.* Various risks are associated with investing in other investment funds (including other hedge funds) ("Portfolio Funds"), and the investment strategies and tactics that Portfolio Funds may use. Portfolio Funds may provide Adviser with very limited information with respect to its operations and performance, thereby severely limiting Adviser's ability to (i) verify any representation made by such fund, (ii) monitor any investment strategy being

employed by such fund, or (iii) detect any misconduct or fraud engaged in by such fund. To the extent that Adviser invests Fund assets in a Portfolio Fund that restricts the ability of investors to effect withdrawals, Adviser may not be able to withdraw Fund assets invested in such Portfolio Fund promptly after it has made a decision to do so, which may result in a loss to Fund investors. To the extent a Portfolio Fund is permitted to distribute securities in kind to investors making withdrawals, upon withdrawal of all or a portion of Fund assets invested in such fund, the Fund may receive securities that are illiquid or difficult to value.

- *Equity Securities.* By investing in stocks, Adviser may expose the Funds to a sudden decline in the share price or to an overall decline in the stock market. The value of investments held in a Fund's portfolio will fluctuate daily and cyclically based on changes in the issuer's financial condition and prospects and on overall market and economic conditions.
- *Fixed Income Securities.* The prices of fixed income securities respond to economic developments, particularly interest rate changes, as well as to perceptions of an issuer's creditworthiness. The duration of these securities affects risk as well, with longer term securities generally more volatile than shorter term securities. See "Interest Rate Risk" and "Credit Risk" above.
- *Derivatives.* Derivatives involve the risks separate from the risks of the underlying instrument, including improper valuation and ambiguous documentation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying instrument. Derivatives are also subject to other risks, such as the risk of an illiquid secondary market which may result in significant, rapid, and unpredictable changes in the prices for such derivatives, risks relating to the financial soundness and credit worthiness of the counterparty, and the risk of the failure of any of the exchanges on which a client account's positions trade or of their clearinghouses. The use of a derivative is speculative if Adviser is primarily seeking to enhance returns, rather than offset the risk of other positions. When Adviser invests Fund assets in derivatives for speculative purposes, the Fund will be fully exposed to the risks of loss of that derivative, which may sometimes be greater than the cost of the derivative.

#### Item 9 - Disciplinary Information

Not applicable.

## Item 10 - Other Financial Industry Activities and Affiliations

### A. Registration as a Broker-Dealer or Registered Representative

Kurtis Kupiec, founder, Partner, and President of Adviser, is also a founder, senior principal, and member of Shoreline Trading Group LLC, which is registered as a broker-dealer with the SEC, FINRA and various states (“Shoreline” or “Affiliated BD”).

Kraig Kupiec, Partner and CFO of Adviser, is also a founder, principal and member of Shoreline.

Douglas Brown, Partner and Portfolio Manager of Adviser, is also a registered representative of Shoreline.

### B. Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Pool Trading Adviser or Associated Person

Not applicable

### C. Material Relationships with Affiliates

#### *1. broker-dealer, municipal securities dealer, or government securities dealer or broker*

The Affiliated BD has arrangements with Adviser to provide the Funds with access to products, services and/or rates that Adviser and the Funds might not otherwise achieve on their own. However, the relationship between Adviser and the Affiliated BD creates a conflict of interest in that Adviser and Portfolio Manager have an incentive to direct a disproportionate part of the Funds’ brokerage business to the Affiliated BD. Adviser has determined in good faith with respect to each individual Fund that it is in the Fund’s best interest to direct such transactions to the Affiliated BD and that the cost structure to the Fund is reasonable in relation to the value of benefits provided, viewed in terms of either the specific transaction or Adviser’s overall responsibilities to the Fund. Adviser believes that any brokerage commissions paid to the Affiliated BD are among the lowest available consistent with the size and nature of its transactions and best execution.

#### *2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)*

See Item 7 above. Investors in a Fund must understand that each Fund was formed as an investment product to be managed by Adviser, and that Adviser does not intend to cause any Fund to terminate its investment management relationship with Adviser absent Adviser’s liquidation or bankruptcy. However, investors in each Fund have the right to withdraw from the Fund at any time subject to any notice requirement, lock-up period, or other withdrawal limitations described in the Fund’s Memorandum.

In addition, neither Adviser nor its related persons are obligated to allocate any specific amount of time or investment opportunities to a particular Fund. Adviser and its related persons intend to devote as much time as they deem necessary for the conduct of each Fund's operation and portfolio management, and will allocate investment opportunities in accordance with Adviser's trade allocation policy described in Item 6 above.

*3. other investment adviser or financial planner*

Not applicable.

*4. futures commission merchant, commodity pool operator, or commodity trading adviser*

Not applicable.

*5. banking or thrift institution*

Not applicable.

*6. accountant or accounting firm*

Not applicable.

*7. lawyer or law firm*

Not applicable.

*8. insurance company or agency*

Not applicable.

*9. pension consultant*

Not applicable.

*10. real estate broker or dealer*

Not applicable.

*11. sponsor or syndicator of limited partnerships*

Adviser is the general partner, managing member or management shareholder of each Fund that Adviser manages. See Item 4(C) above.

## **D. Recommendation of Other Investment Advisers**

Not applicable.

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **A. Code of Ethics**

Adviser has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance and reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Adviser must acknowledge the terms of the Code of Ethics annually, or as amended.

### **B. Participation or Interest in Client Transactions**

The Partners of Advisers are affiliated with the Affiliated BD. See Item 10. The Partners will benefit from the normal and customary fees or mark-ups earned by the Affiliated BD on transactions directed to it. Subject to the Affiliated BD's obligation to provide best execution, Adviser expects to execute substantially all of the Funds' portfolio transactions through the Affiliated BD. Each Fund is governed by an organization document and Memorandum which outline the terms, conditions, and conflicts related to the relationship between the Affiliated BD and that Fund. Adviser has no obligation to effect any particular volume of transactions through the Affiliated BD and believes that the use of such broker-dealer is appropriate.

In addition to the foregoing, the Affiliated BD may conduct principal transactions with the Funds, and Adviser may conduct agency cross trades with the Funds, in each case in accordance with the governing documents of the Funds, applicable regulatory requirements and subject to and consistent with best customer-dealer execution.

Kurtis Kupiec, founder, Partner, and President of Adviser, is also a minority owner and member of Panoptic Fund Administration LLC ("Panoptic"). Kraig Kupiec, Partner and CFO of Adviser, is also a minority owner and member of Panoptic. Other entirely third-party service providers are utilized for certain review processes.

### **C. Personal Trading**

Adviser recognizes that the personal investment transactions of its members and employees demand the application of a high code of ethics, and Adviser will requires that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, Adviser believes that if investment goals are similar for clients and

for members or employees of Adviser, it is logical and even desirable that there be a common ownership of some securities.

Adviser's Code of Ethics includes personal trading and insider trading policies with respect to transactions effected by Adviser's officers, members and employees (hereafter, "Employees") for their "personal accounts." (For purposes of the policy, an Employee's "personal account" generally includes any account (a) in the name of the Employee, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which the Employee is a trustee or executor, or (c) which the Employee controls, including Adviser's client accounts which the Employee controls and in which the Employee or a member of his/her household has a direct or indirect beneficial interest).

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Adviser will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain securities may be designated as restricted securities, based upon a determination that these would materially interfere with the best interest of Adviser's clients. In addition, the Code requires pre-clearance of certain transactions. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Adviser and its clients.

To request a copy of the firm's Code of Ethics, please contact Carol Weiss at (310) 536-8676 or [carol.weiss@kwkmgmt.com](mailto:carol.weiss@kwkmgmt.com).

#### **D. Concurrent Trading Activity**

Transactions for each Fund generally will be effected independently from other Funds. However, there will be occasions when transactions to purchase or sell the same security may be effected at the same time for numerous Funds, some of which may have similar investment objectives. Adviser may (but is not obligated to) combine or "batch" such orders. When combined orders occur, Adviser will seek to allocate the execution in a manner that is deemed equitable to the accounts involved. Generally, transactions will be averaged as to price and transaction costs and thereafter will be allocated among the Funds involved in proportion to the purchase and sale orders placed for each Fund on any given day. If Adviser cannot obtain execution of all the combined orders at prices or for transaction costs that Adviser believes are desirable, Adviser will allocate the securities Adviser has purchased or sold as part of the combined orders by following Adviser's trade allocation procedures.

## Item 12 - Brokerage Practices

### A. Selection of Broker-Dealers

#### *Execution Quality*

Adviser will generally seek best execution in light of the circumstances involved in securities transactions. During the last fiscal year, Adviser considered a number of factors in selecting a broker for any securities transactions, including (but not limited to):

- depth and commitment to the market
- market expertise
- operational efficiency
- quality of service
- price

Adviser will not obligate itself to obtain the lowest commission or best net price for an account on any particular transaction.

#### *Research and Other Soft Dollars*

In addition to execution quality, Adviser may consider the value of various products and services a broker-dealer may provide. Selecting a broker-dealer in recognition of services or products other than simply transaction execution is known as paying for those services and products with “soft dollars.” Because many of those services could be considered to provide some benefit to Adviser and because the “soft dollars” used to acquire them will be assets of Adviser’s clients, Adviser could be considered to have a conflict of interest in allocating client brokerage business. In other words, Adviser could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction commission charged by that broker or dealer might not be the lowest commission Adviser might otherwise be able to negotiate. In addition, Adviser could also have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage commission with which to acquire products and services.

During the last fiscal year, the “research” products and services provided to Adviser included the following:

- Research reports on or other information about particular companies or industries
- Economic surveys and analyses
- Recommendations as to specific securities
- Financial publications
- Portfolio evaluation services
- Financial database software and services
- Computerized news

- Pricing and order-entry services
- Quotation equipment
- Other products or services that may enhance Adviser's investment decision making responsibilities

Adviser will make decisions involving "soft dollars" in a manner that satisfies the requirements of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934. That is, Adviser will generally determine, considering all appropriate factors (including those described here), that the commissions paid are reasonable in relation to the value of all the brokerage and research products and services provided by the broker-dealer. In making that determination, Adviser may consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services in Adviser's performance of its overall investment responsibilities to all of its clients. In some cases, the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge. Additionally, in some cases, a client's transaction may be executed by a broker in recognition of services or products that are not used in managing that client's account.

Where a particular service or product that a broker or dealer is willing to provide for soft dollars has not only a "research" application, but it is also useful to Adviser for non-"research" purposes, Adviser may allocate the cost of the product or service between its "research" and non-"research" uses and pay only the "research" portion with soft dollars. Adviser's interest in making such an allocation may differ from clients' interests in that Adviser has an incentive to designate as great a portion of the cost as "research" as possible in order to permit payment with soft dollars.

### ***Brokerage for Client Referrals***

Subject to applicable law and regulation, in selecting brokers for any securities transactions, Adviser may direct a portion of a client's brokerage business to brokers who introduce the client to Adviser. Because referrals could benefit Adviser, selecting a broker based on client referrals may give rise to a conflict of interest in allocating client brokerage business. Adviser will not allocate client brokerage business to a referring broker unless Adviser determines in good faith that the commissions and transaction costs payable to such broker are not materially higher than those available from other non-referring brokers offering services of similar execution quality.

### ***Directed Brokerage***

Not applicable

## **B. Aggregation of Orders**

See Item 11(B) above.

## **Item 13 - Review of Accounts**

### **A. Periodic Account Review**

Adviser monitors transaction results as orders are executed to evaluate the quality of execution provided by the various brokers and dealers it uses, to determine that compensation rates are competitive and otherwise to evaluate the reasonableness of the compensation paid to those brokers and dealers in light of all the factors described above.

Adviser will assign appropriate personnel to ensure investment activity is correctly reflected in the books and records of the client and that such activity is within the limitations established in consultation with the client. Accounts are reviewed by the portfolio manager on a daily basis and generally discussed on a daily, weekly and monthly basis regarding various aspects of portfolio management. Administrative reviews and reconciliations are also conducted throughout each month.

### **B. Non-Periodic Account Review**

Not applicable.

### **C. Client Reports**

Fund investors generally receive the following reports:

- Monthly statement stating the performance of the Fund(s) for the month
- Quarterly letters stating the quarterly performance of the Fund(s) for the quarter and investment outlook
- Account statements listing the value of their investments
- An annual K-1, if applicable
- A copy of the annual audited financial statements for each Fund in which they are invested or an annual tax summary for taxable accounts

## **Item 14 - Client Referrals and Other Compensation**

### **A. Compensation by Non-Clients**

Not applicable.

## **B. Compensation for Client Referrals.**

On occasion placement agents, solicitors, brokers and representatives of Adviser (“agents”) introduce prospective investors to the Funds managed by Adviser. As compensation for those introductions, an agent may be paid a portion of the fees earned by Adviser on assets in the Fund held by investors the agent has introduced to the Fund, including a portion of the Performance Allocation. Such compensation may range from 0% to 100% of the advisory fees earned by Adviser and is determined on a case by case basis. All such compensation is paid by Adviser and not by the Fund or its investors.

In such cases Adviser will comply with the other applicable requirements under Rule 206(4)-3 under the Investment Advisers Act. In particular, Adviser will: (1) ensure that associated persons provide clients with a current copy of Adviser’s written disclosure statement and the solicitor’s written disclosure document, and (2) furnish to the United States Securities & Exchange Commission a Schedule D of Form ADV and the requisite filing fee for each individual who solicits investment advisory services for Adviser.

### **Item 15 - Custody**

Custody of the assets of the Funds will be maintained with a “qualified custodian” to be selected by Adviser in its exclusive discretion, which selection may change from time to time without consent of investors in the Funds. While Adviser will not maintain physical possession of the funds or securities of any private investment fund, Adviser, as the general partner of the Funds, has authority to direct the qualified custodian to transfer funds and securities in a Fund’s portfolio and pay out the management fees and Performance Allocations.

The qualified custodian will provide at least quarterly account statements directly to our clients. Adviser is audited annually by an independent public accountant registered with the PCAOB (Public Company Accounting Oversight Board) and, as described in Item 13(C) above, audited financial statements are distributed to investors for each Fund in which they are invested (or their independent representatives).

### **Item 16 - Investment Discretion**

Adviser will have discretionary authority to make the following determinations without obtaining the consent of the client before the transactions are effected:

- the securities that are to be bought or sold;
- the total amount of the securities to be bought or sold;
- the brokers through which securities are to be bought or sold; and
- the commission rates on securities transactions for client accounts.

Adviser’s discretionary authority is derived from an express grant of authority under an investment management agreement that Adviser enters into with each Fund and with each

Account client. Adviser's discretionary authority with respect to an Account client may be subject to the client's ability to direct Adviser to effect brokerage business for its Account to a particular broker. See Item 12(A) above.

### **Item 17 - Voting Client Securities**

The Firm votes client securities in the best interest of each client. All proxies from the same issuer are voted the same way for each client unless the client places restrictions on the Firm's voting authority. The Portfolio Managers will review the proxy materials and identify any conflicts of interest. Any material conflicts will be reviewed by senior management and disclosed to affected clients. The conflict will be addressed by:

- Allowing the clients to vote the proxies themselves,
- Voting in a manner consistent with previous voting policy, or
- Obtaining an independent third party recommendation.

Clients may obtain a copy of Adviser's proxy policy and information about how Adviser has voted a client's proxies upon written request to Adviser.

### **Item 18 - Financial Information**

Not applicable.

### **Item 19- Requirements for State-Registered Advisors**

Not applicable.