

BAG SECURITIES, L.L.C.

Brochure
March 30, 2012

15100 Gebron Drive
Austin, Texas (U.S.A.) 78734
Telephone: (512) 263-8800
Facsimile: (512) 669-7700
www.bagsecurities.com

Item 1 – Cover Page

This brochure provides information about the qualifications and business practices of BAG Securities, L.L.C. (“BAG” or “Adviser” or “General Partner”). If you have any questions about the contents of this brochure, please contact us at Admin@BAGSecurities.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.

BAG/Adviser is an investment adviser registered with the SEC. Registration as an investment adviser does not imply any level of skill or training.

Additional information about BAG/Adviser is available on the SEC’s Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The Firm’s CRD number is 157420.

Item 2 - Material Changes

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

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

Pursuant to the new SEC rules, Adviser will ensure that clients receive a summary of any material changes to this and subsequent brochures within one hundred and twenty (120) calendar days of the close of Adviser’s fiscal year. Adviser may further provide clients with other ongoing disclosure information about material changes as deemed necessary, or provide clients with a new brochure as necessary based on material changes, without charge.

Adviser’s brochure may be requested by contacting us at Admin@BAGSecurities.com. Adviser’s brochure, and additional information about Adviser, is also available on the SEC’s Investment Adviser Public Disclosure website (www.adviserinfo.sec.gov) free of charge. This SEC website also provides information about any persons affiliated with Adviser who are registered as investment adviser representatives of Adviser, if any.

Item 3 - Table of Contents

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

Item 17 – Voting <i>Client</i> Securities	20
Item 18 – Financial Information.....	20

Item 4 - Advisory Business

Adviser provides discretionary and non-discretionary portfolio management services. Adviser's place of business is located in Austin, Texas. The firm was founded in 2011 by its principal direct owners, Robert "Bob" L. Walters, as Managing Director and Member, and J. Bolton Walters, as Chief Compliance Officer (CCO), Manager and Member.

Adviser primarily provides investment management advice with respect to Adviser's private investment funds. Adviser will typically provide investment management services to each investment fund per investment guidelines detailed in each funds' applicable confidential private placement memorandum.

Adviser does not participate in wrap fee programs.

As of March 30, 2012, Adviser managed \$21,250,000 in discretionary assets (called and uncalled capital commitments) and \$0 in non-discretionary assets for a total of \$21,250,000.

The Adviser is authorized, on behalf of the funds, to enter into trading advisory agreements with one (1) or more trading advisers, by and among the funds and/or the Adviser and each trading adviser, and to enter into agreements to directly invest fund capital into one or more private investment funds controlled by trading advisers. The Adviser may delegate full and complete day-to-day investing and trading authority to trading advisers; provided, however, that the Adviser may override any investing and trading instructions in accordance with the applicable confidential private placement memorandum and limited partnership agreement. The Adviser shall be responsible for all compensation paid to trading advisers, and the Adviser shall pay such compensation from the Adviser's capital; and, at no additional expense to the funds or investors.

Item 5 - Fees and Compensation

In general, all fees are subject to negotiation based on the circumstances of the investor and other factors, including but not limited to the type and size of the account and the type of advisory and client-related services to be provided to the account.

Adviser's portfolio management fees generally range from 0.65% to 1.0% per annum of assets under management. In addition, from time to time, consistent with applicable laws and regulations including Rule 205-3 promulgated under the Investment Advisers Act of 1940, as

amended (the “Advisers Act”), Adviser may negotiate incentive (performance-based) fee arrangements in addition to (or in lieu of) asset-based management fees.

Fees are generally payable either monthly or quarterly in arrears. The specific manner in which fees are charged by Adviser is established in a *client’s* written subscription agreement with Adviser. Adviser does not deduct fees from *client* accounts. Adviser generally sends an invoice on a quarterly or monthly basis to *clients* or their custodians. In certain cases, a *client* will send payment directly to Adviser based upon its or its custodian’s calculation of the fee amount due.

Adviser’s fees are exclusive of brokerage commissions, transaction fees and other related costs and expenses which shall be incurred by the *client*. Please see Item 12 for further discussion of Adviser’s brokerage practices. *Clients* may incur certain charges imposed by custodians, brokers and other third-parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds also charge internal management and other fees, which are disclosed in a fund’s prospectus.

The charges, commissions, fees and expenses described in the preceding paragraph are exclusive of and in addition to Adviser’s fee, and Adviser will not receive any portion of these charges, commissions, fees and expenses.

Adviser does not generally permit or require *clients* to pay fees in advance. However, if a *client* and Adviser agree to a fee arrangement that entitles Adviser to receive fees in advance, then upon termination of the applicable investment advisory contract (or partial redemption of an investment), fees will be rebated to the *client* (or underlying fund investor if applicable) as appropriate based on the period during which Adviser actually provided advisory services.

Neither Adviser nor any of its supervised persons accepts compensation for the sale of securities or other investment products, such as asset-based sales charges or service fees from the sale of mutual funds.

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

As discussed in Item 5 above, Adviser may negotiate incentive (performance-based) fee arrangements, or may charge a combination of performance-based and asset-based fees.

Performance-based fee arrangements may be viewed as creating an incentive for Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

However, Adviser has adopted and implemented procedures designed to ensure that all *clients* are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among *clients*.

Please find below additional information regarding the allocation policy of Adviser.

The allocation policy applies whenever BAG determines that two (2) or more *clients* should purchase or sell interest or shares of any security or other investment.

It is BAG's general policy to allocate purchase or sale opportunities on a *pro rata* basis to all applicable *clients*, measured by reference to each *client's* relative net asset value as of the beginning of the month in which the purchase or sale is executed.

BAG recognizes, however, that a *pro rata* allocation of purchase or sale opportunities will not always be feasible or in the best interests of BAG's *clients*. Below is a non-exhaustive list of situations where a *pro rata* allocation may not be appropriate, including examples of the same:

Investment objectives, investment strategy and asset mix of each *client*: A *client* may have per-strategy limitations or other investment objectives, strategies, investment policy guidelines, liquidity provisions or restrictions that may dictate a position that is larger or smaller than for other *clients*.

Varying growth projections: *Clients'* accounts may be of similar sizes as of a moment in time but may have dramatically different medium-term and long-term growth projections.

Amount of cash available for investment: Certain *clients* may have limited cash available for investment due to anticipated or unexpected redemptions or other factors. Conversely, certain *clients* may, for a variety of reasons, have excess cash available for investment.

Possible tax or regulatory ramifications: An investment in a security or other investment may lead to positive or negative tax consequences for certain *clients* (and/or their investors), which may necessitate a greater or lesser investment in that security or other investment, as appropriate. Similarly, an investment in a security or other investment may not be appropriate for a *client* for regulatory reasons (such as NASD Rule 2790 regarding "new issues").

Overall risk profile of the *client*: Variance from a *pro rata* allocation may mitigate certain portfolio risks to which a *client* may be subject, while not disadvantaging any other *clients* that seek to make the same investment.

Item 7 - Types of *Clients*

Adviser currently provides portfolio management services to one (1) fund: BAG Securities Fund, L.P., a Delaware series limited partnership. Currently, the series of this limited partnership include: Series A BAG Diversified Premium, Series B BAG GovPlus, Series C BAG IndexPlus, Series D BAG EquityPlus, Series E BAG Diversified Premium AI and Series F BAG GovPlus AI.

The foregoing fund and series may be referred to herein collectively as the “Funds.” BAG Securities, L.L.C., a Texas limited liability company (“General Partner”), is the general partner of the Funds. The Funds are further described in the applicable confidential private placement memorandum(s).

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

Adviser offers several principal investment strategies as described below. Any particular *client* account may utilize one (1) or more of the investment strategies described below. Investing in securities involves the risk of loss, including principal, which *clients* should be prepared to bear.

At the current time, the Adviser will focus on one (1) or more of the following strategies:

1. For Series A BAG Diversified Premium and Series E BAG Diversified Premium AI the Investment Strategy is designed to identify and exploit inefficiencies in securities and other instruments while minimizing downside exposure and market risk through investment in non-correlated, risk-mitigation techniques. Two principal strategies are involved:

a. Volatility arbitrage through the identification of mispriced securities including but not limited to stocks, bonds, options, futures and other derivative instruments (including both exchange-traded and over the counter). The techniques expected to be employed include both directional and non-directional long and short positions. Examples of derivatives utilized include, but are not limited to, derivatives on the S&P 500 Index, Russell 2000 Index, non-U.S. exchanges, U.S. Treasury Bond Index, currencies, commodity and individual stock derivatives.

Volatility arbitrage is quantitative, and the Adviser (or trading advisers) uses proprietary mathematical models to value securities as well as manage risks. The Adviser also uses a rigorous fundamental analysis of the current macroeconomic environment.

b. The core investments in the fixed-income portion of the principal strategy includes a portfolio of short duration (5 years or less) direct obligations of the

U.S. Treasury and obligations issued by U.S. government agencies and instrumentalities, including securities that are supported by the United States.

2. For Series B BAG GovPlus and Series F BAG GovPlus AI the Investment Strategy is designed to achieve consistent monthly incremental returns in excess of the Barclays 1-3 year government bond index. Two principal strategies are involved:

a. Volatility arbitrage through the identification of mispriced put and call options on the S&P 500 Index. Volatility arbitrage is quantitative, and the Adviser uses proprietary mathematical models to value securities as well as manage risks. The Adviser (or trading advisers) also uses a rigorous fundamental analysis of the current macroeconomic environment.

b. The core investments in the fixed-income portion of the principal strategy includes a portfolio of short duration (5 years or less) direct obligations of the U.S. Treasury and obligations issued by U.S. government agencies and instrumentalities, including securities that are supported by the United States.

3. For Series C BAG IndexPlus the Investment Strategy is designed to achieve positive, long-term returns in excess of the S&P 500 Index. The core Investments will be futures contracts on the S&P 500 Index. It is also possible that the Partnership will invest in other S&P 500 Index-related Investments such as Exchange Traded Funds, including iShares and Standard and Poor's Depositary Receipts relating to the S&P 500 Index. Additionally, short-term European style options contracts on the S&P 500 Index may be sold (and are not expected to be exercised).

4. For Series D BAG EquityPlus the Investment Strategy is designed to achieve positive, long-term returns in excess of the S&P 500 Index. Two principal strategies are involved:

a. Volatility arbitrage through the identification of mispriced put and call options on the S&P 500 Index. Volatility arbitrage is quantitative, and the Adviser uses proprietary mathematical models to value securities as well as manage risks. The Adviser (or trading advisers) also uses a rigorous fundamental analysis of the current macroeconomic environment.

b. High-income/dividend paying securities such as Master Limited Partnerships, preferred stocks or other stocks with stable dividends, Exchange Traded Funds, equity options on individual securities and/or Indexes including but not limited to the S&P 500 Index. The Partnership may utilize fixed-income securities and/or other instruments as a defensive measure.

Risk Factors

Prospective investors should give careful consideration to the following factors (not exhaustive) in evaluating the merits and suitability of an investment in the Partnership:

- Markets may move significantly and such moves may be detrimental to the Partnership. A significant risk related to the Partnership's enhancement strategy is that the value of a financial instrument on which an option is written could move significantly causing the options written by the Partnership to be "in-the-money" at expiration date. Although the Adviser (references herein to "Adviser" also includes, as applicable, trading advisers, if any) intends to mitigate this risk by changing the strike prices of the option contracts, thereby reducing the probability of that instrument exceeding those respective strike prices, there can be no guarantee that the Adviser will be successful in this strategy.
- The profitability of a significant portion of the Adviser's investment program depends to a great extent upon correctly assessing the future course of the price movements and volatility of the securities markets, bond markets and other investments. There can be no assurance that the Adviser will be able to accurately predict these price movements. With respect to the investment strategy utilized by the Adviser, there is always some, and occasionally a significant, degree of market risk.
- Many of the Adviser's investments are expected to be dependent in some manner on the U.S. bond markets, including treasury instruments. Deterioration of U.S. bond markets and other economic fundamentals could negatively impact the performance of the Funds.
- The Adviser expects to invest in fixed-income and adjustable rate securities. Income securities are subject to interest rate, market and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Market risk relates to the changes in the risk or perceived risk of an issuer, country or region. Credit risk relates to the ability of the issuer to make payments of principal and interest. The values of income securities may be affected by changes in the credit rating or financial condition of the issuing entities.
- The values of equity securities held by the Funds are subject to market risk, including changes in economic conditions, growth rates, profits, interest rates and the market's perception of these securities. The value of an interest increases and decreases, reflecting fluctuations in the value of securities held by the Funds.
- The Adviser will engage in short-selling, both as part of their general investment strategy and for hedging purposes. Short-selling involves selling securities that are not 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

Funds to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss upon such repurchase. The Fund's obligations under its securities loans are marked to market daily and collateralized by the Funds' assets held at the broker, including its cash balance and its long securities positions. Because securities loans must be marked to market daily, there may be periods when the securities loan must be settled prematurely, and a substantial loss would occur.

- Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short-selling exposes the Funds to unlimited risk with respect to that security due to the lack of an upper limit on the price to which an instrument can rise.
- The Adviser may invest in the securities of non-U.S. issuers (whether traded in the U.S. or overseas securities markets). Investment in non-U.S. issuers or securities principally traded outside the United States may involve certain special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive, accounting standards and disclosure requirements than domestic issuers. The securities of some foreign governments and companies and foreign securities markets are less liquid and at times more volatile than comparable U.S. securities and securities markets. The foregoing risks associated with non-U.S. investments are even greater in emerging markets.
- Derivative instruments, or "derivatives," include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with writing derivative instruments. For example, because many derivatives provide significantly more market exposure than the

premium received when the transaction is entered into, an adverse market movement can expose the Funds to the possibility of a loss exceeding the original premium received. Derivatives may also expose the Funds to liquidity risk, as there may not be a liquid market within which to close or cover outstanding derivatives contracts and/or the cost of closing or covering an outstanding contract can exceed the original premium received.

- In entering into futures contracts and options on futures contracts, there is a credit risk that a counterparty will not be able to meet its obligations to the Funds. The counterparty for futures contracts and options on futures contracts traded in the United States and on most foreign futures exchanges is the clearinghouse associated with such exchange. In general, clearinghouses are backed by the corporate members of the clearinghouse who are required to share any financial burden resulting from the nonperformance by one of its members and, as such, should significantly reduce or eliminate this credit risk.
- Futures contracts gains and losses are marked-to-market daily for purposes of determining margin requirements. Option positions generally are not, although short option positions will require additional margin if the market moves against the position. Due to these differences in margin treatment between futures and options, there may be periods in which positions on both sides must be closed down prematurely due to short-term cash flow needs. Were this to occur during an adverse move in the spread or straddle relationships, a substantial loss could occur.
- Under certain circumstances, futures exchanges may establish daily limits on the amount that the price of a futures contract or an option on a futures contract can vary from the previous day's settlement price; once that limit is reached, no trades may be made that day at a price beyond the limit. Daily price limits do not limit potential losses because prices could move to the daily limit for several consecutive days with little or no trading, thereby preventing liquidation of unfavorable positions.
- Each exchange on which futures are traded typically has the right to suspend or limit trading in the contracts traded on such exchange. Such a suspension or limitation could render it impossible for the Funds to liquidate its positions and thereby expose it to losses. In addition, there is no guarantee that exchange and other secondary markets will always remain liquid enough to close out existing futures positions. It is also possible that an exchange or the Commodity Futures Trading Commission could order the

immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

- Although the Funds will not borrow for investment purposes, the low margin deposits normally required in futures contract trading (typically between 2.0% and 25.0% of the value of the contract purchased or sold) and/or portfolio margin permit an extremely high degree of economic leverage. Accordingly, a relatively small price movement in a contract may result in immediate and substantial losses to the Funds. Like other leveraged investments, any trade may result in losses in excess of the amount invested.
- The markets in which the Adviser intends to invest are extremely competitive. In pursuing its investing methods and strategies, the Funds will compete with larger investment advisory and private investment firms, as well as institutional investors and, in certain circumstances, market-makers, banks and broker-dealers. In relative terms, the Funds have little capital and may have difficulty in competing in markets in which its competitors have substantially greater financial resources, larger research staffs and more investment professionals than the Adviser has or expects to have in the future. In any given transaction, investment and trading activity by other firms will tend to narrow the spread between the price at which an investment may be purchased by the Funds and the price it expects to receive upon consummation of the transaction. In addition, competition in the writing of options may decrease the premiums that can be generated on option sales.
- While the investments made by the Adviser are generally readily liquidated, the Funds may not be able to sell such investments at prices that reflect the Adviser's assessment of their value or the amount paid for such investments by the Funds. The Partnership Agreements for the Funds authorize the Funds to make distributions in kind in lieu of or in addition to cash.
- Institutions, such as a prime broker or various banks, may hold certain of the Funds assets in "street name." Bankruptcy or fraud at one of these institutions could impair the operational capabilities or the capital position of the Funds.
- Writing options can provide a greater potential for loss than an equivalent investment in the underlying asset. Where an option is written or granted (i.e., sold) uncovered (as will usually be the case when the Funds write options), the seller may be liable for a risk of loss which is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly

different from the market value. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. The Funds' options strategy depends on these factors combining to allow the options to expire unexercised.

- All decisions with respect to the management of the Funds will be made exclusively by the General Partner. Except as specifically provided in the Partnership Agreement or applicable law, Limited Partners will have no right or power to take part in the management of the Funds.
- The Adviser (and/or trading advisers) will make substantially all of the trading and investment decisions of the Funds. Limited Partners will have no right or power to take part in the trading and investment decisions of the Funds.
- The Fund's investment performance will be substantially dependent on the services of Robert "Bob" L. Walters, J. Bolton Walters and any trading advisers and/or consultants retained by the Funds. In the event of the death, disability or departure of Messrs. Walters or any trading advisers and/or consultants, the business of the Funds may be adversely affected.
- The Funds may enter into separate agreements with certain investors, such as those affiliated with the Adviser or those deemed to involve a significant or strategic relationship, waive certain terms, or allow such investors to invest on different terms than those specifically described in this Memorandum, including terms related to fees, liquidity or depth of information provided to such investors concerning the Funds. Under certain circumstances, these agreements could create preferences or priorities for such Limited Partners. In addition, the Adviser may, through a separate fund or otherwise, specifically allocate capacity with respect to some of the Funds' investments to *clients* or investors who desire increased exposure to such investments.
- The Funds may offer Limited Partners additional or different information and reporting than that offered to other Limited Partners. Such information may provide the recipient greater insights into the Funds' activities than is included in standard reports to Limited Partners, thereby enhancing the recipient's ability to make investment decisions with respect to the Funds.

- The Performance Allocation may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of the Performance Allocation.
- There are restrictions on withdrawals from the Funds (which may be settled in securities rather than cash) and on transfers of Interests. The prior written consent of the Adviser will be required for a transfer of the Interest of any Limited Partner. Because of the restrictions on withdrawals and transfers, an investment in the Funds is a relatively illiquid investment and involves a high degree of risk. A subscription for Interests should be considered only by persons financially able to maintain their investment and who can accept a loss of all of their investment.
- The Funds have limited operating history. The past investment performance of the Adviser or their principals (or trading advisers) may not be construed as an indication of the future results of an investment in the Funds.
- There may be periods where the Adviser will be unable to fully implement the Funds' investment strategy. For example, although it is intended that the Funds' portfolio will be constructed as described in the offering materials, there can be no assurance that the Funds' portfolio will maintain this structure at all times (e.g., during periods of market instability). During any such periods, the Adviser's ability to seek achieve the Funds' investment objective may be impaired.
- While the Funds may be considered similar to investment companies, they are not required to register as investment companies and have not registered as such under the Investment Company Act or the laws of any other jurisdiction and, accordingly, the provisions of such statutes (which may provide certain regulatory safeguards to investors) are not applicable. For example, the Funds are not required to file reports and statements with the SEC as are registered investment companies. Another difference is that the Funds are not required to maintain custody of its own securities or place its securities in the custody of a bank or a member of a U.S. securities exchange, as required of registered investment companies under SEC rules. A registered investment company which places its securities in the custody of a member of a U.S. securities exchange is required to have a written custodian agreement, which provides that securities held in custody will be at all times individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company. The Adviser will generally maintain such accounts at brokerage firms that do not separately segregate such assets as would be required in

the case of registered investment companies. Under the provisions of the U.S. Securities Investor Protection Act, the bankruptcy of any such brokerage firms might have a greater adverse effect on the Funds than would be the case if the Adviser maintained its account to meet the requirements applicable to registered investment companies.

Tax Risks

- The Funds will be classified as partnerships for federal tax purposes. Each Partner must take into account its allocable share of the partnership items of the Funds. The Funds, like all entities classified as partnerships for federal tax purposes, are subject to a risk of audit by the Internal Revenue Service (“Service”). Any adjustments made to the Funds’ information return produced by such an audit might result in adjustments to the Partners’ tax returns, with respect not only to items related to the Funds but also to unrelated items. Furthermore, federal, state and local tax laws are subject to change, and Partners could incur substantial tax liabilities as a result of changes thereto. Finally, various aspects of income taxation, including federal, state and local taxation and the alternative minimum tax, produce tax effects that can vary based on each taxpayer’s particular circumstances. **THEREFORE, INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISERS TO DETERMINE THE TAX EFFECTS OF AN INVESTMENT IN THE FUNDS, ESPECIALLY IN LIGHT OF THEIR PARTICULAR FINANCIAL SITUATIONS.**
- The Funds do not intend to make distributions with respect to Interests. Therefore, a Limited Partner should not rely on distributions from the Funds to cover the Limited Partner’s tax liability associated therewith, if any. Instead, a Limited Partner will need to redeem its Interest to realize the value of its investment.
- The Service could challenge the deductibility of expenses the Funds incur, including the Management Fee, for several reasons, including that those expenses constitute capital expenditures that, among other things, should be added to the Funds’ cost of acquiring its investments and amortized over a period of time or held in suspense until the Funds liquidate or dissolve. In addition, certain expenses the Funds incur, including the Management Fee, may constitute “miscellaneous itemized deductions,” the deductibility of which by individual taxpayers is subject to a separate limitation as well as an overall limitation on itemized deductions. In this regard, the Service also could attempt to challenge any allocation to the Adviser pursuant to the Performance Allocation and instead try to treat amounts distributed with respect thereto as a management fee. If the Service were to prevail in such position, the Limited Partners would be allocated the profits otherwise allocable to the Adviser and their ability to

deduct the amounts recharacterized as a fee could be disallowed or limited as described above.

- The Funds do not intend to borrow for investment purposes, but the Adviser may change its investment strategy and do so in the future. Any such borrowing will cause the Funds to have “debt financed property” which may result in UBTI to tax-exempt Limited Partners. Accordingly, an investment in the Funds may not be appropriate for tax-exempt organizations.

Potential Conflicts of Interest

- The Adviser may manage other *client* accounts, including other collective investment vehicles which may be managed by the Adviser or any of its affiliates and in which the Adviser or any of its affiliates may have an equity interest. Any of these other *client* accounts may have objectives similar to that of the Funds.
- The Partnership Agreements of the Funds require that the Adviser act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities but does not otherwise impose any specific obligations or requirements concerning the allocation of time, effort or investment opportunities or any restrictions on the nature or timing of investments for the account of the Funds and for the Adviser’s own account or for other accounts which the Adviser may manage. The Adviser is not obligated to devote any specific amount of time to the affairs of the Funds and is not required to accord exclusivity or priority to the Funds in the event of limited investment opportunities arising from the application of speculative position limits or other factors. The foregoing is also true of the Adviser.
- If the Adviser determines that it would be appropriate for the Funds and one (1) or more other investment accounts managed by the Adviser to participate in an investment opportunity, the Adviser will seek to execute orders for all of the participating investment accounts on an equitable basis. If the Adviser has determined to invest at the same time for more than one of the investment accounts, the Adviser will generally place combined orders for all such accounts simultaneously and if all such orders are not filled at the same price generally average the prices paid. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, the Adviser will allocate the trade among the different accounts on a basis that it considers equitable. Situations may occur where the Funds could be disadvantaged because of the investment activities conducted by the Adviser for other investment accounts.

- The professionals of the Adviser, as well as employees, partners, directors and managers thereof and of organizations affiliated with either of them, may buy and sell securities for their own account or the account of others, but may not buy or sell for their own account any security that has the same CUSIP as a security that is bought or sold for the Funds' account and may not buy securities from or sell securities to the Funds.

Special Risks of a Fund of Funds or Trading Adviser Structure

- Certain risks exist due to the fact that the Funds may invest in one (1) or more private investment funds ("Trading Adviser Fund") controlled by Trading Advisers, as further described in the confidential private placement memorandum.

* * * *

In view of the foregoing considerations, an investment in the Funds is suitable only for investors who are capable of bearing the relevant investment risks and a complete loss of their investment.

Clients should refer to the investment management agreement and related investment guidelines and restrictions or, in the case of pooled investment vehicles, in the fund's offering documents for a more detailed discussion of applicable risks. The risks contained herein, or in the applicable confidential private placement memorandum, are not exhaustive.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Adviser or the integrity of Adviser's management. Adviser has no information applicable to this Item.

Item 10 - Other Financial Industry Activities and Affiliations

Adviser may select other investment advisers to serve as trading advisers to the Funds, and such trading advisers are compensated by the Adviser.

Adviser does not recommend or select any other investment advisers for its *clients*.

The Adviser may manage other *client* accounts, including other collective investment vehicles which may be managed by the Adviser or any of its affiliates and in which the Adviser or any of its affiliates may have an equity interest. Any of these other *client* accounts may have objectives similar to that of the Funds.

Item 11 - Code of Ethics

As part of an overall internal compliance program, Adviser has adopted a Code of Ethics that imposes standards of business conduct, including requirements to put *client* interests first and not to take inappropriate advantage of employment-related information, seeks to minimize potential conflicts of interests between employees and investment advisory *clients* and helps to ensure compliance with applicable laws and regulations.

The Code of Ethics also imposes restrictions on employee personal securities transactions and accounts. Such restrictions include prohibitions on trading in securities while in possession of related material, nonpublic information and (with certain exceptions) reporting of personal securities accounts, transactions and/or holdings to the Chief Compliance Officer.

The Code of Ethics also generally requires Adviser partners, officers and employees to obtain preapproval of certain securities transactions from the Chief Compliance Officer. Existing and prospective Adviser *clients* may obtain copies of the Code of Ethics by mailing a written request for such document to J. Bolton Walters at the physical address detailed on the first page of this document or by e-mail to Admin@BAGSecurities.com.

Subject to the provisions of the Code of Ethics, Adviser's officers and employees may from time to time have acquired or sold, or may subsequently acquire or sell, for their personal accounts securities which may also be purchased or sold for the accounts of Adviser's *clients*.

Adviser, its affiliates and partners, officers and employees may engage in transactions or cause or advise a particular *client* to engage in transactions which may differ from or be identical to the transactions engaged in by Adviser for other accounts. Adviser shall not have any obligation to engage in any transaction for a *client's* account or to recommend any transaction to a *client* in which any of Adviser's affiliates may engage either for their own accounts or the account of any other *client*, except as otherwise required by applicable law.

Adviser may exercise its discretion to execute cross trades between different *clients* (including mutual funds). Internal cross trades may benefit *clients* on both sides of the trade by eliminating the need to pay a spread, mark-up or commission to counterparty. Adviser seeks to ensure that internal cross trades are fair and in the best interests of all participating accounts. Only eligible *clients* may participate. Adviser receives no additional fee, and seeks best execution for each participating *client*. Cross trades involving mutual funds and *clients* subject to the Employee Retirement Income Security Act of 1974 ("ERISA") will be structured in accordance with the applicable requirements of the Investment Company Act of 1940 and ERISA, respectively.

Item 12 - Brokerage Practices

Adviser generally has the authority to make all determinations regarding securities to be purchased or sold, the amount of such securities to be purchased or sold, the use of broker-dealers and commissions paid.

In placing orders, Adviser seeks to obtain best execution taking into account factors such as (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker; (iv) the firm's risk in positioning a block of securities; (v) the quality, comprehensiveness and frequency of available research services considered to be of value; and (vi) the competitiveness of commission rates in comparison with other brokers satisfying BAG's other selection criteria.

While Adviser generally seeks the best price in placing its orders, an account may not necessarily be paying the lowest price available.

Adviser does not utilize soft dollars and does not "pay-up" for research.

In selecting or recommending broker-dealers, Adviser does not consider whether Adviser or an affiliate receives investor referrals from such broker-dealer.

Adviser does not accept directed brokerage arrangements.

Adviser does periodically aggregate *client* trades. *Clients* participating in aggregated orders will generally receive the same average price. In certain instances, Adviser may need to execute multiple trades in the same security through different broker-dealers because a particular broker-dealer may not be able or willing to trade in the quantity or price that Adviser seeks. In such cases, the aggregation of such orders is not practically possible as most trade orders are executed or filled when they are placed and, as a result, each trade order placed with a different broker-dealer is considered a separate order and different accounts will not participate in an average price.

Item 13 - Review of Accounts

Adviser's *clients* generally receive annual and either monthly or quarterly statements regarding their accounts that include details pertaining to the activity, yield and current market value of such accounts during the applicable reporting period.

Depending on the nature of services to be provided and the *client's* objective, however, Adviser may provide reports to a *client* on other than a monthly or quarterly and annual basis and may vary the content of those written reports in consultation with that *client*.

Clients may also receive monthly statements and confirmations of transactions from the custodian for the *client's* account. Finally, investors in the pooled investment vehicles advised or sub-advised by Adviser will receive various periodic and annual written reports as set forth in each such fund's offering documents.

Item 14 - *Client* Referrals and Other Compensation

From time to time, Adviser may have referral or solicitation arrangements (or trading adviser agreements) with non-affiliated persons or entities to which Adviser pays fees for the referral of business.

Any such arrangements are pursuant to written arrangements consistent with Rule 206(4)-3 of the Advisers Act. Adviser and/or the solicitation agent will make appropriate disclosures of such arrangements to the *client* and the *client* does not bear the cost of such referral or solicitation fees, nor is the advisory fee higher than the advisory fee to other *clients* because of such payments.

Item 15 - Custody

Adviser does not maintain physical custody of *Clients'* assets.

Item 16 - Investment Discretion

Adviser usually receives discretionary authority from the *client* at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular *client* account and by applicable law.

When selecting securities and determining amounts, Adviser observes the investment policies, limitations and restrictions of the *clients* for which it advises.

For U.S. registered investment companies, Adviser's authority to trade securities may also be limited by a Prospectus and Statement of Additional Information, if any, or other offering materials including applicable confidential private placement memorandums or partnership agreements.

Investment guidelines and restrictions are agreed to by Adviser and the *client* in writing.

Item 17 - Voting *Client* Securities

Proxies are an asset of a *client* account, which should be treated by the Adviser with the same care, diligence and loyalty as any asset belonging to a *client*. Accordingly, proxy voting must be conducted with the same degree of prudence and loyalty accorded any fiduciary or other obligation of the Adviser.

Each *client* of the Adviser should clearly specify whether the *client* has retained the power to vote proxies or whether this power has been delegated to the Adviser. A *client* may direct the Adviser to vote in a particular manner at any time upon written notice to the Adviser. In all circumstances, the Adviser will comply with specific *client* directions to vote proxies, whether or not such *client* directions specify voting proxies in a manner that is different from these policies and procedures. In instances where the Adviser does not have authority to vote *client* proxies, it is the responsibility of the *client* to instruct the relevant custodian bank or banks or prime broker to mail proxy material directly to such *client*. In every case in which a *client* has delegated the power to vote proxies to the Adviser, every reasonable effort should be made to vote proxies. It is the Adviser's policy to review each proxy statement on an individual basis and to vote with the goal to best serve the financial interests of its *clients*.

If the Adviser exercises voting authority with respect to its *clients*, it must make and retain the following: (a) a copy of each proxy statement that the Adviser receives regarding *client* securities, but may rely on obtaining a copy of a proxy statement from the SEC's Electronic Data Gathering Analysis, and Retrieval (EDGAR) system; (b) a record of each vote cast by the Adviser on behalf of a *client*; (c) a copy of any document created by the Adviser that was material to making a decision how to vote proxies on behalf of a *client* or that memorializes the basis for that decision; and (d) a copy of each written *client* (or investor) request, if any, for information on how the Adviser voted proxies on behalf of the *client*, and a copy of any written response by the Adviser to such a request.

The records required to be made and described above must be maintained and preserved in an easily accessible place, in accordance with Rule 204-2 of the Advisers Act.

Item 18 - Financial Information

As a registered investment adviser, Adviser is required in this Item 18 to provide certain disclosures about its financial condition. Adviser 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.

Robert "Bob" L. Walters

BAG Securities, L.L.C.

15100 Gebron Drive

Austin, Texas 78734

(512) 263-8800

www.bagsecurities.com

March 30, 2012

This brochure supplement provides information about Robert "Bob" L. Walters that supplements the BAG Securities, L.L.C. ("Adviser"), brochure. You should have previously received a copy of that brochure, or the brochure is attached. Please contact Bolton Walters, Chief Compliance Officer, at (512) 263-8800 or Admin@BAGSecurities.com if you did not receive Adviser's brochure, or if you have any questions about the contents of this supplement.

Item 2 - Educational Background and Business Experience

Name: Robert "Bob" L. Walters

Year of Birth: 1950

Formal Education: BBA Texas A&M University

Business Background: Robert "Bob" L. Walters is the Managing Director of the General Partner and has served as Chairman and Founder of The Bank Advisory Group since 1989. For approximately ten (10) years prior to that, Mr. Walters headed the community bank merger and acquisitions and bank stock valuation advisory services of Sheshunoff & Company.

In the field of community bank mergers and acquisitions, Mr. Walters has represented hundreds (100s) of banks through brokering selling banks, and through developing negotiating strategies, formulating pricing and transaction structure alternatives, and determining pro forma financial performance opportunities for bank buyers and bank merger partners.

Since 1980, Mr. Walters has participated in well over one thousand five hundred (1,500) client relationships involving the evaluation of both "control" and "minority" blocks of community bank stocks. In this regard, on many occasions Mr. Walters has provided expert witness testimony regarding the valuation of community bank stocks and the overall financial performance characteristics of the community banking industry. Specifically, he is a recognized expert in quantifying the financial determinants of community bank value for both "control"

BAG Securities, L.L.C., Brochure

March 30, 2012

Page 21 of 24

and “minority” ownership positions. Mr. Walters is also well-recognized as an expert in the field of bank performance analysis using data obtained from federal bank regulatory authorities and the SEC.

Prior to becoming an expert in the fields of bank mergers and acquisitions, bank financial performance analysis and bank stock valuation, Mr. Walters was a certified public accountant with Touche Ross & Co.

Item 3 - Disciplinary Information

N/A

Item 4 - Other Business Activities

Robert “Bob” L. Walters also currently serves as Chairman and Founder of The Bank Advisory Group (bank financial analysis, bank stock appraisal and bank mergers and acquisitions) and is a principal in The Bank CEO Network (an educational program which provides current information on the banking industry to community bank presidents and chief executive officers throughout the United States).

Item 5 - Additional Compensation

N/A

Item 6 - Supervision

Adviser is required to manage *client* accounts in accordance with the investment guidelines and limitations described in a *client’s* investment management agreement with Adviser (and, in the case of funds, in the fund’s offering documents). Adviser monitors adherence to these guidelines utilizing various mechanisms, including electronic trade monitoring and periodic Compliance review. Adviser supervises Mr. Walters and monitors the advice he provides to *clients* through regular reviews of *client* trading and positions for adherence to *client* investment guidelines and Adviser’s internal policies and procedures. The name and contact information for the person responsible for supervising Mr. Walters’ investment advisory activities is: Mr. J. Bolton Walters, Partner of BAG Securities, L.L.C., (512) 263-8800 or Admin@BAGSecurities.com.

Item 7 - Requirements for State-Registered Advisers

A. N/A

B. N/A

J. Bolton Walters

BAG Securities, L.L.C.

15100 Gebron Drive

Austin, Texas 78734

(512) 263-8800

www.bagsecurities.com

March 30, 2012

This brochure supplement provides information about J. Bolton Walters that supplements the BAG Securities, L.L.C. ("Adviser"), brochure. You should have previously received a copy of that brochure, or the brochure is attached. Please contact Bolton Walters, Chief Compliance Officer, at (512) 263-8800 or Admin@BAGSecurities.com if you did not receive Adviser's brochure, or if you have any questions about the contents of this supplement.

Item 2- Educational Background and Business Experience

Name: J. Bolton Walters

Year of Birth: 1973

Formal Education: BBA Texas A&M University; JD Baylor University; MBA Baylor University

Business Background: Bolton Walters has been involved in various private funds, businesses and entrepreneurial ventures. Previously, Bolton Walters served as Senior Adviser for Commercial and Business Affairs at the U.S. State Department. Bolton Walters also served as a member of the U.S. team responsible for organizing the 2004 G8 Summit hosted by the President of the United States; an annual forum for the heads of state of the most industrialized nations, and invited world leaders. Previously, he accepted an appointment working for a Commissioner at the U.S. Commodity Futures Trading Commission (CFTC), the federal agency responsible for overseeing U.S. financial futures, derivatives and options markets. Prior to the CFTC he worked for a U.S. Congressman.

Prior to his years of experience in Washington, D.C., Bolton Walters practiced law in Austin, Texas, advising *clients* on a range of matters including business and commercial-related real estate transactions. He also served as Executive Director and General Counsel for two state-wide associations for technology and e-commerce companies.

Bolton Walters is a member of the State Bar of Texas.

BAG Securities, L.L.C., Brochure

March 30, 2012

Page 23 of 24

Item 3 - Disciplinary Information

N/A

Item 4 - Other Business Activities

N/A

Item 5 - Additional Compensation

N/A

Item 6 - Supervision

Adviser is required to manage *client* accounts in accordance with the investment guidelines and limitations described in a *client's* investment management agreement with Adviser (and, in the case of funds, in the fund's offering documents). Adviser monitors adherence to these guidelines utilizing various mechanisms, including electronic trade monitoring and periodic Compliance review. Adviser supervises Mr. Walters and monitors the advice he provides to *clients* through regular reviews of *client* trading and positions for adherence to *client* investment guidelines and Adviser's internal policies and procedures. The name and contact information for the person responsible for supervising Mr. Walters' investment advisory activities is: Mr. Robert "Bob" L. Walters, Partner of BAG Securities, L.L.C., (512) 263-8800 or Admin@BAGSecurities.com.

Item 7 - Requirements for State-Registered Advisers

A. N/A

B. N/A