

Kendall Square Capital, LLC

**235 Montgomery Street, Suite 1010
San Francisco, CA 94104**

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This Brochure provides information about the qualifications and business practices of Kendall Square Capital, LLC ("**Kendall Square**"). If you have any questions about the contents of this Brochure, please contact Kendall Square's Chief Compliance Officer at 415-391-1565 or by email at dan@kensquare.com.

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.

Kendall Square is a registered investment adviser. Registration of an investment adviser does not imply that Kendall Square or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

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

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Item 2 - Material changes

There have been no material changes to this Brochure since our last annual update in March 2011.

Item 4 - Advisory Business

Kendall Square Capital, LLC, a Delaware limited liability company ("**Kendall Square**," or "**we**") began operations in 2009. We currently offer discretionary investment advisory services to two private investment funds (each, a "**Fund**" or "**Client**" and collectively, the "**Funds**" or "**Clients**"). We are the Funds' sole general partner and investment adviser, and the Funds are our only current clients. However, we may in the future organize and/or serve as investment manager and/or general partner to other investment vehicles and/or separately managed accounts.

We manage each Fund pursuant to the objectives specified in the materials by which that Fund offers its ownership interests to investors. We, as the Funds' general partner, determine the objectives for the Funds. Our agreements with the Funds generally impose no limits on the types of securities or other instruments in which the Funds may invest, the types of positions they may take, the concentration of their investments by sector, industry, fund, country, class or otherwise, the amount of leverage they may employ or the number or nature of short positions they may take. The Funds' investors do not have the right to specify, restrict, or influence their Funds' investment objectives or any investment or trading decisions.

As of December 31, 2011, we managed Client assets, on a discretionary basis, of approximately \$168,400,000 which is the Funds' aggregate net asset value.

Jason F. Harris is the sole owner and sole managing member.

Daniel Hooper is the Chief Compliance Officer ("**CCO**").

Item 5 - Fees and Compensation

Management Fees

For the service we provide to each Fund, we generally receive, as to each limited partner in that Fund, a quarterly management fee equal to a specified percentage (the "**quarterly management fee rate**") times the limited partner's capital account balance as of the beginning of the relevant calendar quarter. The quarterly management fee rate for our Funds is 0.375% (approximately 1.5% on an annualized basis). These management fees are generally calculated and deducted by Kendall Square at the beginning of each calendar quarter. If, however, a limited partner contributes capital to a Fund on a date other than the first day of a quarter, the Fund will pay us a prorated management fee as to that capital contribution. While our management fees are not generally negotiable, we may vary the management fees as to particular limited partner by separate agreement, without notice to the other limited partners.

Performance Allocations

As the general partner of each Fund, we are also generally entitled to receive, as to each limited partner in that Fund, a special allocation (an "**Incentive Allocation**") generally equal to 20% of the net profit (including both realized and unrealized gains and losses) that would otherwise be allocated to that limited partner during the relevant calendar year. The Incentive Allocation is subject to a "high water mark" procedure, pursuant to which an Incentive Allocation will be made as to a limited partner only to the extent the total net profit allocated to that Limited Partner exceeds total net loss allocated to him or her or it,

adjusted for withdrawals. Once made, however, an Incentive Allocation will not be reduced by losses incurred in later periods.

The Incentive Allocation is generally calculated annually on December 31, based on profits and losses for the year then ended, and, as to any limited partner that withdraws capital other than as of December 31, at the time of that withdrawal, based on profits and losses through the date of that withdrawal (and adjusted in proportion to the reduction in that limited partner's capital account balance caused by the withdrawal). Should we designate any investments as "side pocket" investments, profits and losses from those investments generally will not be considered in calculating the Incentive Allocation until the end of the year (or shorter period in the case of certain withdrawals) in which the investment is liquidated (or deemed liquidated).

Although the Incentive Allocation is generally not negotiable, we may vary the Incentive Allocation as to particular limited partners by separate agreement, without notice to the other limited partners.

Other Expenses

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

- brokerage commissions and other costs of executing portfolio transactions (including markups and markdowns);
- interest on margin and other borrowings;
- borrowing charges on securities sold short;
- custodial fees;
- transfer and other taxes;
- bookkeeping, accounting and audit fees and expenses; legal fees (including fees paid to our counsel for services that benefit the Fund, including preparation and updating of offering memoranda, assisting with limited partner communications, and consultation regarding portfolio activities);
- expenses we incur for investment research and due diligence;
- filing fees;
- telephone expenses;
- travel and travel-related expenses that we incur in connection with Fund investment activities (including attending professional and industry specific conferences);
- costs of reporting to Fund investors;
- costs of Fund governance activities (such as obtaining Fund investor consents if any);
- fees paid to third-party administrators; and
- all other reasonable expenses related to the Fund's management and operation and/or the purchase, sale or transmittal of its assets, as we determine in our sole discretion.

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

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

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

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

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

Prepayment of Fees

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

If we were to terminate our status as general partner of a Fund other than as of the end of a quarter, we would refund to the Fund a portion of the management fee that was paid at the beginning of the termination quarter, prorated based on the number of days remaining in that quarter.

Item 6 - Performance Fees

Each Fund allocates to us, as general partner, a portion of the appreciation in value of investors’ investments, subject to a “high water mark” procedure, as described above in “Item 5: Fees and Compensation.” We do not manage any accounts that do not provide for performance-based incentive allocations. While we have the right to waive incentive allocations as to particular investors in a Fund, we manage each Fund’s assets as an undivided pool, so any such waiver would not give rise to incentives to favor any particular account over another. Our potential to receive incentive allocations, and the fact that we will not have to refund any such allocations if the Funds later experience losses may however, create an incentive for us to make investments that are riskier or more speculative than would otherwise be the case.

Item 7 - Types of Clients

We currently provide investment advice only to the Funds. The Funds are privately offered investment funds that are not regulated under the U.S. Investment Company Act of 1940, as amended, because of Sections 3(c)(1) and 3(c)(7) of that Act. Each Fund imposes minimum investor qualification standards and minimum investment requirements. Our Funds’ investors are “qualified clients” as defined under Rule 205-3 of the Investment Advisers Act of 1940, as amended.

Item 8 - Methods of Analysis, Sources of Information, Investment Strategies Risk of Loss

Investment Strategy

We seek to identify companies whose intrinsic value is mispriced by the market. We believe systematic analysis of company fundamentals will provide opportunities to invest in undervalued securities where the company is experiencing sustainable changes in their business operations not yet recognized by the market. This analysis includes detailed scrutiny of the company's income statements and balance sheet, and, in certain cases, direct conversations with company officers. We strive to invest in companies with healthy balance sheets, defensible market share and consistent recurring positive cash flow.

We may seek to enhance our Funds' returns or reduce stock market and industry risk by causing the Funds to sell securities short (i.e. to sell them without owning them), with the Funds borrowing from a securities brokerage firm a like number of such securities for delivery on sale and subsequently covering the short positions (that is, returning the borrowed securities) by purchasing a like number of such securities in the market. We believe systematic analysis of company fundamentals will reveal securities whose operating profits will fall short of earnings estimates or companies with long-term unsustainable business models and deteriorating balance sheets that lead to distressed valuations. We seek to find profitable short selling opportunities regardless of market direction due to diligent fundamental research.

Risk of Loss

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

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

Reliance on Management and Key Personnel

Our Fund's success depends on the ability of the General Partner and, particularly, Jason F. Harris, to develop and implement investment strategies to achieve the Fund's investment objectives. Should Mr. Harris or any of those other professionals terminate their relationship with us, die or become otherwise incapacitated for any period of time, our Clients could experience losses.

Effect of General Economic Conditions

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

Small to Medium Capitalization Companies

We may invest a portion of our Clients' assets in the stocks of companies with small to medium-sized market capitalizations. While we believe these investments often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks.

Short-Sales

In implementing our investment strategy, we may cause our Clients to effect short sales. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Client's portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

Portfolio Turnover

There may be times when we cause our Clients to engage in significant short-term trading. High portfolio turnover involves, among other things, high transaction costs, particularly through increased brokerage costs and taxes.

Item 9 - Disciplinary Information

Kendall Square has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of Kendall Square have been subject to such action.

Item 10 - Other Financial Industry Activities and Affiliations

Neither Kendall Square nor any of our employees have any relationships or arrangements with other financial service companies that pose material conflicts of interest.

Item 11 - Code of Ethics, Participation/Interest in Client Transactions, Personal Trading

Code of Ethics Pursuant to Rule 204A-1 of Advisers Act

We have adopted a Code of Ethics and Employee Investment Policy (together the "**Code**") for the purpose of instructing our employees about their ethical obligations and to provide rules for their personal securities transactions. We and our personnel owe a duty of loyalty, fairness and good faith towards our Clients, and an obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code.

The Code covers a range of topics that include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes. We will provide a copy of the Code to any investor upon request.

Participation/Interest in Client Transactions & Personal Trading

Our associated persons may hold, or buy or sell for their own accounts, the same securities that we may cause our Clients to hold, or buy or sell. Our associated persons are required, however, to seek to ensure that they do not personally benefit from the short-term market effects of their recommendations to Clients, and we regularly monitor their personal transactions. We have policies and procedures in place to ensure that our employees are aware of the rules regarding material non-public information and insider trading. Our employees may also buy or sell specific securities for their own accounts based on personal investment considerations, without regard to whether we believe it is appropriate for our Clients to buy or sell those securities.

Item 12 - Brokerage Practices

We, as general partner to the Funds, have complete discretion in deciding what brokers, dealers, and other financial intermediaries and counterparties through or with which to execute or enter into portfolio transactions (collectively, “**Transacting Parties**”). We also have complete discretion to negotiate compensation arrangements and transaction terms with Transacting Parties. These arrangements may include not only paying commissions for transactions effected on any agency basis, but also compensation implicit in prices of transactions directly with Transacting Parties acting as principal (such as market-makers for over-the-counter securities) and dealers in fixed income securities and derivatives. The following describes some noteworthy aspects of our and the Funds’ use of and relationships with Transacting Parties.

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

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

We are not required to select the Transacting Party that charges the lowest transaction cost, even if that Transacting Party can provide execution quality comparable to other Transacting Parties. Clients should therefore expect at times to pay more than the lowest transaction cost available in order to obtain for themselves and/or us services and products other than the execution of securities transactions.

“Soft Dollars”

We may select Transacting Parties in recognition of the value of various services or products, beyond transaction execution, that they provide to our Funds or to ourselves.

Selecting a Transacting Party in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with “soft dollars.” The use of soft dollars is common in the professional management of securities portfolios.

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

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

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

Section 28(e) Safe Harbor. A federal statute, Section 28(e) of the Securities Exchange Act of 1934, as amended, recognizes the potential conflict of interest involved in the use by an investment manager (such as Kendall Square) of soft dollars to pay for various expenses but provides a “safe harbour” from breach of fiduciary duty claims if certain conditions and requirements are met. Under the safe harbor, soft dollars may be used to acquire “research” and “brokerage” services and products for which our Funds or would not otherwise be required to pay. Using soft dollars to pay for services and products other than research and brokerage is not protected by the safe harbor, but does not necessarily constitute a violation of any law or fiduciary duty. Similarly, use of non-commission soft dollars or otherwise failing to satisfy procedural elements of the Section 28(e) safe harbor are not protected but are not necessarily prohibited. In the past fiscal year, Kendall Square used soft dollar arrangements to pay for research and data services only.

Aggregation of Orders

We may combine the Funds’ orders. When we do, we will generally allocate the purchases or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. We believe combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to a Fund than if the Fund had been the only account effecting the transaction or had completed its transaction before the other participants.

We may place orders for the same security for the Funds at different times and in different relative amounts due to, among other things, differences in investment objectives, cash availability, size of order and practicability of participating in “block” transactions. The level

of participation by the Funds in the same security may also be dependent upon other factors relating to the suitability of the security for the particular Fund.

Item 13 - Review of Accounts

Mr. Harris reviews our Funds' accounts monthly for overall adherence with our investment philosophy.

We do not provide formal reports to the Funds, as we are the sole general partner to the Funds. Each Fund prepares annual financial statements that are audited by an independent certified public accounting firm, and each Fund provides those statements to its investors. Our Funds also currently provide unaudited financial reports to their investors no less frequently than quarterly. The Funds also provide investors with Forms K-1 to enable investors to prepare their income tax returns.

Item 14 - Client Referrals and Other Compensation

Other than the products and services that we receive from broker-dealers (described above under "Item 12: Brokerage Practices"), we do not receive any economic benefits third parties in connection with the provision of investment advice to our Clients. We do not currently directly or indirectly compensate any person for investor referrals.

Item 15 - Custody

To ensure compliance with Rule 206(4)-2 under the Advisers Act, Kendall Square is required to reasonably believe that all investors will be provided with audited financial statements for the Funds prepared by an independent accounting firm that is registered with and subject to review by the Public Company Account Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles, within 120 days of the end of such Fund's fiscal year. Investors should carefully review these audited financial statements.

Item 16 - Investment Discretion

The Funds' Agreements of Limited Partnership and related investment management agreements grant us complete discretion to manage the Funds' investment portfolios, without any specific limitations. See the description above in "Advisory Business" and "Methods of Analysis, Investment Strategies and Risk of Loss."

Item 17 - Voting Client Securities

We have established proxy voting policies and procedures (a "**Proxy Voting Policy**") designed to ensure that proxies are voted in the best interest of our Clients. Our Proxy Voting Policy provides that, when voting proxies, we must follow procedures designed to identify and address material conflicts that may arise between our interests and those of our Clients. Specifically, we monitor the potential for conflicts of interest that might arise from personal relationships that we or our personnel may have with parties involved in the vote, significant Fund investor relationships with those parties, and other special circumstances.

If we determine that a conflict of interest exists as to a particular issuer, our CCO will determine whether the conflict of interest is material to the vote. If we determine it is not material, we will vote without further procedures. If we determine that it is material, we will resolve the conflict in one of several possible ways, such as by engaging a third party to recommend a vote.

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

Item 18 - Financial Information

Kendall Square has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.