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Item 1 – Cover Page

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Part 2A of Form ADV  
Brochure for:

ROI Capital Management, Inc.

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Greenbrae, CA 94904  
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February 29, 2012

This brochure provides information about the qualifications and business practices of ROI Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 415-464-8023 or mitch@roicapital.net. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration of an Investment Adviser does not imply any certain level of skill or training.

Additional information about ROI Capital Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 2 – Material Changes

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This brochure was prepared for ROI Capital Management, Inc.’s initial registration with the Securities and Exchange Commission. There have been no amendments and no material changes.

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## Item 3 – Table of Contents

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## Item 4 – Advisory Business

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### Description of the Advisory Firm

ROI Capital Management, Inc. (the “General Partner” or the “Investment Adviser”) was formed in the state of California as a corporation in July 1992 primarily for the purpose of providing investment management to pooled investment vehicles (the “Fund(s)” or the “Partnership(s)”). Currently, ROI Capital Management, Inc. provides such services to ROI Partners, LP and ROI & Lane, LP. ROI Capital Management, Inc. also provides investment management services to a separately managed account (“SMA”). Mark T. Boyer and Mitchell J. Soboleski, for whom biographies are provided in ADV Part 2B, are the principal owners and portfolio managers of ROI Capital Management, Inc.

### Description of Advisory Services

ROI Capital Management, Inc. provides portfolio management services for the Funds and investment management services to the SMA. ROI Capital Management, Inc. manages the portfolios of the Funds on a discretionary basis according to the investment objectives and investment strategies described in the Funds’ offering documents, which include a confidential offering circular and/or memorandum and limited partnership agreement along with other documentation.

ROI Capital Management, Inc. is not restricted in the types of securities or other instruments it may buy for the Fund, the types of positions it may take, or the amount of leverage it may employ. ROI Capital Management, Inc. has broad discretion to employ a wide variety of investment techniques, even if they involve changes in the Fund’s investment approach. See Item 8 for a description of specific methods of analyses, investment strategies, and risks.

### Client Tailored Services and Client Imposed Restrictions

ROI Capital Management, Inc. does not tailor portfolio management services to the individual needs of investors in the Fund.

### Wrap Fee Programs

ROI Capital Management, Inc. does not participate in wrap fee programs.

### Assets Under Management

As of January 31, 2012 ROI Capital Management, Inc. has approximately \$161,478,615 assets under management on a discretionary basis.

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## Item 5 – Fees and Compensation

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### Management Fee

In consideration for its services, ROI Capital Management, Inc. will receive a fee equal on an annual basis to 1.00% (0.25% per quarter in respect of investors who made their initial investment on or after April 1, 2005) and 1.5% (0.375% per quarter in respect of investors who made their initial investment prior to April 1, 2005) of the capital account of each investor. The Management Fee will be paid quarterly in advance. For periods of less than a quarter, the Management Fee will be prorated for the days remaining in that calendar quarter. ROI Capital Management, Inc., may waive all or a portion of the

Management Fee or may make other changes in the Management Fee for certain Investors. ROI Capital Management does not solicit or require prepayment of more than \$1,200 in fees six months or more in advance.

#### Incentive Allocation

In consideration for its services, ROI Capital Management, Inc. will receive a profit allocation or carried interest equal to 20% (for investors who made their initial investment on or after April 1, 2005) and 15% (for investors who made their initial investment prior to April 1, 2005) of the net profit allocated to each Investor's Capital Account (including net realized and unrealized gains and net investment income) for the relevant period.

Special Profit Allocations are generally made at the close of each fiscal year, but may be made more frequently upon the earlier withdrawal of an Investor. The Fund will maintain a Contingent Loss Account for each Investor. Each Investor's Contingent Loss Account will be debited with any net loss (taking into account the Investor's share of the Management Fee) allocated to that Investor's Capital Account. The General Partner will not be allocated any Special Profit Allocation with respect to an Investor's Capital Account until such Investor has recovered all amounts debited to its Contingent Loss Account (as adjusted for any withdrawals of capital). Any Special Profit Allocation earned or allocated to ROI Capital Management, Inc. with respect to a particular period is not subject to reduction, refund, or "claw-back" based on subsequent changes in an Investor's Contingent Loss Account. ROI Capital Management, Inc., in its discretion, may waive all or a portion of the Special Profit Allocation as to an Investor, or may agree with an Investor to other changes in the Special Profit Allocation respecting such Investor.

#### Expenses

The Fund will bear all of its operating costs including, without limitation, brokerage commissions, custodial fees, auditing, accounting and tax preparation fees, expenses, interest on borrowings, governmental fees and taxes, ongoing legal expenses and bookkeeping.

The Fund will also bear the expenses of offering and selling Interests. ROI Capital Management, Inc. may pay or reimburse the Fund for any or all such expenses at its discretion.

ROI Capital Management, Inc. will provide the Fund with office space, utilities, service contracts for quotation equipment, news wires and other information services, and certain clerical and administrative services. While the Fund will not reimburse ROI Capital Management, Inc. directly for the costs of providing those services, ROI Capital Management, Inc. may cause some of its overhead expenses (including, but not limited to, office rent and equipment, and employee and consultant-related compensation), and some of the Fund's expenses to be paid using "soft dollars." See Item 12 for a further discussion of "soft dollar" use.

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

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Please see Item 5 for a discussion of ROI Capital Management, Inc.'s fee structure. The Incentive Allocation provisions create an incentive for the Investment Manager to make client investments that are riskier or more speculative than would be the case in

the absence of a fee based on performance of the clients' portfolios. Differences in the Investment Manager's compensation arrangements with its clients, particularly because some clients pay performance-based compensation and others may not, could create incentives for the Investment Manager to manage client portfolios so as to favor those portfolios of clients paying performance-based compensation, as could ROI Capital Management, Inc.'s ownership interest (e.g., as the General Partner or limited partner) in some client accounts. Notwithstanding these conflicts, the Investment Manager will allocate transactions and opportunities among the various client accounts it manages in a manner it believes to be as equitable as possible, considering each account's objectives, programs, limitations and capital available for investment, but even accounts with similar objectives will often have different investment portfolios.

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## Item 7 – Types of Clients

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ROI Capital Management, Inc. provides portfolio management services to the Fund (which may be organized as domestic or foreign partnerships, corporations, incorporated or unincorporated entities, or other similar entities) and it also advises separately managed accounts for institutions, including pension plans and corporations. Although most Investors must initially invest at least \$1,000,000 in ROI Partners LP and \$100,000 in ROI & Lane LP, ROI Capital Management, Inc., may permit reduced minimum investments or require greater minimum investments at its discretion.

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

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### Investment Objective

ROI Capital Management, Inc. aims to achieve superior long-term, tax advantaged capital gains for its investors while managing risk at appropriate levels.

ROI Capital Management, Inc. cannot and does not assure that the Fund will achieve its goal over any particular period or at all. Investing in securities involves risk of loss that clients should be prepared to bear.

### Investment Strategy

ROI Capital Management, Inc. will concentrate the Fund's portfolio in the trading of securities, both long and short. On the long side, the General Partner will generally pursue a value-oriented approach, seeking companies that the General Partner believes to be undervalued and not widely followed by securities analysts, institutional investors and others in the securities community. On the short side, the General Partner will seek companies that, in the opinion of the General Partner, are over-valued. Additionally, the market capitalization of the companies shorted by the Fund will vary but generally tend to be larger, depending on various factors such as liquidity, the General Partner's ability to borrow shares and the company's industry and sector. The General Partner expects to invest mainly in domestic issuers. The General Partner may at times use leverage in its investing, typically through the use of margin loans. The General Partner has authority to invest in all types of financial instruments, although the General Partner intends to focus on equity securities.

The General Partner believes that absolute and relative valuations of certain companies are at historical lows, therefore, providing exceptional investment opportunities. During the last decade, the investment community has focused on a diminishing number of companies that are able to provide either investment banking fees or the volume of trading necessary to validate coverage. This has created a large universe of ignored, "orphaned" companies many of which, in the General Partner's opinion, trade at significant discounts to their true value. Through exhaustive fundamental research, the General Partner generally focuses on a select few "orphaned" companies in which to invest Fund assets.

#### Risks

An investment with ROI Capital Management, Inc. involves significant risks not associated with other investment vehicles. The Fund's portfolio will be subject to wide swings in value. Although the General Partner has the flexibility to react to changing market conditions, changes in market conditions or a company's situation could involve substantial losses.

Investors should consider an investment with ROI Capital Management, Inc. as a supplement to an overall investment program and should only invest with ROI Capital Management, Inc. if they are willing to undertake the risks involved. Prospective investors should carefully consider, among other factors, the risks described below. These risk factors are not meant to be an exhaustive listing of all potential risks associated with an investment in the Fund.

#### General Risks

*Investment Selection.* The success of the Fund's investment strategy will depend on the management, skill and acumen of the General Partner. Investors will have no opportunity to select or evaluate in advance any of the Fund's investments or strategies.

*Changes in Investment Strategies or Policies.* The General Partner has wide latitude to invest or trade the Fund's assets, to pursue any particular strategy or tactic or to change the Fund's emphasis, objectives, policies and/or strategy, all without obtaining the approval of the Investors.

*Special Profit Allocation.* The allocation of up to 20% of the Fund's net profit to the General Partner may create an incentive for the General Partner to cause the Fund to make investments that are riskier than it would otherwise make. In addition, because the General Partner's Special Profit Allocation is calculated on a basis which includes unrealized appreciation of the Fund's assets, the Special Profit Allocation may be greater than if that allocation were based solely on realized gains.

*No Input into Fund Affairs.* Investors will have no right to take part in the conduct, management, operation or control of the Fund or the Fund's business. In addition, Investors will have extremely limited voting rights. In particular, Investors will have no right to remove the General Partner or consent to the admission of an additional or successor General Partner.

*Lack of Regulatory Oversight.* The Fund's activities will generally not be subject to the same degree of regulatory oversight to which other investment vehicles are subject. While ROI Capital Management, Inc. may be considered similar to an investment company, it is not registered as such under the Investment Company Act in reliance upon exclusions available to privately offered investment companies. Accordingly, the

provisions of the Investment Company Act are not applicable to ROI Capital Management, Inc.

*Limited Access to Fund Information.* Investors have no right to obtain information about the Fund's current investments or strategies. If the General Partner, in its sole discretion, grants an Investor access to such information, such access may be subject to strict confidentiality provisions.

*Valuations of Fund Investments.* The Fund's investments will be valued periodically by the General Partner in its discretion for purposes of calculating, among other things, the Management Fee and the Special Profit Allocation. The value assigned to an investment at a certain time may differ from the value that the Fund is ultimately able to realize. In such a case, Management Fees paid and Special Profit Allocations made will not be subject to reversal.

*Conflicts of Interest.* Decisions made by the General Partner will be subject to a number of inherent conflicts of interests.

#### Investment Strategy Risks

*General Investment and Market Risks.* There can be no guarantee of the success of the General Partner's investment strategy and the Fund's activities may be significantly and adversely affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Fund's investments. Unexpected volatility or illiquidity could impair the Fund's profitability or result in losses.

*Performance Results.* The Fund's performance results represent past performance which does not guarantee or necessarily determine future results. Additionally, the investment return and principal value of an investment in the Fund will fluctuate and may be worth more or less than the original cost when liquidated. The investment environment and market conditions may be markedly different in the future and investment returns will fluctuate in value.

*High Portfolio Turnover and Recognition of Gains.* The Fund's investment strategy may result in a short holding period before investments are rolled over into new investments or sold. This will cause the recognition of any investment gains on a more frequent basis than other investment strategies. Many of those gains will not likely qualify for the holding period needed for long-term capital gains tax treatment. Therefore, taxable Investors may have a greater need to pay regular income taxes (out of their own resources or by requesting withdrawals) than compared to other investment strategies that hold investments longer.

*Concentration of Investments.* There is no limit on the concentration of the Fund's investments in particular securities, industries, or sectors and at times the General Partner expects to hold a relatively small number of securities positions, each representing a relatively large portion of the Fund's capital. Losses incurred in those positions could have a material adverse effect on the Fund's overall financial condition.

*Availability and Accuracy of Information.* The General Partner will select investments for the Fund on the basis of information and data derived from firsthand research by the General Partner and, for public companies, filed by the issuers of such securities with the SEC. Although the General Partner intends to evaluate all such information and data,

the General Partner will not always be in a position to confirm its completeness, genuineness, or accuracy.

*Control Position.* The General Partner may obtain a control position or other substantial position in any public company on behalf of the Fund, though it does not normally plan to do so. Should the General Partner obtain such a position, it may be required to make filings with the SEC and it may become subject to other regulatory restrictions that could limit the ability of the General Partner to dispose of its holdings at the times and in the manner it would prefer.

*Risks Associated with the Fund's Investment Techniques.* The General Partner will trade and invest in all types of securities, including common and preferred stocks, options, warrants, bonds, notes, bills, rights and derivatives. There are no limits on the types of securities or other instruments in which the General Partner may take positions, the type of positions it may take, or the concentration of its investments.

- *Asset Growth May Adversely Affect the Fund's Investment Performance.* Increases in the Fund's assets will increase the difficulty of successfully implementing the General Partner's investment strategy.
- *Short Sales.* A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short. This could result in the inability of the General Partner to cover the short position, and of theoretically unlimited potential for loss to the Fund.
- *Availability of and Ability to Acquire Suitable Investments.* While the General Partner believes that many attractive investments are currently available and can be identified, there can be no assurance that such investments will be available when the Fund commences investment operations, or that available investments will meet the General Partner's investment criteria. Furthermore, the General Partner may be unable to find a sufficient number of attractive investment opportunities to meet its investment objective.
- *Leverage.* Though the General Partner does not generally employ investment leverage, the use of leverage would significantly increase the risk of an investment in the Fund, but also offers the potential for higher returns.
- *Options and Warrants.* The purchase of an option or warrant runs the risk of losing the entire investment, thereby causing significant losses to the account in a relatively short period of time.
- *Options Not Traded on an Exchange Involve Additional Risk.* The General Partner may buy or sell stock or index options not traded on a securities exchange. Options not traded on an exchange are not issued by the Options Clearing Corporation. The risk of nonperformance by the obligor on such an option may be greater and the ease with which the General Partner can dispose of such an option may be less than in the case of an exchange-traded option issued by the Options Clearing Corporation.
- *Trading Derivative Instruments Involves Credit Risk.* The General Partner may buy and sell derivative securities in "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms because the counterparty has a credit or liquidity problem. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide) because such markets may lack the established rules and procedures for settlement of disputes among market



participants available in "exchange-based" markets. These problems may cause the Fund to suffer loss due to adverse market movements while replacement transactions are executed or otherwise. The General Partner will try to mitigate "counterparty risk" by using contracts with longer maturities.

- *Derivatives Are Difficult To Value.* Derivative instruments may be difficult to value accurately. Any misvaluation could adversely affect the Fund.
- *Smaller Company Risk.* The General Partner may invest in the securities of small or medium-size companies that may be more susceptible to market downturns, and the prices of which may be more volatile than those of larger companies. Smaller companies generally have narrower markets and more limited managerial and financial resources than larger, established companies.
- *Illiquid Securities.* These investments, which may include infrequently traded public securities and privately placed securities, may be difficult to dispose of at a fair price at the times when the Investment Manager believes it is desirable to do so. Illiquid investments are also more difficult to value and the General Partner's judgment may play a greater role in the valuation process. The risks associated with investments in illiquid securities may be particularly acute in situations in which the Fund's operations require cash and could result in the Fund borrowing to meet short-term needs or incurring losses on the sale of illiquid securities.

*High Brokerage and other Transactional Expenses.* The General Partner's activities may at times involve a high level of trading (including significant short-term trades) resulting in very high portfolio turnover that may generate substantial transaction costs. These costs will be borne by the Fund regardless of its profitability. The expenses of the Fund may be greater than the total fees charged in other comparable investment vehicles.

*Stub Securities.* Stub securities typically refer to a small equity component remaining after one company becomes the owner of a significant portion, but not all, of another. For example, this occurs when a buyout group leaves a small percentage of a company's equity in the public market after the completion of a tender offer or merger to avoid having to file an initial public offering in the future. Another example is when a large public company in one business owns a significant position in the stock of another large public company in another business. The stock price of the owner of the equity position can be broken down into two parts, one part that represents the ongoing business of that company, and one part that represents the value of the equity position in the other company. Buying the stock of the owner and selling short the stock of the other company creates a synthetic stub security representing the value of the owner's core business. The General Partner may purchase stub securities that it believes are inefficiently priced versus other related securities.

*Non-U.S. Investments Involve More Risks.* The General Partner may invest in securities of non-U.S. companies, which involve unusual risk not typically associated with investing in U.S. companies. The Fund may be affected unfavorably by exchange control regulations or changes in the exchange rate between non-U.S. currencies and the U.S. dollar. Non-U.S. economies may differ unfavorably from the U.S. economy in growth of gross national product, rate of inflation, rate of savings and capital reinvestment, resource self-sufficiency and balance of payments positions, and in other respects. The value and marketability of the Fund's investments in some non-U.S. countries could be materially reduced by expropriation or confiscatory taxation, limitations on the removal of funds or other assets of the Fund's accounts, political or social instability, or diplomatic developments. In addition, securities of some non-U.S. companies are less liquid and their prices are more volatile than securities of comparable U.S. companies. Investing in

non-U.S. securities creates a greater risk of clearance and settlement problems than does investing in U.S. securities.

*Non-U.S. Investments Have Less Regulatory Oversight and Protection.* The securities of non-U.S. issuers held by the Fund are generally not registered under, nor are those issuers subject to the reporting requirements of, the U.S. securities laws and regulations. Accordingly, there may be less publicly available information about the securities and about the non-U.S. company or government issuing them or the non-U.S. board of trade clearing them than is available about a U.S. company, government entity or board of trade. Non-U.S. companies and non-U.S. boards of trade are not generally subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies. Non-U.S. government supervision of stock exchanges, boards of trade, securities brokers and issuers of securities is generally less stringent than supervision in the U.S. The investments may also be subject to withholding taxes imposed by the applicable country's taxing authority.

*Currency Fluctuation.* The General Partner currently expects its investments to be denominated in U.S. dollars. If the General Partner invests in securities or mutual funds denominated in other currencies, there will be currency risk to the extent that there are unhedged fluctuations in the foreign exchange rates.

*Certain Risks of Debt Securities.* Debt securities are subject to credit and interest rate risks. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an investment and securities which are rated by rating agencies are often reviewed and may be subject to downgrade. "Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a less degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

*Prepayment and Extension Risk.* As interest rates decline, the issuers of fixed income securities may call or prepay principal earlier than scheduled, forcing the General Partner to reinvest in lower yielding securities. As interest rates increase, slower than expected principal payments may extend the average life of fixed income securities, locking in below-market interest rates and reducing the value of these securities.

#### Fund Risks

*No Independent Counsel.* No independent legal counsel has been retained to represent the interests of the Investors. Each prospective investor should consult its own counsel as to the terms and provisions of all necessary documents. The General Partner's counsel does not represent the Fund or any Investors in the Fund other than the General Partner.

*No Minimum Level of Capital.* At low asset levels, the General Partner may be unable to diversify the Fund's investments as fully as would otherwise be desirable or to take

advantage of potential economies of scale, including the ability to obtain the most timely and valuable research and trading information from securities brokers.

*Effect of Substantial Withdrawals.* Substantial withdrawals within a short period of time could require the General Partner to liquidate securities positions more rapidly than would otherwise be desirable, possibly reducing the value of the Fund's assets and disrupting the General Partner's investment strategy.

*Fund Deficits.* The expenses of the Fund may exceed its income, which would require that the difference be paid out of the Fund's capital, reducing the Fund's investments and potential for profitability.

*Reserve for Contingent Liabilities.* Under certain circumstances, the General Partner may find it necessary upon withdrawal by an Investor to set up a reserve for contingent liabilities and withhold a certain portion of the Investor's Capital Account. This could happen, for example, if the Fund were involved in litigation or subject to an audit by the Internal Revenue Service.

*Liquidation.* If the Fund should become insolvent, the Investors in the Fund may be required to return with interest any property distributed that represented a return of capital, repay any distributions wrongfully made to them and forfeit any undistributed profits.

*Limited Liquidity of Fund Interests.* An investment with the General Partner involves substantial restrictions on liquidity and its Interests are not freely transferable. There is no market for the Interests in the Fund, and no market is expected to develop. Further, resale of the Interests is also restricted under federal and state securities laws. Consequently, Investors will be unable to redeem or liquidate their Interests except by withdrawing from the Fund. Investors may be unable to liquidate their investment promptly in the event of an emergency or for any other reason. In addition, transfer of an Interest as collateral or otherwise to achieve liquidity may result in adverse tax consequences to the transferor.

*No Distributions – Tax Liability.* The General Partner does not intend to make distributions to the Investors, but intends instead to reinvest substantially all Fund net proceeds from the sale of assets, including the cost bases and all income and gain. Cash that might otherwise be available for distribution will also be reduced by payment of the Fund's obligations, payment of the Fund's expenses and establishment of appropriate reserves. As a result, if the Fund is profitable, Investors in all likelihood will be credited with the Fund's net income, and will incur the resulting income tax liability (to the extent they are subject to income tax), even though Investors do not receive any Fund distributions. An Investor may obtain cash from the Fund to pay taxes from allocated taxable income.

*Timing of Withdrawals.* An Investor may not withdraw capital until at least one full year after that Investor has been admitted to the Fund. Following that, an Investor may make withdrawals from the Fund on the last business day of any quarter (or as permitted by the General Partner, in its discretion) by giving at least 60 days' prior written notice to the General Partner. No Capital Account may be reduced below \$250,000 as a result of partial withdrawal (subject to waiver by the General Partner). If an Investor withdraws all or part of his, her or its capital from the Fund, the Fund generally will pay within 15 days after the last day of the fiscal year 85% of an Investor's withdrawal proceeds, and the balance within 120 days after the last day of the year during which the Investor's

withdrawal occurs. If the amount withdrawn within the 15 day period exceeds the withdrawing Investor's Capital Account balance, the Investor will be obligated to return the excess.

If withdrawals from the Fund requested with respect to a calendar quarter exceed 20% of the Fund's NAV as of the end of that quarter, then the Fund Board or the General Partner may suspend such withdrawals that exceed the 20% Limit, and each Investor that requested a withdrawal for that quarter will receive a *pro rata* portion of its requested redemption. Suspended withdrawals will be affected in subsequent calendar quarters prior to any other withdrawals being effected; provided that a new 20% Limit will be calculated, and may be applied, for each subsequent calendar quarter. The foregoing withdrawal limitation applies only to those limited partners that invested on or after April 1, 2005.

*Payment of Withdrawals in Securities or Financial Instruments.* The General Partner has the discretion to deliver amounts withdrawn in securities or other financial instruments, rather than cash. The General Partner may also deliver amount withdrawn partially in securities or other financial instruments and partially in cash. The securities or other financial instruments may be illiquid and the Investor would bear the risk of its devaluation after the effective time of its withdrawal.

*Potential Mandatory Withdrawal.* The General Partner may require an Investor to withdraw all or a portion of the Investor's Capital Account balance

*Suspension of Withdrawals and Distributions.* The General Partner may suspend the right of any Investor to withdraw capital or to receive a distribution from the Fund if such a suspension would be in the best interest of the Fund.

*Withdrawal of the General Partner.* The success of the Fund will depend on the ability of the General Partner to develop and implement investment strategies to achieve the Fund's investment objectives. The Fund's investment performance could be materially affected if the General Partner were to cease to be involved in the active management of the Fund's investment portfolios. Generally, if the General Partner withdraws or dissolves the Fund will be terminated.

*Limitation of Liability and Indemnification of the General Partner.* The General Partner, and all affiliates of the General Partner, are indemnified by the Fund against any cost, claim, liability, damage, loss or expense suffered by any such person in connection with the Fund's activities. In addition, the General Partner and such persons will not be liable to the Fund or any Investor for any cost, claim, liability, damage, loss or expense suffered in connection with the Fund's activities including, without limitation, any tax liability asserted against any partner by any federal, state or local authority as a result of any position taken by the Fund or any Investor. If such cost, claim, liability, damage, loss or expense arises out of any action or inaction of the General Partner or its affiliates, these provisions will be available only if the indemnitee believed at the time of such action or inaction, in good faith, that such course of conduct was in the interests of the Fund and such course of conduct must not have constituted gross negligence or willful misconduct by the indemnitee. Recoveries under these provisions may be had only out of the assets of the Fund.

*Increased Regulatory Scrutiny.* Upon the General Partner's request, each Investor will be required to provide information to enable the General Partner and/or the Fund to

comply with all applicable legal or regulatory requirements, including the Patriot Act. Each Investor will be required to acknowledge and agree that the General Partner may disclose such information to governmental and/or regulatory or self-regulatory authorities as required by law. The General Partner may suspend all activity with respect to an Investor's account with the Fund, including suspending the Investor's right to withdraw funds or assets from the Fund pending the General Partner's receipt of instructions regarding the Investor's account from the appropriate governmental or regulatory authority.

Securities and investment businesses generally are comprehensively and intensively regulated under state and federal laws and regulations. Any investigation, litigation or other proceeding undertaken by state or federal regulatory agencies or private parties could necessitate the expenditure of material amounts of the Fund's resources for legal and other costs and could have other materially adverse consequences for the Fund. Furthermore, the human and capital resources of the Fund and the General Partner could be adversely affected by the need to defend actions under these laws, even if the Fund is ultimately successful in its defense.

*Private Offering Exemption.* Offerings of the General Partner have not been registered under the Securities Act, in reliance on the exemptive provisions of Section 4(2) of the Securities Act and Regulation D. Due to the lack of uniformity among the state's securities laws and their general complicated nature, the General Partner has chosen not to incur the expense and burden of reviewing exemptions under each state's laws, but relies instead on the uniform exemption provided by Regulation D.

No assurance can be given that the General Partner's offerings currently qualify or will continue to qualify under the exemptive provisions of Regulation D. If the Regulation D exemption is lost, the General Partner may not be able to avail the Fund of other state exemptions. Successful claims or suits for rescission may be brought and successfully concluded for failure to register these offerings or for acts or omissions constituting offenses under the Exchange Act or applicable state securities laws.

*Exemptions from Investment Company Regulation.* The General Partner believes that, by virtue of Section 3(c)(1) of the Investment Company Act, the Fund should not be deemed to be an "investment company" and, accordingly, should not be required to register as such under the Investment Company Act. This interpretation depends in part, however, on the application of Section 3(c)(1) of the Investment Company Act, and such application can be complex and uncertain.

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## Item 9 – Disciplinary Information

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Registered General Partners are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of ROI Capital Management, Inc. or the integrity of ROI Capital Management, Inc.'s management. ROI Capital Management, Inc. has no information applicable to this Item.

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## Item 10 – Other Financial Industry Activities and Affiliations

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Neither ROI Capital Management, Inc. nor any of ROI Capital Management, Inc.'s principals are registered or have an application pending to register as:

1. a broker-dealer or a registered representative of a broker-dealer; or
2. a futures commission merchant, commodities pool operator, a commodity-trading advisor, or an associated person of the foregoing entity

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

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ROI Capital Management, Inc. has adopted a Code of Ethics ("Code") that describes the standards of business conduct that it requires of employees and accounts owned predominantly by persons associated with ROI Capital Management, Inc., and establishes procedures intended to prevent ROI Capital Management, Inc., and its personnel and certain of their relatives, from inappropriately benefiting from ROI Capital Management, Inc.'s relationships with its clients.

The Code provides that:

- i. ROI Capital Management, Inc.'s clients' interests come before ROI Capital Management, Inc.'s or employees' interests;
- ii. ROI Capital Management, Inc. must disclose to clients all material facts about conflicts of which it is aware between ROI Capital Management, Inc.'s and its employees' interests on the one hand and clients' interests on the other;
- iii. employees must operate on ROI Capital Management, Inc.'s and their own behalf consistently with ROI Capital Management, Inc.'s disclosures to and arrangements with clients regarding conflicts and its efforts to manage the impacts of those conflicts;
- iv. ROI Capital Management, Inc. and its employees must not take inappropriate advantage of ROI Capital Management, Inc.'s clients or their positions of trust with or responsibility to clients; and
- v. ROI Capital Management, Inc. and its employees must comply with all applicable securities laws. The Code requires employees to report personal securities holdings on an ongoing basis.

In addition, ROI Capital Management, Inc. monitors all employees' securities transactions: employees must arrange for duplicate copies of their brokerage statements and trade confirmations to be sent to the Chief Compliance Officer. The Code includes procedures for and restrictions on employee trading intended to prevent employees from benefiting from, or appearing to benefit from, any price movement that may be caused by client transactions or ROI Capital Management, Inc.'s recommendations regarding securities. The Code also contains restrictions on and procedures to prevent

inappropriate trading while ROI Capital Management, Inc. is in possession of material nonpublic information.

ROI Capital Management, Inc. will provide a copy of its Code of Ethics to any client or prospective client upon request. Such a request may be made by submitting a written request to ROI Capital Management, Inc. at the address on the cover page to this brochure.

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## Item 12 – Brokerage Practices

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ROI Capital Management, Inc. has complete discretion in deciding what brokers, dealers, and other financial intermediaries and counterparties to use for portfolio transactions. It also has complete discretion to negotiate compensation arrangements and transaction terms, but also markups, markdowns, and other compensation implicit in prices of transactions.

### Selection Criteria

In choosing brokers and dealers, the General Partner will not be required to consider any particular criteria. For the most part, the General Partner will seek the best combination of brokerage expenses and execution quality but is not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers.

### “Soft Dollars”

The General Partner may consider the value of various services or products, beyond execution, that a broker-dealer provides to the Fund or the General Partner. Selecting a broker-dealer in recognition of such other services or products is known as paying for those services or products with “soft dollars.” Because many of those services could benefit the General Partner, the General Partner may have a conflict of interest in allocating the Fund’s brokerage business.

Under Section 28(e) of the Exchange Act, the General Partner’s use of the Fund’s commission dollars to acquire “research” products and services is not a breach of the General Partner’s fiduciary duty to the Fund – even if the brokerage commissions paid are higher than the lowest available so long as (among certain other requirements) the General Partner determines that the commissions are reasonable compensation for both the brokerage services and the “research” acquired. The types of “research” the General Partner may acquire include: reports on, or other information about, particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial publications; portfolio evaluation services; financial database software and services; computerized news, pricing and order-entry services; quotation equipment and other computer hardware for use in running software used in investment decision making; and other products or services that may enhance the General Partner’s investment decision making. The safe harbor is not available where transactions are effected on a principal basis (except for certain “riskless principal” transactions in Nasdaq equity securities and any other similar transactions that may in the future qualify pursuant to regulatory actions or interpretations), with a markup or markdown paid to the broker-dealer. And it is not available for the services or products that do not constitute “research.”

Payments of "soft dollars" outside the Section 28(e) safe harbor do not necessarily involve a breach of fiduciary duty, and the General Partner is authorized to acquire services and/or products without complying with the Section 28(e) conditions. The General Partner may also use Fund "soft dollars" to pay expenses that the General Partner would otherwise have to bear or that otherwise provide benefits to the General Partner. Those expenses may include, but are not limited to, office rent, the salaries, benefits and other compensation of employees or of consultants to the General Partner, telephone and other utility charges, accounting fees and charges, office services, equipment and supplies, and clerical, secretarial, administrative and other overhead expenses.

A broker or dealer through which the General Partner wishes to use "soft dollars" may establish "credits" relating to brokerage commissions paid in the past, which may be used to pay, or reimburse the General Partner for, specified expenses. In other cases, a broker or dealer may provide or pay for the service or product and suggest a level of future business that would fully compensate. The Fund's actual transactional business with such a broker-dealer may be less than the suggested level but can – and often will – exceed that level. This may be in part because the Fund's investment activities generate aggregate commissions in excess of the aggregate suggestions from all broker-dealers providing services and products. And it may be in part because those broker-dealers may also provide superior execution and may therefore be most appropriate for particular transactions. Broker-dealers are not excluded from Fund business simply because they have not provided "research" or other services or products.

In addition to the factors described above, the General Partner may consider a broker-dealer's referrals of investors to the Fund or the potential for future referrals. As with "soft dollar" payments for research, in some cases the transaction compensation paid might be higher than that obtainable from another broker-dealer who did not provide (or undertake to provide) referrals, although the General Partner will seek to avoid such a result and will generally seek "best execution." Awarding transaction business to broker-dealers in recognition of past or future referrals involves a conflict of interest as it creates an incentive for the General Partner to cause the Fund to effect more transactions than it might otherwise do in order to stimulate more referrals.

#### Trade Allocation

The General Partner may aggregate sale and purchase orders of securities held by the Fund with similar orders being made simultaneously for other accounts if, in the General Partner's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the Fund based on an evaluation that the Funds benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors.

#### Cross-Trades

The General Partner may conduct agency cross-trades with the Fund in accordance with applicable regulatory requirements. In an agency cross-trade, the General Partner acts as investment adviser to an advisory client participating in the trade, and an Affiliate of the General Partner acts as a broker for one or more other participants in the trade. Periodically, the General Partner may also seek to adjust or rebalance client investment accounts or portfolios by effecting cross-trades between or among client investment accounts. In effecting such cross-trades, the General Partner seeks to reduce the transaction costs to its clients of such account adjustments. All such cross-trades will be consistent with the investment objectives and policies of each client account involved in



the trades, and will be effected at a current independent market price of the securities involved in the trades determined by the General Partner. Client accounts, including the Fund, involved in such cross-trades will not pay any brokerage commissions or mark-ups in connection with the trades, but may pay customary transfer fees (*i.e.*, aggregate ticket charges) that are assessed through any unaffiliated broker-dealers through which the trades are effected. Cross-trades will not be effected if Limited Partners holding a majority of the Fund Percentages not held by affiliates revoke such authority.

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### **Item 13 – Review of Accounts**

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ROI Capital Management, Inc. reviews client accounts on a regular basis to determine whether securities positions should be maintained in view of current market conditions. In addition, the Chief Compliance Officer reviews the portfolios and positions on a regular basis to ensure compliance within the portfolio in accordance with ROI Capital Management, Inc.'s Policies and Procedures Manual. Besides the Chief Compliance Officer, ROI Capital Management, Inc.'s independent third party administrator reconciles the positions on a daily basis.

Investors in the Fund will receive a monthly performance estimate, unaudited reports of the performance of the fund quarterly, as well as audited annual financial statements in accordance with generally accepted accounting principles as soon as practicable after the end of each Fiscal Year.

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### **Item 14 – Client Referrals and Other Compensation**

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ROI Capital Management, Inc. may pay referral fees out of its own funds (or by directing Fund portfolio transactions to broker-dealers) to certain broker-dealers and other financial intermediaries who introduce investors to the Partnership that remain invested on a continuous basis for a particular period. The use of "soft dollars" as compensation and/or direction of transactions to such broker-dealers is discussed above in Item 12.

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### **Item 15 – Custody**

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ROI Capital Management, Inc. obtains custodial, clearing, settlement and related services on behalf of its clients through what is known as a "prime brokerage" arrangement. Under that arrangement, a single brokerage firm (the "Prime Broker") maintains custody of each client's assets (either directly or through its clearing brokerage firm). The Prime Broker is a "qualified custodian" and maintains custody of each client's funds and securities in a separate account for that client.

At the end of each Fiscal Year, each of ROI Capital Management, Inc.'s funds has its financial statements examined and certified by an independent certified public accountant. Copies of the audited financial statements are furnished to each limited partner or investor of a fund as soon as practicable after the end of each Fiscal Year. Unaudited quarterly performance reports also will be provided to each limited partner or investor in a ROI Capital Management, Inc. fund.

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## Item 16 – Investment Discretion

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ROI Capital Management, Inc. has broad discretion, without limitation, to determine the:

- securities to be bought or sold for the Fund account(s);
- amount of securities to be bought or sold for the Fund account(s);
- broker or dealer to be used for a purchase or sale of securities for the Fund account(s);
- commission rates to be paid to a broker or dealer for the Fund's securities transaction(s).

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## Item 17 – Voting Client Securities

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ROI Capital Management, Inc. has adopted policies and procedures that address generally the guidelines it expects to follow in the exercise of its voting authority over proxies it receives on behalf of clients. ROI Capital Management, Inc. will vote client proxies in the best interest of its clients. ROI Capital Management, Inc. will consider a number of factors to determine whether exercising the clients' voting rights as to its securities is in the relevant clients' best interest, such as whether the securities are being held for a short or long period of time.

When voting a proxy, ROI Capital Management, Inc. will generally follow its voting guidelines. ROI Capital Management, Inc. attempts to identify conflicts of interest that may arise in the proxy decision making process. If a material conflict of interest over proxy voting arises between ROI Capital Management, Inc. and a client, ROI Capital Management, Inc. will seek to resolve the conflict and vote the proxies in a manner that is in the relevant clients' collective best interests. ROI Capital Management, Inc. will provide, upon request, a copy of those policies and procedures and/or information concerning its voting record on account proxy matters. Such a request may be made by submitting a written request to ROI Capital Management, Inc. at the address on the cover page of this brochure.

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## Item 18 – Financial Information

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ROI Capital Management, Inc. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. ROI Capital Management, Inc. has not been the subject of a bankruptcy petition.