

FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of Becker Drapkin Management, L.P. If you have any questions about the information contained in this brochure, please contact us at (214) 756-6016. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any other securities authority.

This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of delivery of offering, governing and/or account documents that contain the material terms relating to such investments, products or services.

Additional information about Becker Drapkin Management, L.P. also is available on the SEC’s website at www.adviserinfo.sec.gov.

November 13, 2012

Item 2: Material Changes

The date of the last annual update to our firm brochure was January 17, 2012. A summary of certain changes that have been made to our firm brochure since the date of our last annual updating amendment is set forth below:

- On February 13, 2012, we relocated our principal office to 500 Crescent Ct., Suite 230, Dallas, TX 75201.
- On April 12, 2012, we began providing investment management services to BD Partners V, L.P., a newly-formed special purpose investment partnership.
- On May 6, 2012, the solicitation agreement with respect to Becker Drapkin Partners, L.P. and Becker Drapkin Partners (QP), L.P. was terminated pursuant to its terms.

The information set forth in this brochure is qualified in its entirety by the applicable offering, governing and/or account documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable offering, governing and/or account documents, such documents shall control.

We encourage all investors to review this brochure in its entirety.

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Item 4: Advisory Business

FIRM DESCRIPTION

Becker Drapkin Management, L.P., a Texas limited partnership formerly known as SRB Management L.P., was formed in 2004. We provide investment management services to private pooled investment vehicles and separately managed accounts with respect to investments in publicly-traded equity securities. Our investment advice is provided in accordance with and subject to the investment objectives, strategies, guidelines, restrictions and limitations contained in the applicable offering, governing and/or account documents, and the information in this brochure is qualified in its entirety by the information set forth in such documents.

PRINCIPAL OWNERS

The general partner of Becker Drapkin Management, L.P. is BC Advisors, LLC, a Texas limited liability company, with respect to which Steven R. Becker and Matthew A. Drapkin are the co-managing members. Mr. Becker and Mr. Drapkin are also limited partners of Becker Drapkin Management, L.P.

TYPES OF ADVISORY SERVICES

Funds

We serve as general partner of and investment manager to various private pooled investment vehicles organized as Texas limited partnerships, including Becker Drapkin Partners, L.P. ("LP Fund"), Becker Drapkin Partners (QP), L.P. ("QP Fund," and together with LP Fund, the "Partners Funds") and multiple special purpose investment partnerships that invest in the publicly-traded securities of a single issuer (the "BD Funds," and together with the Partners Funds, the "Funds"). We also may serve as general partner of and/or investment manager to other private investment funds in the future.

We provide investment management services to the Funds with respect to investments in publicly-traded equity securities. We generally are responsible for investing and re-investing the assets of each Fund in accordance with the investment objectives, policies and guidelines set forth in its offering and governing documents. **See Item 8 below.**

Information about each Fund is set forth in its confidential memorandum and applicable governing documents. Investment in a Fund does not, in and of itself, create an advisory relationship between an investor in such Fund and us. **See Item 8 below.**

Advisory Accounts

We also provide investment advisory and sub-advisory services to separately managed advisory accounts ("Advisory Accounts") of various advisory clients with respect to investments in publicly-traded equity securities.

Advisory Accounts are managed in accordance with the terms, conditions, guidelines and limitations set forth in the investment management agreement between us and each Advisory Account client. **See Item 8 below.**

INVESTMENT RESTRICTIONS

Funds

We provide investment advice to each Fund in accordance with the investment objectives, policies and guidelines set forth in the applicable offering and governing documents, and not in accordance with the individual needs or objectives of any particular investor in that Fund. Investors generally are not permitted to impose restrictions or limitations on the management of the Funds. Notwithstanding the foregoing, we may enter into side letter agreements with one or more investors in a Fund that alter, modify or change the terms of the interests held by those investors.

Advisory Accounts

We provide and tailor our investment advice with respect to each Advisory Account based on the investment guidelines and objectives of the applicable client and the terms and conditions set forth in the applicable investment management agreement. Subject to our approval, Advisory Account clients may impose reasonable restrictions and limitations on the management of their Advisory Accounts.

ASSETS UNDER MANAGEMENT

As of September 30, 2012, we had approximately \$180.8 million in assets under management. Approximately \$139.8 million of these assets were managed on a discretionary basis, and approximately \$41.0 million of these assets were managed on a non-discretionary basis.

Item 5: Fees and Compensation

DESCRIPTION OF COMPENSATION AND FEE SCHEDULE

In consideration of our advisory services, we generally are entitled to receive management fees from clients, and we or one of our affiliates may receive performance-based fees or allocations with respect to certain clients. While fees and allocations are described in detail in the applicable governing, account and/or offering documents, an overview of our basic fee schedule is summarized below.

Funds

With respect to the Funds, we generally are entitled to receive a management fee, payable with respect to each calendar quarter in advance, equal to between one quarter of one-half percent (0.5% per annum) and one quarter of two percent (2.0% per annum) of the net asset value of each investor's capital account.

In addition, our affiliate may be entitled to receive an annual performance allocation equal to between 18% and 20% of each limited partner's allocable share of net profits. Performance allocations are subject to a "high water mark" limitation and the terms and conditions set forth in the applicable governing documents. As a result of the "high water mark" limitation, after the first year in which a performance allocation is earned, the allocation for later years applies only to the extent that an investor's *pro rata* share of net profits, measured on a cumulative basis, for all years since admission exceeds the highest level of cumulative net profits achieved through the close of any prior year since admission.

Each investor in LP Fund generally is required to represent that it is (among other things) a "qualified client" as such term is defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and each investor in QP Fund and the BD Funds generally is required to represent that it is (among other things) a "qualified purchaser" as defined in Section 2(a)(51)(i)(A) of the Investment Company Act of 1940, as amended (the "Company Act").

Our fees with respect to the Funds and each investor generally are not negotiable. However, we may enter into side letters or similar arrangements with certain investors that grant different terms (including the reduction or elimination of fees) to such investors than the terms generally applicable to other investors.

Advisory Accounts

With respect to each Advisory Account client, we generally receive a management fee, payable quarterly in arrears, equal to a percentage of the net asset value of the Advisory Account. Management fees charged with respect to Advisory Account clients generally are negotiable.

In addition, we generally are entitled to receive a performance fee equal to a percentage of an Advisory Account's net profits upon the occurrence of any realization event (subject to the terms and conditions set forth in the applicable investment management agreement).

With respect to one Advisory Account, we may be entitled to receive a portion of the carried interest distribution allocated to the special limited partner of the Advisory Account.

PAYMENT OF FEES

Partners Funds

Management fees generally are payable by investors quarterly, in advance, as of the first day of each calendar quarter. Management fees are deducted directly from the capital account of each investor. In the event that a Partners Fund is dissolved, an investor withdraws or our advisory services are terminated prior to the end of any calendar quarter, then a proportionate amount of any unearned management fees will be refunded to the applicable investor(s).

Performance allocations generally are calculated and allocated as of the end of each fiscal year (and at such other times as set forth in the applicable partnership agreement). Performance allocations are allocated directly from the capital account of each investor to the capital account of our affiliate.

We and/or our affiliate may assign the management fee and performance allocation, in whole or in part, to any person. We and/or our affiliates may elect to reduce the management fee payable by certain investors in our sole

discretion.

BD Funds

Management fees are calculated quarterly, in advance, as of the first day of each calendar quarter. Management fees are paid and deducted directly from the capital account of each investor upon the sale of shares of the long equity position held by each BD Fund.

Performance allocations are calculated and allocated upon the sale of shares of the long equity position held by each BD Fund (and at such other times as set forth in the applicable partnership agreement). Performance allocations are allocated directly from the capital account of each investor to the capital account of our affiliate.

We and/or our affiliate may assign the management fee and performance allocation, in whole or in part, to any person.

Advisory Accounts

Management fees generally are calculated quarterly, in arrears, as of the end of each calendar quarter and are billed to Advisory Account clients upon the sale of shares of the long equity position held in the Advisory Account.

Performance fees generally are calculated and billed to Advisory Account clients upon the sale of shares of the long equity position held in the Advisory Account.

OTHER FEES AND EXPENSES

Partners Funds

In addition to management fees and performance-based allocations, each Partners Fund generally bears all costs and expenses directly related to its investment program, including but not limited to, expenses related to proxies, underwriting and private placements, brokerage commissions, research, research related travel, interest on debit balances or borrowings, custody fees and any withholding or transfer taxes imposed on the Partners Fund. Each Partners Fund also bears all out-of-pocket costs of the administration of the fund, including accounting, audit and legal expenses, costs of any litigation or investigation involving the Partners Fund's activities, and costs associated with reporting and providing information to existing investors and prospective investors. However, we may, in our sole discretion, choose to absorb any such expenses incurred on behalf of the Partners Fund. Each Partners Fund generally is responsible for and pays all brokerage and custodial fees. **See Item 12 below.**

BD Funds

In addition to management fees and performance-based allocations, each BD Fund generally bears all costs and expenses relating to its activities, including but not limited to (i) all expenses incurred in connection with the ongoing offer and sale of interests, including, but not limited to, marketing expenses, documentation of performance and the admission of investors; (ii) all operating expenses of the BD Fund such as tax preparation fees (including, without limitation, any such fees related to the preparation of tax returns and Schedule K-1s), governmental fees and taxes (or any other governmental charges levied against the BD Fund), fund administrator fees, communications with investors and ongoing legal, accounting, auditing, administration, appraisal, bookkeeping, consulting and other professional fees and expenses, including for litigation, and preparation of the BD Fund's financial statements and reports; (iii) all costs, expenses, and charges incurred in connection with the investment and trading activities of the BD Fund (*e.g.*, brokerage commissions, mark-ups, margin interest, expenses related to short sales, custodial fees, clearing and settlement charges, and other transaction costs to brokers) exchange fees, financing costs (including interest as well as rating agency fees, investment banking fees, placement agent fees and other expenses associated with arranging any financing), withholding and other taxes, custodial fees, clearing fees and account fees; (iv) securities lending fees and expenses; (v) professional and other advisory and consulting expenses and travel expenses incurred in connection with investment due diligence, monitoring or the assertion of rights or pursuit of remedies (including, without limitation, pursuant to bankruptcy or other legal proceedings, or participation in informal committees of creditors or other security holders of an issuer); (vi) all fees and other expenses incurred in connection with the investigation, prosecution, or defense of any claims by or against the BD Fund; (vii) fees or allocations payable to third-party sponsors, managers or sub-advisors in connection with certain investment ventures or vehicles; (viii) interest on, and fees and expenses arising out of, all borrowings made by the BD Fund; (ix) expenses related to third-party software and related systems, including accounting software, trade execution systems, order management systems, analytics, proxy voting systems, class action filing systems and compliance systems; (x) computer hardware and related systems, including offsite data storage and business continuity facilities;

(xi) organizational costs; (xii) expenses of any meetings of the Investors; (ix) the costs of any litigation and indemnification relating to the affairs of the BD Fund; (xiii) expenses related to third party research, publications, data and data services, including real time pricing and market information (such as Bloomberg and Reuters services) and historical pricing and other data; (xiv) costs of compliance with applicable laws and regulations of governmental and self-regulatory bodies, including costs incurred by us and our affiliates in complying with laws and regulations that apply to any such entities as a result of their services to the BD Fund; (xv) expenses associated with forming and maintaining the legal existence of the BD Fund, including directors' fees, administrators' fees, occupancy costs and other operating costs of entities that maintain their own offices in certain jurisdictions; and (xvi) all other reasonable expenses related to the management and operation of the BD Fund and/or the purchase, sale, or disposition of its interests, including, in the case of any expenses directly related to one or more of investments of the BD Fund and any other limited partnerships or other pooled investment vehicles organized, sponsored or managed by us or our affiliates, any portion of any such joint expenses that we determine are properly and ratably allocable to the BD Fund. The BD Fund generally is responsible for and pays all brokerage and custodial fees. **See Item 12 below.**

Advisory Accounts

In addition to management fees and/or performance-based fees, each Advisory Account client generally bears all costs and expenses relating to the Advisory Account's investment activities, including but not limited to all brokerage commissions, transfer taxes and other brokerage and custodial fees and expenses relating to transactions in the Advisory Account, together with Advisory Account client's proportionate share of any and all legal, accounting, consulting or other expenses incurred by us on behalf of the Advisory Account relating to actions taken by us with respect to the Advisory Account's investments, including without limitation any such expenses relating to compliance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder.

COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS

Neither we nor any of our supervised persons accept compensation for the sale of securities or other investment products.

Item 6: Performance-Based Fees and Side-By-Side Management

PERFORMANCE-BASED ALLOCATIONS AND FEES

As noted under Item 5 above, we or our affiliate may receive performance-based allocations or fees from our clients. Performance-based allocations or fees could motivate us to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. In addition, because performance-based allocations or fees with respect to the Funds may be calculated on a basis that includes both realized and unrealized appreciation in portfolios based upon values assigned by us, we face a conflict of interest in valuing those portfolios. Certain of our individual employees and affiliates who are compensated to some extent based upon investment profits for which they are responsible face the same potential conflicts. We address these conflicts through full and fair disclosure in the applicable governing, account and/or offering documents and/or this brochure.

Item 7: Types of Clients

DESCRIPTION

We currently provide investment advisory and/or sub-advisory services with respect to various types of clients including private pooled investment funds, entities and other persons. We may in the future provide investment advice to other types of clients.

ACCOUNT REQUIREMENTS

Funds

The minimum initial capital contribution generally required for an investor in the Partners Funds is \$1,000,000. The minimum initial capital contribution generally required for an investor in the BD Funds is \$100,000. Nevertheless, capital contributions of lesser amounts may be accepted in our discretion.

To invest in the Funds, investors generally must be, among other things, “accredited investors” as defined in Rule 501(a) of Regulation D under the U.S. Securities Act of 1933, as amended, and either “qualified clients” as such term is defined in Rule 205-3 under the Advisers Act, or “qualified purchasers” as such term is defined in Section 2(a)(51)(A) of the Company Act.

Advisory Accounts

Among other things, Advisory Account clients are required to sign investment management agreements that, among other things, set forth the nature and scope of our investment management authority and the investment objectives, guidelines and restrictions applicable to the management of the Advisory Accounts. In addition, Advisory Account clients generally must meet certain net worth, net asset and/or other eligibility requirements imposed by various securities and commodities laws.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

Partners Funds

The primary investment objective of the Partners Funds is to achieve long term appreciation of its capital through investments in securities. To achieve our investment objective, we establish primarily long positions in publicly-traded equity securities of U.S. companies with market capitalizations typically below \$500 million. We may also establish short positions in securities and may selectively participate in direct financings. We take a deep value, long term and patient approach to managing a limited number of equity positions.

Our methods of analysis include fundamental analysis. We conduct our own due diligence by extensively communicating with industry contacts, consultants and other experts that can provide valuable insights. Our approach is to identify valuable assets that are mispriced. We focus on undiscovered, oversold, misunderstood, forgotten and deeply discounted businesses.

BD Funds

The primary investment objective of the BD Funds is to generate attractive risk-adjusted returns to investors. To achieve their investment objectives, we invest a substantial portion of the BD Funds' assets in the securities of a single public company issuer, which we believe is mis-priced relative to the intrinsic value of the underlying enterprise and, consequently, presents an attractive investment opportunity. The remainder of the offering proceeds may be held in cash or cash equivalent investments.

Advisory Accounts

With respect to the Advisory Accounts, we typically invest in a limited number of issuers and pursue investment strategies that are similar to those pursued with respect to the Funds. However, Advisory Accounts are managed in accordance with the terms, conditions, guidelines and limitations set forth in the applicable investment management agreements.

The investment strategies summarized above are not intended to be comprehensive. For more information regarding the investment strategies of each Fund, please see the applicable governing and/or offering documents of each Fund.

CERTAIN RISK FACTORS

There can be no assurance that clients or investors will achieve their investment objectives or that investments will be successful. Our investment strategies involve a substantial degree of risk, including risk of complete loss. Nothing in this brochure is intended to imply, and no one is or will be authorized to represent, that our investment strategies are low risk or risk free. Our investment strategies are appropriate only for sophisticated persons who fully understand and are capable of bearing the risks of investment. The various risks outlined below are not the only risks associated with our investment strategies and processes and may not necessarily apply to each client or investor. With respect to the Funds, the following risks are qualified in their entirety by the risks set forth in the applicable offering documents.

General Economic and Market Conditions. The success of our activities will be affected by general economic and market conditions, such as changes in interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of our clients' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices and the liquidity of our clients' investments. Volatility and/or illiquidity could impair our clients' profitability or result in losses. Our clients could incur material losses even if we react quickly to difficult market conditions, and there can be no assurance that our clients will not suffer material losses and other adverse effects from broad and rapid changes in market conditions in the future. Clients should realize that markets for the financial instruments in which we seek to invest can correlate strongly with each other at times or in ways that are difficult for us to predict. Even a well-analyzed approach may not protect our clients from significant losses under certain market conditions.

Potential for Fraud. In spite of our desire to invest in reputable and trustworthy companies, there is a risk that we may invest our clients' assets in an issuer that engages in fraud. As recent ponzi schemes involving Bernie Madoff and Allen Stanford have shown, instances of fraud can be particularly difficult to detect and prevent. To the extent

that we invest a company that engages in fraud, a client or an investor could lose all or a substantial portion of its investment and such fraud could have a material adverse effect on the client's financial condition and results of operations.

Terrorist Attacks and War. Terrorist activities, anti-terrorist efforts and other armed conflicts involving the United States or its interests abroad may adversely affect the United States, its financial markets and global economies and could prevent us from meeting our investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, and other acts of war or hostility have created many economic and political uncertainties, which may adversely affect the United States and world financial markets and our clients for the short or long-term in ways that cannot presently be predicted.

Investment and Trading Risks Generally. All investments risk the loss of capital. No guarantee or representation is made that our investment strategies will be successful. Our investment strategies involve, without limitation, risks associated with limited diversification (and, with respect to the BD Funds, concentration in a single issuer), equity risks, interest rates, currencies, illiquidity, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in our activities. Certain investment techniques may, in certain circumstances, substantially increase the impact of adverse market movements to which our clients' investments may be subject. In addition, our clients' investments may be materially affected by conditions in the financial markets and overall economic conditions occurring globally or in markets where we invest our clients' assets.

Our methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

Equity Risks. As noted above, we invest primarily in equity and equity-linked securities. The value of these securities generally varies with the performance of the issuer and movements in the broader equity markets. As a result, our clients may suffer losses if we invest in equity securities of issuers whose performance diverges from our expectations or if equity markets generally move in a single direction and we have not hedged against such a general move. Our clients also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale. In some cases, the issuers of equity securities may be highly leveraged or subject to other risks such as limited product lines, markets or financial resources. Some of the small and mid-cap issuers of equity securities in which we invest may be more vulnerable than larger capitalization issuers to adverse business or market developments, may have limited markets or financial resources and may lack experienced management. In addition, some equity securities may be illiquid. Due to perceived or actual illiquidity or investor concerns regarding leveraged capitalization, certain equity securities often trade at significant discounts to otherwise comparable investments or are not readily tradeable. Such securities generally do not produce current income for clients and may also be speculative. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or that are rumored to be subject to accounting irregularities.

Relative Value and Directional Investments. Our investment strategies depend on our ability to accurately predict future price movements of securities or the convergence of market prices toward the theoretical values expected by us. Any such attempt to predict future price movements is inherently risky and inaccurate. Often, price movements will be determined by unanticipated factors, and our analysis of known factors may prove incorrect, in each case potentially leading to substantial losses to our clients.

Small and Medium Capitalization Companies. We invest in the securities of companies with small to medium capitalizations. While we believe such securities provide significant potential for appreciation, securities of certain companies, particularly smaller-capitalization companies, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of small-capitalization and even medium-capitalization securities are often more volatile than prices of large-capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to clients) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid.

Short Selling. Our clients' investment portfolios may include short positions. Short selling involves selling securities

which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in the price of a particular security to the extent that such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which we engage in short sales depends upon our investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to our clients of buying those securities to cover the short position. There can be no assurance that we will be able to maintain the ability to borrow securities sold short. In such cases, our clients can be “bought in” (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the security necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Highly Volatile Markets. The prices of financial instruments in which we invest may be volatile. Price movements of the financial instruments in which we 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. Our clients are subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses. In addition, governments from time to time intervene in certain markets, directly and by regulation, particularly in currencies, futures and options. Such intervention is often intended to directly influence prices and may, together with other factors, cause some or all of these markets to move rapidly in the same direction. The effect of such intervention is often heightened by a group of governments acting in concert.

Investments in Unlisted Securities. We may invest in unlisted securities of companies. Because of the absence of any trading market for these investments, it may take longer to liquidate, or it may not be possible to liquidate, these positions than would be the case for publicly-traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized on these sales could be less than those originally paid by our clients. Further, companies whose securities are not publicly-traded may not be subject to public disclosure and other investor protection requirements applicable to publicly-traded securities. In the event there is no trading market for these investments, we value such investments based either on consistently applied objective standards, such as indications from unaffiliated brokers, an independent appraisal or in accordance with other procedures we deem reasonable.

Convertible Securities. We may invest in convertible securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which clients place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by us is called for redemption, we will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on our ability to achieve our investment objective.

Concentration of Investments and Risk Management Failures. We typically invest client funds in a limited number of small to medium issuers and generally have no formal guidelines relating to diversification of our clients’ assets. As a result, our clients’ portfolios may be concentrated in a limited number of issuers, types of financial instruments, industries, sectors, strategies, countries, or geographic regions, and any such concentration of risk may increase

losses suffered by our clients. This limited diversity could expose our clients to losses disproportionate to market movements in general. Even when we attempt to control such risks, risks associated with different assets may be correlated in unexpected ways, with the result that our clients face concentrated exposure to certain risks. In addition, many other investment managers pursue similar strategies, which creates the risk that many funds would be forced to liquidate positions at the same time, reducing liquidity, increasing volatility and exacerbating losses. Although we attempt to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Many risk management techniques are based on observed historical market behavior, but future market behavior may be entirely different. Any inadequacy or failure in our risk management efforts could result in material losses for our clients.

Non-U.S. Investments. We may invest in financial instruments of non-U.S. corporations and governments. Investing in the financial instruments of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in financial instruments of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains or other income, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict our clients' investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, we may be unable to structure transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce our clients' rights in such markets.

Corporate Debt. We may invest in bonds, notes and debentures issued by corporations. These instruments may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. We may invest in corporate debt instruments that have experienced or are contemplated to experience ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. Credit ratings evaluate the safety of the principal and interest payments, not the market value risk of lower-rated instruments. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis and, as a result, outstanding ratings may not reflect the issuer's current credit standing. Conversely, rating agencies may re-rate an instrument which could cause substantial loss as the ratings are downgraded. Our clients' investments may experience significant credit rating volatility. In addition, our clients' may be paid interest in kind in connection with our clients' investments in corporate debt and related financial instruments (e.g., the principal owed to our clients in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, our clients may experience substantial losses.

Competition. The markets in which we participate are extremely competitive. There can be no assurance that we will continue to be able to identify or successfully pursue attractive investment opportunities in this environment. Clients should expect that their investments will involve substantially more company-specific and market risk and associated volatility in the future than in the past. We compete with many firms that have substantially greater financial resources, more favorable financing arrangements, larger research staffs and more securities traders than are available to us.

Less Liquid Instruments. Under certain market conditions, such as during volatile markets or when trading in an instrument or market is otherwise impaired, the liquidity of our clients' portfolio positions may be reduced. In addition, our clients may hold large positions with respect to a specific type of instrument, which may further reduce liquidity. During such times, we may be unable to dispose of certain assets, which would adversely affect our ability to rebalance our clients' portfolio or to meet withdrawal requests. In addition, such circumstances may force us to dispose of our clients' assets at reduced prices, thereby adversely affecting our clients' performance. If there are other market participants seeking to dispose of similar assets at the same time, we may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if our clients incur substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In conjunction with a market downturn, our clients' counterparties could incur losses of their own, thereby weakening their financial condition and

increasing our clients' credit risk to them.

We may also invest in securities that are subject to legal or other restrictions on transfer. We may be contractually prohibited from disposing of such investments for a specified period of time. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and we may not be able to sell them when we desire to do so or to realize what we perceive to be their fair value in the event of a sale.

Default and Credit Risks. We may invest in debt obligations of both government and corporate issuers. These financial instruments involve the risk that the obligor either cannot or will not fulfill its obligations under the terms of the financial instrument. Our clients also assume the credit risk to their brokers, custodians and other counterparties in connection with brokerage arrangements, derivatives and other contractual relationships. In evaluating credit risk, we are often dependent upon information provided by the obligor, which may be materially inaccurate or fraudulent. Any actual default, or any circumstance that increases the possibility of such a default, could have a material adverse effect on our clients.

Interest Rate Risks. Our investment strategies may include investments in debt securities of government and corporate issuers. These and various other assets, as well as our clients' borrowings, subject our clients to risks associated with movements in interest rates. For example, we may be required to manage both curve risk, which is the risk that the slope of the yield curve will vary from the slope assumed in our strategy, and credit spread risk, which is the risk that the spreads between yields of differently rated issuers will change in a manner that adversely affects our clients' portfolio.

Litigation. Our investment activities may subject our clients to the risks of becoming involved in litigation with third parties. The expense of defending against claims against our clients by third parties and the payment of any amounts pursuant to settlements or judgments would be borne by our clients and reduce net assets. We and our affiliates will generally be indemnified by our clients in connection with any such litigation, subject to certain conditions.

Trading Decisions. Trading decisions made by us are based on fundamental, technical and other analysis. Any factor that would lessen the prospect of major trends occurring in the future (such as increased governmental control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy will be profitable in the future. In the past, there have been periods without discernable trends and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. Further, many advisors' trading methods utilize similar analyses in making trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated. No assurance can be given that our strategies will be successful under all or any market conditions.

"Widening" Risk. For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the financial instruments in which we invest may decline substantially. In particular, purchasing assets at what may appear to be "undervalued" levels is no guarantee that these assets will not be trading at even more "undervalued" levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such "spread widening" risk.

Counterparty Risks. We expect to establish relationships to obtain prime brokerage and other related services; however, there can be no assurance that we will be able to maintain such relationships or establish such relationships. An inability to establish or maintain such relationships would limit our trading activities and could create losses, preclude us from engaging in certain transactions and prime brokerage services and prevent us from trading at optimal rates and terms. Moreover, a disruption in the prime brokerage services provided by any such relationships before we establish additional relationships could have a significant impact on our business due to our reliance on such counterparties.

Furthermore, there is a risk that any of our counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of our counterparties were to become insolvent or the subject of insolvency proceedings, there exists the risk that the recovery of our clients' securities and other assets from our prime brokers or broker-dealers will be delayed or be of a value less than the value of the securities or assets originally entrusted to such

prime broker or broker-dealer.

We are not restricted from dealing with any particular counterparty or from concentrating any or all of our clients' transactions with one counterparty. Moreover, our internal credit function which evaluates the creditworthiness of our counterparties may prove insufficient. Our ability to transact business with any one or more counterparties, the lack of complete and "foolproof" evaluation of the financial capabilities of our counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by our clients.

Conflicts of Interest. Various conflicts of interests exist among us, our investment team and our respective affiliates, on the one hand, and our clients and the investors, on the other hand. Our principals currently serve and may serve as directors, officers or committee members of public companies and their activities on behalf of those other companies may present actual and/or potential conflicts of interest (including conflicting fiduciary duties). In particular, such persons could face conflicts of interest between discharging their duties as directors, officers or committee members, as the case may be, of such companies and acting in the best interest of our clients.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH OUR INVESTMENT STRATEGIES. PROSPECTIVE CLIENTS AND INVESTORS SHOULD READ THIS BROCHURE AND ALL OTHER APPLICABLE DISCLOSURE MATERIALS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.

Item 9: Disciplinary Information

Neither we nor any of our employees have been involved in any material legal or disciplinary events related to past or present investment clients or investors.

Item 10: Other Financial Industry Activities and Affiliations

Not applicable.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

CODE OF ETHICS

We have adopted and implemented a code of ethics, which sets forth standards of business conduct for our employees. Our code of ethics is primarily designed to educate employees about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to clients, encourage employees to comply with applicable laws, prevent the misuse of material non-public information, the circulation of rumors and other forms of market abuse and address conflicts of interest that arise from personal trading by employees. Among other things, we impose restrictions on access persons relating to the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons. With respect to covered securities, access persons are required to submit quarterly reports disclosing personal securities transactions and monthly reports disclosing personal securities holdings. Such reports are reviewed by our Chief Compliance Officer. We also maintain certain policies and procedures designed to prevent employees and principals from misusing material non-public information. We will furnish a copy of our code of ethics to clients and investors upon request.

PERSONAL TRADING

Subject to various restrictions set forth in our code of ethics, our principals and employees may purchase for themselves securities purchased for, or recommended to, clients. Allowing principals and employees to purchase these securities may motivate those employees and/or affiliates to engage in “scalping,” which is the practice of attempting to benefit from the increase in price resulting from recommendations to clients. To prevent this practice, we closely monitor the investments made by our principals and employees.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

We may recommend that clients buy or sell securities or other investment products in which we or a related person has some financial interest. We may also serve as a director of a company whose securities are held by one or more clients. Various actual and potential conflicts of interest exist (or may exist) among us, our personnel and clients.

ACTIVITIES OF PRINCIPALS

Our principals and employees serve and may serve as directors, officers or committee members of public companies, and their activities on behalf of those companies may present actual and/or potential conflicts of interest (including conflicting fiduciary duties) with advisory clients. Such principals and employees may receive compensation from such public companies in their capacities as directors, officers or committee members. We attempt to address risks presented by their activities through full and fair disclosure in the applicable governing, account and/or offering documents and/or this brochure.

Item 12: Brokerage Practices

SELECTING BROKERAGE FIRMS

In general, we have authority to select the brokers and other counterparties to be used for client transactions and negotiate commission rates and other payments by clients. We select broker-dealers on the basis of obtaining the best overall terms available, which we evaluate based on a variety of factors, including, among other things: (i) financial stability of the broker; (ii) the broker's "commission" rates or spread; (iii) the broker's inventory and availability of the security in question; (iv) research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis), custodial and other services provided by such brokers and/or dealers that are expected to enhance our general portfolio management capabilities; (v) websites and other related services; (vi) the size and type of the transaction; (vii) quality of execution; (viii) confidentiality; (ix) the operational facilities of the brokers and/or dealers involved (including back office efficiency); and (x) the ability to handle a block order for securities and distribution capabilities. Because commission rates in the United States as well as other jurisdictions are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

BEST EXECUTION

In placing orders for the purchase and sale of securities, we seek best net execution, which includes both commissions and execution prices. Orders are placed with brokers or dealers which we believe to be responsible and provide effective execution of client orders under conditions most favorable to client accounts.

SOFT DOLLAR PRACTICES

We may use soft dollars generated by client accounts to pay for certain research and/or related services provided by brokers described above. The term "soft dollars" refers to the receipt by an investment manager of products and services (including research) provided by brokers without any cash payment by the investment manager, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment manager. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment).

Using soft dollars to obtain investment research and/or related services creates a conflict of interest between us and our clients. Soft dollars may be used to acquire products and services that are not exclusively for the benefit of clients which paid the commissions and that may primarily or exclusively benefit us. If we are able to acquire these products and services without expending our own resources (including management fees paid by clients), our use of soft dollars would tend to increase our profitability. Furthermore, we may have an incentive to select or recommend brokers based on our interest in receiving research or other products or services, rather than on our clients' interest in receiving most favorable execution. We may cause clients to pay commissions (or markups or markdowns) higher than those charged by other brokers in return for soft dollar benefits.

Soft dollar benefits generally are used to service all of our clients. We seek to allocate soft dollar benefits among client accounts in a fair and equitable manner under the circumstances, but there can be no assurance that we will be successful in this regard.

During the last fiscal year, we acquired research consulting services with client brokerage commissions.

Section 28(e) of the Exchange Act provides a safe harbor to advisers who use soft dollars generated by client accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to us in the performance of investment decision-making responsibilities. We intend that any soft dollars that we receive in connection with client-related matters would be within the limitations set forth in Section 28(e) of the Exchange Act.

BROKERAGE FOR CLIENT REFERRALS

In selecting or recommending brokers, we do not consider whether we or our related persons receive client or investor referrals from such brokers.

DIRECTED BROKERAGE

We do not routinely recommend, request or require that clients direct us to execute transactions through a specified broker-dealer. We generally do not permit clients to direct brokerage for order execution purposes.

ALLOCATION OF INVESTMENT OPPORTUNITIES

We generally allocate investment opportunities among our clients in a fair and equitable manner based upon, among other things, the investment objectives, guidelines and restrictions, risk profiles, financial conditions and tax status of our clients. If each participating client receives less than its full allocation, then each participating client generally receives its *pro rata* portion of the executed order. Under certain circumstances, we have discretion to utilize alternative allocation procedures, provided that all participating clients are treated fairly and equitably.

ORDER AGGREGATION

We generally place aggregated orders or block trades for multiple clients when advantageous to clients, when not favoring certain clients over other clients and when consistent with the duty of best execution. Our primary consideration is fair and equitable treatment of all of our clients, and not simply lowering commissions. Whenever possible, the discretionary purchase or sale (execution) price of a security bought or sold during the same day effected by the same broker-dealer will be equitably averaged and aggregated with similar discretionary purchases and sales for other clients, including for related persons.

Item 13: Review of Accounts

REVIEWS OF ACCOUNTS

The portfolio manager, Steven R. Becker, generally conducts reviews of client accounts on a daily basis. With respect to accounting matters, we have engaged a nationally-recognized, independent public accounting firm to conduct annual audits of the Funds.

We invest client assets primarily in publicly-traded equity securities. In monitoring the performance of the investments, we perform various levels of review. Among other items, we may consider short and long term rates of return, investment performance and risk allocations.

REPORTS TO CLIENTS AND INVESTORS

We generally provide periodic performance reports to our clients and investors. We furnish portfolio valuation reports and audited financial statements annually to investors in the Funds for each full fiscal period; *provided, however*, to the extent permitted under applicable law, audited financial statements may not be provided to certain investors in limited circumstances where the investor consents and/or requests. All such reports are written. In addition, we may provide additional information to certain clients and/or investors that is not distributed to other clients and/or investors.

Item 14: Client Referrals and Other Compensation

THIRD PARTY COMPENSATION

We currently do not receive any economic benefit from any person who is not a client for providing investment advice or other services to our clients.

REFERRALS

While we have entered into solicitation arrangements with third party solicitors in the past, we currently do not directly or indirectly compensate any third party for client or investor referrals. Nevertheless, we may enter into agreements or arrangements in the future with persons who refer investors and/or clients to us and/or the Funds.

Item 15: Custody

Funds

We have, or may be deemed to have, custody of each Fund's cash and securities. In general, each Fund's cash and securities are held with one or more qualified custodians. We may change custodians at any time and from time to time without the consent of, or notice to, investors. In general and to the extent required by law, independent public auditors will conduct annual audits of each of the Funds, and audited financial statements (prepared in accordance with generally accepted accounting principles) will be provided to investors on an annual basis. We generally attempt to provide such statements to investors within 120 days, as applicable, after the end of each fiscal year, but there can be no assurance that we will be successful in this regard. Qualified custodians do not provide statements directly to investors in the Funds.

Advisory Accounts

We do not expect to have actual or constructive custody of any Advisory Account client's cash or securities. To the extent that we have or are deemed to have custody, we intend to comply with applicable legal and regulatory requirements.

Item 16: Investment Discretion

DISCRETIONARY AUTHORITY

Subject to the guidelines and objectives set forth in the applicable governing documents, we have discretionary power and authority over the types of financial instruments to be bought or sold, as well as the amount to be bought or sold on behalf of the Funds. Depending on the terms and conditions of the applicable investment management agreements, we may also have discretionary power and authority over the types of investments to be bought or sold, as well as the amount to be bought or sold, on behalf of the Advisory Accounts.

LIMITED POWER OF ATTORNEY

Each investor in the Funds generally grants the general partner of the Fund a limited power of attorney to enable the general partner to execute the applicable partnership agreement on its behalf. In addition, each Advisory Account client generally grants us a limited power of attorney to enable us to conduct authorized trading on their behalf.

Item 17: Voting Client Securities

Funds

We have the authority to vote proxies with respect to securities owned by the Funds. We have adopted proxy voting policies and procedures in our compliance manual. In general, our policy is to vote proxy proposals, amendments, consents or resolutions in a manner that serves the best interests of the Funds, as determined in our discretion, and our proxy voting policy. Investors generally may not direct or otherwise influence our vote with respect to any particular proxy solicitation.

Investors may obtain copies of our proxy voting policy, together with information regarding how we have voted past proxies, by contacting us.

Advisory Accounts

We may accept authority to vote securities held by or on behalf of Advisory Account clients. In such event, we vote proxy proposals, amendments, consents or resolutions in a manner that serves the best interests of the Advisory Account clients, as determined in our discretion, and in accordance with our proxy voting policy.

Advisory Account clients may obtain copies of our proxy voting policy, together with information regarding how we have voted past proxies, by contacting us.

Item 18: Financial Information

Not applicable.

General Information

PRIVACY POLICY

We have adopted policies and procedures that we believe are reasonably designed to protect various records and information of clients and investors. Except as set forth in the applicable offering materials and as otherwise authorized by each client and/or investor, private information about clients and investors is disclosed only as permitted by applicable law to our affiliates and service providers, including our accountants, attorneys, brokers, custodians, transfer agents and any other parties whose services are necessary or convenient to the operation of the Funds or Advisory Accounts. Notice of our privacy policy is available to clients and investors upon request.

TRADE ERRORS

It is our general practice that our personnel make and implement investment management decisions with the utmost care. Nevertheless, if a trade error occurs, it is generally our policy that the error be corrected as soon as possible. We generally will not be responsible for any losses caused by trade errors, except to the extent such losses were caused by our gross negligence, willful misconduct, fraud or bad faith.