

**Keane Capital Management, Inc.**

**March 5, 2012**

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**This brochure provides information about the qualifications and business practices of Keane Capital Management, Inc. (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at [tslack@keanecapital.com](mailto:tslack@keanecapital.com). This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about the Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Keane Capital Management, Inc.  
3440 Toringdon Way, Suite 308  
Charlotte, North Carolina 28277  
Tel: (704) 364-3250  
Fax: (704) 364-9381  
Website: <http://www.keanecapital.com/>

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#### **Item 4. Advisory Business**

The Adviser is an investment adviser with its principal place of business in Charlotte, North Carolina. The Adviser commenced operations as an investment adviser in 1999. Peter L. Keane is the President of the Adviser.

The Adviser provides discretionary investment advisory services to Keen Focus Fund Limited Partnership and Keen Focus Fund II Limited Partnership (together, the "Funds").

The Adviser provides advice to the Funds based on specific investment objectives and strategies described in their respective offering memoranda. The Adviser does not tailor advisory services to the individual needs of investors in the Funds, and investors in the Funds may not impose restrictions on investing in certain securities or certain types of securities.

As of December 31, 2011, the Adviser had approximately \$172,064,320 in regulatory assets under management, all of which are managed on a discretionary basis.

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#### **Item 5. Fees and Compensation**

The Adviser is paid a monthly management fee at the rate of 1.5% per annum of the net assets of the respective Fund as of the last day of each month (the "Management Fee").

While it is not customary for the Adviser to allow Fund investors to contribute to a Fund other than at the beginning of a month, in the event an additional contribution by an investor is made to a Fund during a month, the Management Fee will be prorated for the number of days remaining in the month. Similarly, while it is not customary for the Adviser to allow Fund investors to withdraw from a Fund other than at the end of a month, if a withdrawal is made from a Fund during a month, the fee payable to the Adviser will be calculated based on the value of the assets on the withdrawal date and prorated for the number of days during the month in which the investor was invested in the Fund. The Adviser receives the Management Fee each month by instructing the custodian of the Funds to deduct the Management Fee from the account.

The Adviser (or an affiliate of the Adviser) also receives annual performance-based compensation, which is compensation based on a share of capital gains on or capital appreciation of the assets of a Fund. This compensation rate is 20%, subject to a loss carryforward (the "Performance Allocation").

The Adviser may waive or reduce the Management Fee and the Incentive Allocation with respect to investors in the Funds who are affiliates of the Adviser, significant investors or investors who satisfy other criteria specified by the Adviser in its discretion.

In addition to paying the Management Fee and, if applicable, the Incentive Allocation, the Funds will also be subject to other investment expenses such as legal, accounting (including third-party accounting services), audit, and other professional fees and expenses, administrator fees and expenses, fund-organizational expenses as well as insurance premiums directly benefiting the Funds and their investors, including without limitation, liability insurance, investment expenses such as commissions, research fees, publications and subscriptions, service contracts for quotation equipment and newswires, borrowing charges on securities sold short, custodian fees, bank service fees, fees or expenses associated with insuring the Fund's assets, interest costs on indebtedness incurred to finance the Fund's investment

activities, research-related expenses and any other reasonable expenses directly related to implementation of the Fund's investment strategy and the purchase, sale or transfer of Fund assets.

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#### **Item 6. Performance-Based Fees and Side-by-Side Management**

As noted in Item 4, the Adviser and its investment personnel provide investment management services to the Funds. The Adviser is entitled to be paid performance-based compensation by the Funds. In addition, the Adviser's investment personnel are typically compensated on a basis that includes a performance-based component. The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple Funds and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all Funds with substantially similar investment objectives are treated equitably. The performance of similarly managed Funds is also regularly compared to determine whether there are any unexplained significant discrepancies.

In addition, the Adviser's procedures relating to the allocation of investment opportunities require generally that similarly managed accounts participate in investment opportunities pro rata based on asset size. Finally, the Adviser's procedures also require the objective allocation for limited opportunities (such as private placements) to ensure fair and equitable allocation among accounts. These areas are monitored by the Adviser's Chief Compliance Officer.

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#### **Item 7. Types of Clients**

The Adviser's clients consist of the Funds. Any initial and additional subscription minimums are disclosed in the offering memorandum for the applicable Fund.

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

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis include fundamental research, cash flow analysis and intrinsic value analysis approaches.

The Adviser employs the following investment strategies:

*Equity.* The Adviser may trade in U.S. and non-U.S. equities traded on domestic markets. The Adviser's equity strategy focuses on value equity investing. Currently, the focus is on specific ranges on the capitalization scale, from micro-cap through small-cap, primarily with market capitalization of less than \$2 billion. However, the median market capitalization typically will be under \$1 billion.

*Relative Value.* The Adviser pursues relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In normal market conditions, the Adviser typically constructs a portfolio with a net exposure (i.e., long positions minus short positions divided by total equity) of 60 and 80 percent.

*Short Selling.* The Adviser engages in short selling strategies. In a short sale transaction, the Adviser sells a security it does not own in anticipation that the market price of that security will decline. The Adviser makes short sales (i) as a form of hedging to offset potential declines in long positions in similar securities, (ii) in order to maintain flexibility and (iii) for profit.

*Option Trading.* The Adviser very rarely engages in any option trading investment strategies, but is authorized to conduct them. Options are investments whose ultimate value is determined from the value

of the underlying investment. The Adviser has engaged in the following types of option trading strategies in the past: puts, calls, warrants, etc.

*Leverage.* The Adviser's investment program does not utilize a significant amount of leverage which involves the borrowing of funds from brokerage firms, banks and other institutions in order to be able to increase the amount of capital available for marketable securities investments. Although the use of leverage will not be an integral part of the Adviser's investment strategy, the Adviser may utilize leverage in accordance with the Federal Reserve Board's margin rules set forth in Regulation T.

These methods, strategies and investments involve risk of loss to clients, and clients must be prepared to bear the loss of their entire contribution.

*Distressed Situation Risk.* Investment in distressed situations exposes the Funds to significant risks, including: the difficulty in obtaining information as to the issuer's true condition; regulatory risk, including laws relating to fraudulent conveyances, voidable preferences, lender liability and bankruptcy; litigation risk; and liquidity risk.

*Hedging.* There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser's investment portfolios than if the Adviser did not engage in any such hedging transactions.

*Issuer-Specific Changes.* Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

*Lack of Diversification.* The Funds will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, the Funds are subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments.

*Leverage.* Performance may be more volatile if a Fund employs significant leverage.

*Short Selling Risk.* The Adviser's investment program includes a certain amount of short selling. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

*Equity Securities.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

*Derivatives.* Swaps, certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by a Fund or the Adviser. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and will expose the Funds to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

*Distressed Securities.* Investments in unrated or low-grade debt securities of distressed companies are subject to greater risk of loss of principal and interest than higher-rated debt securities. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies.

*Emerging Markets.* The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

*Illiquid Instruments.* Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Adviser's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Adviser to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio.

*Non-U.S. Securities.* Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

*Real Estate ("REITs").* While the Adviser does not invest in individual REITs, it will occasionally buy publicly traded REIT securities. REITs in which the Adviser invests assets of the Funds are affected by underlying real estate values, which may have an exaggerated effect to the extent that REITs in which the Adviser invests concentrate investments in particular geographic regions or property types. Investments in REITs are also subject to the risk of interest rate volatility. Further, rising interest rates will cause investors in REITs to demand a higher annual yield from future distributions, which will in turn decrease market prices for equity securities issued by REITs. REITs are subject to risks inherent in operating and financing a limited number of projects because they are dependent upon specialized management skills and have limited diversification. REITs depend generally on their ability to generate cash flow to make distributions to investors.

*Security Futures and Options.* In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in a Fund. In addition, the Adviser's investments in security futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

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**Item 9. Disciplinary Information**

This Item is not applicable.

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**Item 10. Other Financial Industry Activities and Affiliations**

This Item is not applicable.

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

The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser and its related persons to put the interests of the Adviser’s clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All of the Adviser’s personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Ted Slack (Chief Compliance Officer) by email at [tslack@keanecapital.com](mailto:tslack@keanecapital.com), or by telephone at (704) 973-4022. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

The Adviser has adopted a policy that neither it nor its related persons are permitted to invest for their own account in securities of companies that have a market cap of \$5 billion or less, in an effort to avoid the Adviser or its related persons investing in the same securities that the Adviser or a related person recommends to the Funds.

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**Item 12. Brokerage Practices**

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer’s compensation. Such factors include financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer’s compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser’s practice to negotiate “execution only” commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser’s portfolio managers, traders and Chief Compliance Officer meet quarterly to evaluate the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

The Adviser receives research and brokerage services other than execution from a broker-dealer and a third party in connection with client securities transactions. This is known as a “soft dollar” relationship. Except for services that would be an expense of the Funds, the Adviser will limit the use of “soft dollars” to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 (“Section 28(e)”). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants’ advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and

settlement of securities transactions and functions incidental thereto (i.e., connectivity services between a general partner and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post-trade matching of trade information; and services required by the Securities and Exchange Commission or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations. The use of commissions arising from a Fund's investment transactions for services other than research and brokerage will be limited to services that would otherwise be a Fund expense.

The Adviser periodically reviews the firm's soft dollar arrangements, budget and allocations and monitors the firm's policy.

The use of client commissions to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

During the Adviser's last fiscal year, as a result of client brokerage, the Adviser and/or its related persons acquired market data, research and analysis.

In some instances, the Adviser obtains a product or service that is used, in part, by the Adviser for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, the Adviser will make a good-faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources. The determination of the appropriate allocation of "mixed use" products and services creates a potential conflict of interest between the Adviser and clients.

The Adviser often purchases or sells the same security for both Funds at or near the same time and using the same executing broker. It is the Adviser's practice, where possible, to aggregate client orders for the purchase or sale of the same security submitted at or near the same time for execution using the same executing broker. Such aggregation may enable the Adviser to obtain for the Funds a more favorable price or a better commission rate based upon the volume of a particular transaction. When an aggregated order is completely filled, the Adviser allocates the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating clients.

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### **Item 13. Review of Accounts**

Each Fund is reviewed by a portfolio manager of the Adviser, on a monthly basis to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include the performance of each Fund.



Investors in the Funds receive reports from the relevant Fund pursuant to the terms of such Fund's offering memorandum.

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**Item 14. Client Referrals and Other Compensation**

The Adviser makes cash payments to third-party solicitors for client referrals, provided that, to the extent required, each such solicitor has entered into a written agreement with the Adviser pursuant to which the solicitor will provide each prospective client with a copy of the Adviser's Form ADV Part 2. When applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act and related SEC staff interpretations.

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**Item 15. Custody**

This Item is not applicable.

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**Item 16. Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to the Funds.

The Adviser has entered into an agreement with the Funds that sets forth the scope of the Adviser's discretion.

The Adviser has the authority to determine (i) the securities to be purchased and sold for the Funds (subject to restrictions on its activities set forth in the applicable investment management agreement or other agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the Funds.

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**Item 17. Voting Client Securities**

To the extent the Adviser has been delegated proxy voting authority on behalf of its clients, the Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of its clients.

Investors in the Funds are not permitted to direct their votes in a particular solicitation.

Investors in the Funds may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a Fund's proxies by contacting Ted Slack (Chief Compliance Officer) by email at [tslack@keanecapital.com](mailto:tslack@keanecapital.com), or by telephone at (704) 973-4022.

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**Item 18. Financial Information**

This Item is not applicable.