

## **Hawkins Capital L.P.**

600 Travis Street, Suite 6650  
Houston, TX 77002

March 30, 2012

This brochure provides information about the qualifications and business practices of Hawkins Capital L.P. If you have any questions about the contents of this brochure, please contact us at (713) 395-9000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

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

Additional information about Hawkins Capital L.P. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

Since the last annual amendment which was filed March 2011, the following material changes have occurred:

Avalon Advisors, LLC is no longer an affiliated entity of Hawkins Capital L.P.

As of December 2011, Mr. Hawkins is no longer a principal of Avalon Advisors, LLC.

As of February 2012, the Firm has engaged Stone Coast Fund Services ("Stone Coast") as its fund administrator.

As of March 2012, the Chief Compliance Officer has changed from Russell Hawkins to Beth Robison.

As of March 2012, the Firm has changed its prime broker from Goldman Sachs & Co. ("Goldman Sachs") to Morgan Stanley & Co. LLC ("Morgan Stanley").

As of April 2012, Avalon Advisors, LLC will no longer enact trades for Hawkins Capital L.P.

As of May 2012, the Firm will be located at the address on the cover page. Until May 2012, the Firm's address is 717 Texas Avenue, Suite 3000, Houston, TX 77002.

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## **ADVISORY BUSINESS**

### **Advisory Firm Description**

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

### **Types of Advisory Services**

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

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

### **Tailored Services**

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

### **Assets Under Management**

At December 31, 2011, the Firm had approximately \$1,274,210,812 of discretionary assets under management.

## **FEES AND COMPENSATION**

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

### **Management Fees**

The Firm may charge the Fund a fee for management services rendered by it to the Fund of up to 1.0% per annum. Currently, as of April 1, 2012, the management fee will

accrue monthly in an amount equal to 0.02083% of the total market value of the Fund's net assets attributable to each Limited Partner as of the end of each month (0.25% per annum) and will be paid quarterly, in arrears. The Firm may, in its sole discretion, waive or share, in whole or in part, with another person all or any part of the management fee. In the future, the Firm may charge a management fee to the Fund of up to 1.0% per annum.

The Fund may utilize multiple classes or similar structures pursuant to which the management fees for certain classes are discounted ("Discounted Classes"). Discounted Classes may be available to clients of certain investment advisers or other groups. The Firm does not pay any separate remuneration to these advisers in return for recommending the Fund or investing their clients' assets in the Fund, however, those clients may pay advisory fees to their adviser.

### **Other Fund Fees and Expenses**

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

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

### **Valuation**

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

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

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

### **Withdrawals and Terminations**

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

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

## **PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT**

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

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

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

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

## TYPES OF CLIENTS

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

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

Investors in the Fund include high net worth individuals and institutional investors (meeting the qualifications of those exceptions and exemptions under which the Fund may operate) wishing to invest in accordance with the Fund's investment objective. Investors in the Fund must meet the requirements for "accredited investors" under the Securities Act of 1933, as amended, and will also be required to be "qualified purchasers", as defined for the purposes of Section 3(c)(7) of the 1940 Act.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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

While the Firm seeks to manage the Fund so that risks are appropriate to the return potential for the strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level

of return will be achieved. Investors should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses, including through diversification.

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

### **The Firm's Investment Program**

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

The investment strategies Hawkins Capital uses include the following:

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

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

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

Publicly traded equity securities (principally common stocks and preferred stocks with or without warrants or conversion rights) and debt securities will comprise the majority of securities held in the Fund. The Fund may include public sector debt securities as well as options and other derivative instruments that would be purchased both for hedging and investment purposes. When deemed appropriate, the Fund may also be leveraged to enhance returns or to improve the risk and reward profiles of investments.



## **Risks Associated with the Fund's Investment Program**

### **(a) *General.***

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

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

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

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

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

### **(c) *Short Sales.***

The Fund may sell securities short. Selling securities short runs the risk of losing an amount greater than the amount invested. Theoretically, short selling may be subject to the unlimited risk of loss because there may be no limit on how much the price of a security may appreciate before the short position is closed out. In addition, the supply of securities that can be borrowed fluctuates from time to time. The Fund may be subject to losses if the security lender demands return of the borrowed securities and an

alternative lending source cannot be found or if the Fund is otherwise unable to borrow securities that are necessary to hedge their positions.

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

(d) *Options and other Derivative Investments.*

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

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

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

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

(e) *Risk of Foreign Securities.*

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

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

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

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

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

Since foreign securities often are purchased in currencies of foreign countries, the value of these assets as measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates and exchange control regulations. Some currency exchange costs may be incurred when the Fund changes investments from one country to another. Hawkins Capital may seek to hedge these risks by investing in currencies. In addition, if utilized, there can be no assurance that these strategies will be effective.

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

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

(f) *Debt Securities.*

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

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

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

The Fund may periodically acquire substantial ownership positions that are voting securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (“Exchange Act”). When it acquires more than 5% of the outstanding shares of such securities, it is required to make filings with the SEC, disclosing, among other things, the level of its beneficial ownership and its intent with respect to its holdings. The requirement to make and amend these filings may at times limit the ability of the Fund to react to developments affecting the securities that are the subject of such filings. In addition, to the extent that the Fund is deemed to be a 10% holder of equity securities of

a public company, it will be subject to the short-swing profits disgorgement rules under Section 16(b) of the Exchange Act.

(h) *Illiquid securities.*

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

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

(i) *Lack of Diversification*

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

#### **DISCIPLINARY INFORMATION**

There have been no disciplinary actions against Hawkins Capital or any of its personnel.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Hawkins Capital and Avalon have entered into certain space and cost sharing arrangements whereby the Firm may benefit from the use of facilities and equipment paid for, in part, by Avalon. To the extent practicable, in good faith and pursuant to written arrangements, the Firm will reimburse Avalon for its use of these facilities and equipment. This arrangement will end in May 2012 when Hawkins Capital relocates to the address on the cover page.

Additionally, Avalon formerly served as general partner and investment adviser to the Fund. Investors in the Fund may be clients of Avalon. At times, Avalon may recommend to its clients that they invest in the Fund.

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

### **Code of Ethics**

Personal and proprietary investments by Hawkins Capital and its personnel are limited by a Code of Ethics ("the Code") adopted pursuant to Rule 204A-1 under the Advisers Act, as described below.

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

The Firm's buy or sell programs may extend over a period of months and securities are often held for extended periods of time. From time to time, Hawkins Capital and its related persons may have interests in securities owned by or recommended to the Fund and may buy or sell such securities, to the extent consistent with the Firm's Code. As these situations may represent a potential conflict of interest, Hawkins Capital has implemented procedures relating to personal securities transactions and insider trading that are designed to identify potential conflicts of interest with the Fund, to prevent or mitigate actual conflicts of interest and to resolve such conflicts appropriately if they do occur.

### *Misuse of Nonpublic Information*

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

The Firm's Code also includes a "Policy Statement on Insider Trading" in accordance with Section 204A of the Advisers Act which establishes procedures to prevent the misuse of material nonpublic information by the Firm and its related persons. Among

other things, all personnel must read, sign and adhere to the Firm's policy on insider trading which reflects current securities law, including, but not limited to, the Insider Trading and Securities Fraud Enforcement Act of 1988.

#### *Personal Securities Trading*

The Code generally restricts the purchase and sale by Access Persons for their own accounts of any covered security on the same business day as a transaction in any such security is effected for the Fund. Access Persons also generally may not engage in a personal transaction in a security for which any order for the Fund is pending until such order is executed or withdrawn. All Access Persons are required to notify the Chief Compliance Officer ("CCO") or her designee in order to pre-clear personal securities transactions in initial public offerings ("IPOs") and limited offerings.

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

## **BROKERAGE PRACTICES**

### **Selection of Custodians**

The Firm may select one or more firms to serve as custodian ("Custodian") to hold the funds and securities of the Fund. The Custodian may also serve as the prime broker and may execute transactions on behalf of the Fund, consistent with best execution. The Fund currently uses Morgan Stanley as its prime broker. In addition to custody and execution, a Custodian or prime broker may provide other core functions (such as reporting, clearing, financing, securities lending and Investor service) as well as value added items (such as capital introductions, advanced research and analytics and technology services) to the Fund. The Firm may take advantage of some or all of these services with respect to any Fund it advises. Certain of these services may be outside the soft dollar safe harbor, although none of the above services are currently provided through formal soft dollar agreements.

### **Investment and Brokerage Decisions and Review**

Investment and brokerage decisions for the Fund are made by Mr. Hawkins with assistance from other relevant personnel. At least semi-annually, Hawkins Capital reviews trading practices and activities, including the quality of executions received and commission rates paid by the Fund, in order to determine what changes, if any, should be made in the Firm's brokerage arrangements. The goal of this process is to promote reasonable, good faith judgment to select broker-dealers or other trading venues that will consistently provide quality execution at acceptable cost.

The Firm also may choose which broker effects a particular transaction, and, on occasion, the commission the Fund pays for such trade. The Firm may "trade away" for

specific trades, executing trades through brokers other than the Custodian, in order to gain access to greater inventory or better price or execution.

In placing brokerage, the Firm seeks to

- determine the Fund's trading requirements,
- select appropriate trading methods, venues and agents to execute the trades under the circumstances,
- evaluate market liquidity of each investment and take appropriate steps to mitigate excessive market impact, to the extent practicable,
- maintain confidentiality and proprietary information inherent in the decision to trade and
- review the results of executions on a periodic basis.

The following summarizes the Firm's policies with respect to its exercise of investment and brokerage discretion.

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

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

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



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

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

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

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

The Firm may also use an Electronic Communications Network ("ECN") or Alternative Trading System ("ATS") to effect such over-the-counter trades when, in the Firm's judgment, doing so may result in equal or more favorable overall executions for the transactions. The Firm will pay a commission to an ECN or ATS that, when added to the

price, is still better than the overall execution price that might have been attained trading “net” with a market maker.

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

### **Research and Other Soft-Dollar Benefits**

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

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

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

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

additional information and services through its own staff. The Firm may also pay cash for certain services.

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

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

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

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

and maintained. The use of soft dollars may incent the Firm to select broker-dealers based on the provision of soft dollars rather than the Fund's best interest.

### **Commission Rates or Equivalents**

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

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

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

The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research, and other services which will help the Firm in providing investment management services to the Fund. Hawkins Capital may, therefore, use a broker-dealer who provides useful research and brokerage services, even though a lower commission might be charged for the same transaction by a broker-dealer who offers no research services and minimal transaction assistance. In this connection, the Firm makes a good faith determination that the amount of commission is reasonable in relation to the value of the research and/or brokerage services rendered, viewed in terms of either the specific transaction or the Firm's overall

responsibility to the Fund. However, the extent to which commission rates or net prices reflect the value of these services often cannot be readily determined.

#### **Allocation of “New Issues”**

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

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

The Firm’s Vode requires that any investment in new issues by an Access Person be pre-cleared by the Firm’s CCO. The Firm generally does not grant such requests.

### **REVIEW OF ACCOUNTS**

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

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

### **CLIENT REFERRALS AND OTHER COMPENSATION**

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

### **CUSTODY**

Because the Firm serves as general partner of the Fund, the Firm is deemed to have custody over the Fund within the meaning of the Custody Rule, although the Fund’s assets are held by an independent qualified custodian. (Please see the above section

“Brokerage Practices”).) To comply with the Custody Rule, each Investor in the Fund receives audited financial statements within 120 days following the Fund’s fiscal year end. The audit is conducted by a PCAOB registered and inspected accounting firm. Investors should review these audited financial statements carefully. If you have invested in the Fund and have not received audited financial statements, please contact Hawkins Capital immediately if the financial statements do not arrive within the required 120 days.

## **INVESTMENT DISCRETION**

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

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

The Firm follows the investment strategy set forth in the Fund’s POM. The Firm reserves the right, in its discretion, to change the brokerage arrangements described herein without further notice to Investors.

## **VOTING CLIENT SECURITIES**

The Firm has written proxy voting policies and procedures as required by Rule 206(4)-6 under the Advisers Act. Under these policies and procedures, Mr. Hawkins is responsible for ensuring that votes are cast on behalf of the Fund and records are maintained. In determining how to vote a given proxy, Mr. Hawkins will first determine whether a conflict of interest exists with respect to the proxy. If such a conflict exists, the Firm will vote in accordance with a third-party proxy voting service. In the absence of such a conflict, the Firm will vote the proxy in the best economic interests of the Fund, as determined by Mr. Hawkins. The Firm considers the quality of management and good corporate governance to be important factors in the security selection process, and strives to invest in companies with management teams that exhibit honesty, integrity and a shareholder orientation. Such managements are generally believed to be in the best position to make decisions that serve the interests of shareholders. Accordingly, a high degree of emphasis is placed on managements’ opinions and proxies are often voted in accordance with managements’ recommendations. However, the Firm may vote against management on proposals where it perceives a conflict exists between management and the Fund’s interests, such as those which may insulate management or diminish shareholder rights.

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

Investors in the Fund are not able to direct the Firm as to how to vote on a particular proxy matter.

#### **FINANCIAL INFORMATION**

There is no financial condition that is reasonably likely to impair the Firm's ability to meet its contractual commitments to its clients.