

Breeden Capital Management LLC

100 Northfield Street
Greenwich, CT 06830
(203) 618-0065

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This Brochure provides information about the qualifications and business practices of Breeden Capital Management LLC (the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (203) 618-0065. 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.

The Adviser is registered with the SEC as an investment adviser. Registration of an investment adviser does not imply any level of skill or training. Additional information about the Adviser is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

The following changes have been made to this Brochure since the Adviser's annual amendment to this Brochure dated and filed with the SEC on March 29, 2012:

- (a) References in this Brochure to the name of the Adviser's prior Chief Compliance Officer, who has left the firm, have been replaced with generic references to the Adviser's Chief Compliance Officer. For information regarding the Adviser's new Chief Compliance Officer as well as other information about the Adviser, please see the Adviser's Form ADV Part 1, which is available on the SEC's website at www.adviserinfo.sec.gov.
- (b) Under "Item 4 – Advisory Business," the Adviser's net assets under management have been updated to reflect information as of December 31, 2012.
- (c) Certain references to (i) Breeden European Ventures LLC, a former affiliate of the Adviser and (ii) Breeden Partners (Cayman) Ltd. and Breeden Partners Holdco Ltd., which together were an offshore master-feeder fund structure managed by the Adviser, have been eliminated.
- (d) Joshua Fenton, the Adviser's former Director of Research and Trading is no longer with the firm. Michael Keating serves as the firm's Interim Director of Research and Trading. However, Richard C. Breeden continues to serve as Chairman and Chief Investment Officer of the Adviser and be responsible for the management of the Funds' investment portfolios.
- (e) Certain other clarifications and updates have been made.

This Brochure is amended on annual basis to reflect current information about the Adviser.

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Item 4 – Advisory Business

Breeden Capital Management LLC (the “Adviser”) has been in operation since 2006. The Adviser is principally owned by the Honorable Richard C. Breeden, former Chairman of the Securities and Exchange Commission from 1989 to 1993. Mr. Breeden also serves as Chief Executive Officer, Managing Member and Chairman of the Investment Committee of the Adviser.

The Adviser currently provides advisory services to four clients: (1) Breeden Partners L.P., a Delaware limited partnership, (2) Breeden Partners (California) L.P., a Delaware limited partnership, (3) Breeden Partners (California) II L.P., a Delaware limited partnership and (4) Breeden Partners (New York) I L.P., a Delaware limited partnership (collectively, the “Funds”). .

The substance of the disclosure in this Form ADV, Part 2A is applicable to all the Funds. As of December 31, 2012, the Adviser had approximately \$219,107,644 in net assets under management on a discretionary basis.

The Adviser’s management of each Fund, and the terms of any investor’s investment in a Fund, are governed exclusively by the terms of that Fund’s organizational documents, confidential offering memorandum, limited partnership agreement or memorandum and articles of association, investment management agreement, and subscription agreement (collectively, the “governing documents”). **All discussions in this brochure of the Funds, their investments, the strategies the Adviser uses in managing the Funds, and the fees associated with an investment in the Funds are qualified in their entirety by reference to the Funds’ governing documents.**

Item 5 – Fees and Compensation

Management Fee. The Adviser generally charges each Fund a fee (the “Management Fee”) equal to 2% of the Fund’s capital under management (which includes contractually committed capital that has not yet been contributed to the Fund) calculated and payable quarterly in advance. The Management Fee may be deducted directly from each Fund or the Investor in the Fund may pay the fee directly. Any commitment accepted from an investor after the first business day of a quarter will be subject to a pro-rated Management Fee for that quarter. In addition to the Management Fee, each Fund is also charged a performance-based allocation or fee (an “Incentive Allocation”) payable to the Adviser or an affiliate of the Adviser consisting of a percentage of realized and unrealized profits. For a more detailed discussion of the Incentive Allocation, see Item 6 below.

In certain circumstances, the Adviser may reduce, modify, waive, or defer the Management Fee with respect to one or more investors in the Funds. Management Fees may be negotiated by investors depending on size of the investment, duration of “lock up” and other limited circumstances. Certain of the investors in the Funds pay a lower management fee. Except as agreed otherwise, investments by the Adviser, affiliates of the Adviser and each of their respective employees will not be subject to a Management Fee.

Expenses. The Funds pay all out-of-pocket expenses relating to their operations. The Funds also pay the out-of-pocket costs associated with researching, making and realizing investments including travel expenses related to the analysis, purchase or sale of investments whether or not such investment is consummated. Any investment expense relating specifically to a proposed or actual special situation investment will be charged to the base capital accounts of the investors participating in the special situation investment and/or their respective special situation capital accounts, as determined by the General Partner in its sole discretion, in proportion to each such investor's relative participation. In the event the Funds invest in a master fund, each Fund will bear its *pro rata* share of the organizational and other expenses of the master fund. Each of the Adviser and the General Partner pays compensation costs of its employees, rent and other overhead expenses of the Adviser and the General Partner.

Other Expenses of the Funds. The Adviser generally is not responsible for any expenses or fees in connection with the management of the Funds other than as set forth in each Fund's governing documents. Any fees received by the Adviser or its principals as a result of such Fund's investment in a portfolio company (including directors' fees) will be credited to Funds by reduction of the Management Fee (but not below zero) to be paid by such Fund, or otherwise including contributing any shares received to the Funds, net of taxes and other expenses due.

More Information. A more complete description of the fees and expenses paid in connection with an investment in each Fund, as well as the expenses of each Fund, is available in the confidential offering memorandum and other governing documents of such Fund, which are made available to each prospective investor before, or by the time of, any investment in the Fund.

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

In addition to the Management Fee, Breeden Capital Partners LLC (the "General Partner"), an affiliate of the Adviser which serves as general partner to each of the Funds receives an annual Incentive Allocation generally equal to 20% of the cumulative net realized and unrealized profits for the fiscal year after deduction of expenses applicable to that investor's investment in the Fund. The Incentive Allocation may be deducted or allocated directly from each Fund and paid or allocated to the General Partner or the Adviser or paid by the Investor in the Fund directly to the General Partner or the Adviser.

If any investor makes a partial or total withdrawal from the Fund as of a date other than the last business day of a fiscal year, the Incentive Allocation is calculated as of the withdrawal date with respect to the amount withdrawn. Additionally, to the extent that a withdrawing investor continues to participate in an investment after withdrawal, an Incentive Allocation applicable to net realized gains, if any, on such investment will be applied once such investment is realized or deemed realized.

The Incentive Allocation is subject to a "net loss carry-forward" provision under which any accumulated net losses and Management Fee expense applicable to an investor's investment in the Fund as of the end of each fiscal year are carried forward to subsequent fiscal years (subject to pro rata reduction upon withdrawals made by the investor and acquisitions and dispositions of

certain investments), and must be recouped before an Incentive Allocation is payable in any fiscal year with respect to such investment in the Fund. The Adviser or the General Partner generally does not receive an Incentive Allocation with respect to an investor's interest in a Fund in any fiscal year until, and only to the extent that, the investor's share of subsequent net profits exceed the investor's previous net loss carry-forward amounts.

The Adviser may waive, reduce or modify all or a part of the Incentive Allocation otherwise due with respect to any Fund investor. The Adviser also may negotiate modified Incentive Allocation arrangements with investors, and has agreed to modified terms relating to the Incentive Allocation with certain large investors. Those modified terms include the requirement that the Fund they invest in outperform a hurdle rate (in addition to the requirement that the Fund make up for any losses under the "net loss carry-forward" provision) before the General Partner is entitled to an Incentive Allocation with respect to such investor's investment in the Fund. Performance fees may be negotiated depending on size of investment or other limited circumstances. Except as agreed otherwise, investments by the Adviser, affiliates of the Adviser and each of their employees will not be subject to an Incentive Allocation.

The Adviser and the General partner will comply with the applicable requirements of Rule 205-3 under the Investment Advisers Act of 1940 (the "Advisers Act") in connection with the structuring of all Incentive Allocations.

Please see Item 8 under the heading "Incentive Allocation" for the risks associated with the Incentive Allocation.

Item 7 – Types of Clients

Currently, the Adviser provides investment advice exclusively to the Funds (each of which is referenced in Item 4 above). The Funds' interests are privately placed and only offered to those investors that are accredited investors for the purposes of Regulation D of the Securities Act of 1933 as amended and qualified purchasers as defined in Section 2(a)(51) of the Investment Company Act as amended. In the future, the Adviser may, in its discretion, manage other types of funds or accounts with differing investment strategies, higher or lower fees, and different fee structures, than those applicable to the Funds.

The Adviser generally requires that each investor make a minimum initial capital commitment of \$5 million in a Fund. However, the Adviser or the General Partner in their sole discretion may accept lesser minimum capital commitments.

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

General. The Adviser manages each Fund in accordance with the investment objectives and strategies disclosed in the applicable Fund's confidential offering memorandum. Investors and prospective investors in a Fund should consult the relevant confidential offering memorandum to see which methods of analysis, investment strategies and risks are most relevant to that Fund.

Methods of Analysis. The Adviser utilizes fundamental analysis and a research-intensive

approach to identifying and evaluating investment opportunities. The Adviser generally conducts its own “bottom up” analysis of investment opportunities, which includes a detailed financial and corporate governance analysis.

Investment Strategy. The Adviser’s investment strategy is generally to invest in the equity securities of a limited number of mid- and large-cap publicly-traded companies organized in the United States or Canada where the Adviser believes there is the possibility for significant appreciation in value and that the Adviser can be an effective catalyst to create change in the companies’ business policies and/or corporate governance practices in order to unlock or restore value in a reasonable period of time.

The Adviser seeks to implement this strategy by seeking to eliminate value-diminishing management actions through the use of various techniques, which include but are not limited to, working with company management and boards to take corrective action such as share buybacks, scaling back acquisition strategies, improvements in disclosure practices and compliance programs and changes in personnel or compensation. The Adviser seeks to encourage and support management teams and boards in taking corrective actions that are likely to enhance value. However, if persistent underperformance continues and a company is not willing to end its value-diminishing actions, the Adviser will consider and has taken other actions including, for example, sponsoring shareholder proposals, seeking changes in the composition of a company’s board of directors or obtaining one or more seats on the board of directors. The Adviser generally employs the same investment strategy for each Fund.

Principal Risks.

The Adviser’s strategy entails significant risks and an investment in a Fund is suitable only for sophisticated individuals and institutions for whom an investment does not represent a complete investment program and who fully understand and are capable of bearing the risks of an investment in this strategy. Investing in securities involves risk of loss that the Funds and their investors should be prepared to bear. The following is a description of certain of the most significant risks involved in the Adviser’s strategy. As the Adviser’s investment programs develop and change over time, clients and Fund Investors may be subject to additional and different risk factors. For a more complete description of the risks associated with investing in a Fund managed by the Adviser, please refer to the relevant Fund’s confidential offering memorandum.

No Assurance of Investment Return. The Adviser’s investment strategy requires a long-term commitment with no certainty of return. Investors generally may not withdraw an investment in the Fund for at least twenty-four months from the date of the investment. There is no assurance that the Adviser will be able to generate returns for the Funds or that the returns will be commensurate with the risks of investing in the type of companies and transactions in which the Funds invest. An investment in a Fund should only be considered by persons or entities who can afford a loss of their entire investment. Any past performance of persons or investment entities associated with the Adviser and its affiliates is not necessarily indicative of the future results and may not be construed as an indication of future results.

Active Shareholder Strategy. The success of the Adviser’s activist shareholder strategy generally

requires, among other things: (i) that the Adviser properly identify portfolio companies whose equity prices can be improved through corporate and/or strategic action, (ii) that the Adviser acquire for the Funds sufficient shares of the securities of such portfolio company at a sufficiently attractive price, (iii) that the Adviser acquire sufficient shares to allow the Funds to influence company management, (iv) a positive response from management of portfolio companies to shareholder activism, (v) a positive response by other shareholders to shareholder activism and the Funds' proposals and (vi) a positive response by the markets to any actions taken by portfolio companies in response to shareholder activism. None of the foregoing elements can be guaranteed to succeed and, in addition, the management of portfolio companies may take defensive or other measures that erode, rather than increase, shareholder value. Moreover, even if the prices for a portfolio company's securities have increased, no guarantee can be made that there will be sufficient liquidity in the markets to allow the Adviser to dispose of all or any of its securities therein or to realize any increase in the price of such securities held by it.

Management Opposition. The success of the Adviser's investment strategy is in part premised on its ability to create additional value in portfolio companies by working with management to improve the strategy and operations of these companies and by otherwise applying the tools and rights of active and constructive shareholder ownership. There can be no assurance that the management of any portfolio company will agree to the Adviser's proposed strategic initiatives or that the strategy or strategies that Adviser helps to implement will be effective. In addition, implementation of the Adviser's investment strategy may subject clients and its affiliates to potential risks and liabilities to which they would otherwise not be subject, including the costs of litigation and other claims. Target companies may respond to the Adviser's proposals by taking defensive measures designed to prevent shareholders from realizing value through initiating a new business strategy or a restructuring program. These defensive measures may adversely affect the value of the investment or frustrate implementation of its operating plan.

Limited Information. In general, the Adviser's investments will be made based on information available to the public at large. By comparison, privately negotiated transactions, the type of transactions pursued by most private equity and corporate buy-out funds, are usually completed based on information gathered through contact with and access to the counter-party's records, facilities and personnel. Therefore, there is greater risk that the Adviser may invest on the basis of incomplete or inaccurate information that may adversely affect the investment performance, particularly with respect to adverse information not disclosed to the public, which could impact both initial and ultimate valuation, as well as implementation of the operating plan.

Higher Investment Expenses. The Adviser's investment strategy could produce higher investment expenses that will be borne by the Funds, particularly if the Adviser faces management opposition or the Adviser resorts to measures to protect the value of its minority investments that involve litigation or shareholder governance activities, such as a proxy solicitation.

Adverse Publicity. If the Adviser on behalf of the Funds must resort to measures, such as litigation or proxy solicitations, in order to protect the value of the Funds' investments, such activities could produce negative publicity. While the Adviser believes that the confidentiality of the investors in the Funds will be protected, there is no certainty that such adverse publicity

might not have adverse consequences for the investors, the Adviser and the Funds.

Impact of Uncertainty. The Adviser's attempts to realize value through initiating a new business strategy or a restructuring program for a portfolio company may introduce uncertainty into the company's relations with its employees, customers and suppliers, which may adversely affect the company's business and its share price.

Availability of Suitable Investments. There can be no assurance that investments will be available for the Adviser's investment activities or that available investments will meet investment guidelines. Changes in various factors (including, among others, general economic conditions, general political conditions, securities markets conditions, tax burdens or domestic or foreign instability) may also adversely affect the availability of suitable and attractive investment opportunities. The activity of identifying, completing and successfully disposing of attractive strategic minority investments is competitive and involves a high degree of uncertainty. Furthermore, the Adviser cannot provide assurance that it will be able to choose, make and realize investments in any particular company or portfolio of companies. Investors do not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made and, accordingly, will be dependent upon the judgment and ability of the Adviser to identify suitable investments. The Adviser on behalf of the Funds may make investments which the Adviser ultimately determines would not benefit from the application of the tools and rights of active and constructive share ownership, and thus, the Adviser cannot provide assurance that it will implement the intended activist investment strategy with respect to any portfolio investment.

Minority and Non-Controlling Investments. In general, the Adviser intends to invest in minority non-controlling positions of companies, generally owning less than 10% of a portfolio company's voting shares and typically foregoing board seats in order to retain its ability to easily transact in such shares of the portfolio company on behalf of its clients. As a result, the Adviser typically has a limited ability to exert significant influence over its portfolio companies. In such cases, the Adviser is reliant on the existing management and board of directors of such companies, which may include representation of other investors with whom the Adviser is not affiliated and whose interests may conflict with the interests of the Adviser and its clients. Therefore, the Adviser's abilities are limited in creating additional value in portfolio companies by effecting changes in the strategy and operations of these companies or to protect its positions in such portfolio companies. However, in some cases, the Funds will own more than 10% and the Adviser's principals may hold a board seat on a portfolio company which may limit the Funds' ability to transact in such portfolio company.

General Economic Conditions and Financial Market Fluctuations. General economic and business conditions may affect the Adviser's activities. Interest rates, the price of securities, general market fluctuations and participation by other investors in the financial markets may adversely affect the value of the investments held by the Adviser. Instability in the securities markets may also increase the risks inherent in the investments.

General Business and Management Risk. Investments made by the Adviser on behalf of the Funds or accounts will be subject to the risks associated with the business in which the portfolio companies are engaged, including market conditions, changes in regulatory requirements,

general economic downturns and other factors.

Restrictions on Liquidity of Investments. In some cases, the Adviser may be prohibited by contract or regulatory reasons from selling certain securities for a period of time. Although, the Adviser invests in publicly traded securities, the aggregate position may represent a significant portion of the outstanding public float of a particular company, creating a degree of illiquidity when the Adviser wishes to dispose of or reduce its position in such company by selling shares into the market. In the event that the Adviser acquires an interest in a company and an officer or employee of the Adviser serves as an officer or director thereof, the filing of various forms required by Section 16(b) of the Exchange Act as part of the process of buying or selling shares may impact negatively the price of the shares that can be obtained by the Adviser. If the Adviser were forced to sell such an investment, it may not receive fair value for such investment. In addition, the Adviser's employees as part of their duties as directors may receive material non public information and the Adviser may not be able to transact in the security without violating the security laws.

Risks Arising from Provision of Managerial Assistance. The Adviser has and may in the future designate one or more directors to serve on the board of directors of portfolio companies. The designation of directors and other measures of attempting to exert influence over a portfolio company could expose the assets of the Funds to claims by a portfolio company, its security holders and its creditors.

Portfolio Company Leverage. The portfolio companies may have capital structures with significant leverage. Consequently the leveraged capital structure of such portfolio companies will increase their exposure to adverse factors such as rising interest rates, downturns in the economy or a deterioration in the business of a portfolio company or its industry, and may impair such companies' ability to meet their debt obligations.

Concentration. The Adviser's strategy generally limits the number of investments made on behalf of the Funds. Thus, the Funds may be heavily concentrated at any time, in only a limited number of industries, geographies or investments. To the extent the Adviser concentrates investments in a particular issuer, the Funds' portfolios may become more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting that particular issuer.

Investments in Undervalued Securities. The Adviser's primary strategy is to invest in the securities of underperforming companies. The identification of investment opportunities in the securities of underperforming companies is a difficult task, and there can be no assurance that such investment opportunities will be successfully recognized or acquired. While investments in the securities of underperforming companies offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and may result in substantial losses. Returns generated from the investments may not adequately compensate investors for the business and financial risks assumed. Investors should be aware that they may lose all or part of its investment and the Adviser may be forced to sell, at a substantial loss, the securities of underperforming companies that have not achieved projected value. In addition, the Adviser may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of a Fund's assets would be

committed to the securities purchased, thus possibly preventing the Adviser from investing in other opportunities on behalf of such Fund.

Risk Arbitrage. Some portfolio companies in which the Adviser invests may be the subject of mergers, takeovers, bankruptcies, reorganizations, spin-offs, or other special investors. Substantial transaction failure risks are involved in these situations. Certain transactions are dependent on one or more factors to become effective, such as market conditions, shareholder approval, regulatory and other factors. No assurance can be given that the investments in such portfolio companies or proposed transactions will result in profitable investments or that the investment will not incur substantial losses as a result.

Legal, Tax and Regulatory Risks. The Adviser and the Funds must comply with various legal requirements, including those imposed by securities laws, tax laws and pension laws. Should any of such laws change, the legal requirements to which the Funds and investors in the Funds may be subject could differ materially from the current requirements and adversely affect the investors and the Funds.

The Adviser's investment activities will be subject to compliance with federal and state securities laws which may, among other things, restrict or prohibit the Funds from transacting in a portfolio investment. For example, federal securities law considerations relating to trading while in the possession of material non-public information or restrictions on "short swing" trading profits may limit the ability of a Fund to buy or sell securities of portfolio companies. Under Section 16(b) of the Securities and Exchange Act of 1934 (the "Exchange Act"), holders of more than 10% of any class of equity securities of a company registered under Section 12 of the Exchange Act and certain officers and directors of such an issuer are prohibited from any purchase and sale, or any sale and purchase, of any equity or derivative security of such issuer within any period of less than 6 months. If the Adviser on behalf of the Funds engages in a transaction that results in short-swing profits, the Funds may be required to return the amount of such profit to the issuer, which could adversely effect the overall return on investment realized by the Funds. Measures to avoid short-swing liability may limit the ability of the Funds to buy or sell securities of portfolio companies.

Moreover, in connection with any acquisition of beneficial ownership by the Adviser of more than 5% of any class of the equity securities of a company registered under the Exchange Act, the Adviser may be required to make certain filings with the SEC. Generally, these filings require disclosure of the identity and background of the purchaser, the source and amount of funds used to acquire the securities, the purpose of the transaction, the purchaser's interest in the securities, and any contracts, arrangements or undertakings regarding the securities. In certain circumstances, the Funds may be required to aggregate their investment position in a given portfolio company with the beneficial ownership of that company's securities by other parties, which could require the Funds, together with such other parties, to make certain disclosure filings or otherwise restrict the Funds' activities with respect to such portfolio company securities. In addition, in such case, the Funds may be required to register under the Exchange Act, which may impose some filing requirements on investors.

Antitrust or other regulatory requirements may impose filing fees and other additional expenses on the Funds and may adversely affect the Funds' ability to acquire or dispose of investment

positions (including without limitation, in situations where an employee or person otherwise affiliated with the Adviser or one of its affiliates, serves as a director of a portfolio company or the Funds maintain certain levels of share ownership or control).

Counterparty and Financial Institutions Risks Generally. The Funds enter into many transactions with third parties in which the failure of the third party to perform its obligations under a contract could have a material adverse effect on the Funds. Although the Adviser intends to engage in transactions with responsible counterparties, there are no counterparty credit constraints on the Funds and there can be no assurance that any such counterparties will not default on their obligations.

Each Fund's assets are generally held in "street name" by each Fund's custodian. However, in certain cases, shares owned by Breeden Partners L.P. are held in the Fund's name with the custodian. Bankruptcy or fraud at the custodian could impair the operational capabilities or the capital positions of the Funds.

The current credit environment is unpredictable and there is no assurance that the Adviser or its agents will effectively evaluate the credit risks associated with all brokerage firms, banks, broker-dealers and counterparties with which the Funds engages in transactions. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Such counterparty risk is accentuated where the Adviser has concentrated the Funds' transactions with a single or small group of counterparties. The Adviser is not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. The ability of the Adviser to transact business with any one or number of counterparties, the lack of any meaningful or independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

Systems Risks. The Adviser relies on computer programs and systems to trade, clear and settle securities transactions for the Funds, to evaluate certain securities based on real-time trading information, to monitor its portfolio and net capital, and to generate risk management and other reports. In addition, certain of the Adviser's operations interface with or depend on systems operated by third parties including its custodians, administrators, prime brokers and market counterparties and their sub-custodians and other service providers, and the Adviser may not be in a position to verify the risks or reliability of such third party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by worms, viruses and power failures. Any such defect or failure could have a material adverse effect on the performance of the Funds. For example, such failures could cause settlement trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the Adviser's ability to monitor the Funds' investments and their risks.

Operational Risks. Operational risks arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or other similar disruption in the Adviser's operations may cause the Funds to suffer financial

loss, the disruption of its business, liability to the Funds or third parties, regulatory intervention or reputational damage. The Adviser relies heavily on its own (as well as those of its administrators', custodians' and prime brokers') financial, accounting and other data processing systems.

Potential Conflicts of Interest. Various potential and actual conflicts of interest may arise from the overall investment activities of the Adviser, the General Partner and their respective affiliates, principals, members, managers, officers, directors and employees. The following briefly summarizes some of these conflicts, but is not intended to be an exclusive list of all such conflicts. For a more detailed discussion of such potential conflicts of interest, an investor should refer to the relevant Fund's confidential offering memorandum.

Allocation of Personnel; Other Activities. The Adviser will cause its personnel to devote such time as it deems in good faith to be reasonably necessary to conduct the business affairs of the Funds. Mr. Breeden and certain of the Adviser's executives and personnel may from time to time perform services for affiliates of the Adviser and the General Partner other than the Funds (e.g., RCB & Co. (as defined below under Item 10)) and for other third parties. The Adviser also shares office space with its affiliate. It is intended that none of these activities will materially interfere with the Adviser's responsibilities to the Funds. Investors should refer to Item 10 below for a further description of the Adviser's affiliates and other business activities.

Diverse Investor Group. The Funds and investors in the Funds may have conflicting investment, tax and other interests with respect to their investments. The conflicting interests of investors may relate or arise from, among other things, the nature of investments made by the Fund, the structuring or the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with the decisions made by the Adviser, including with respect to the nature or structuring of investments that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Funds, the Adviser will consider the investment and tax objectives of the Funds and their investors as a whole; not the investment, tax or other objectives of any investor individually. Interests in the Funds may be held by relatively few investors with substantial investments in the Funds, and voting power may be concentrated in a relatively small number of investors from time to time. The Adviser has agreed to provide more detailed and more frequent information about the Funds, its holdings, proxy voting and performance to certain investors in the Funds from time to time.

Incentive Allocation. As described above under Item 6, each Fund is charged an Incentive Allocation payable to the Adviser or the General Partner. The Incentive Allocation differs from and may be greater than the fees associated with investments in more traditional investment vehicles (e.g., mutual funds). The existence of an Incentive Allocation may create an incentive for the Adviser to make investments that are more speculative than would be the case in the absence of such performance-based compensation. In addition, in certain circumstances, the Adviser or General Partner may be entitled to receive an Incentive Allocation to the extent the performance of an investor's investment in a Fund exceeds an agreed-upon market benchmark, even where the overall performance of the investor's investment is at a loss. The existence of this arrangement could influence the timing of realizations of investments by the Adviser which may be unfavorable to other investors in the Funds.

Concentration of Interests in the Funds. Interests in the Funds may be held by a relatively small number of investors, including certain investors who have made substantial capital commitments. As a result, it may be possible for one or a small group of investors to heavily influence or control any vote of investors in the Funds or the Funds' Advisory Committee.

Material, Non-Public Information. The Adviser's personnel may acquire confidential or material non-public information either in connection with other activities described below or while pursuing the investment strategy. Under the federal securities laws, the Funds will not be free to act upon any such information. Due to these restrictions, the Adviser may not be able to initiate a transaction on behalf of the Funds that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. The activities of RCB & Co., which is an affiliate of the Adviser may restrict the ability of the Funds to invest if employees of the Adviser are also employees of RCB & Co. and the Adviser become aware of material non-public information as a result of an employee's work for RCB & Co.

Item 9 – Disciplinary Information

There is no information regarding the Adviser that requires disclosure pursuant to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Richard C. Breeden & Co., LLC ("RCB & Co.") is a consulting firm founded by Mr. Breeden in 1996. Mr. Breeden is the Chairman and owner of RCB & Co. RCB & Co. specializes in advisory services relating to a broad spectrum of capital markets issues and financial restructurings.

RCB Fund Services, LLC provides claims administration services primarily in cases relating to unlawful conduct, primarily involving securities fraud. This includes SEC Fair Funds and Department of Justice forfeiture funds. Mr. Breeden is the Chairman and principal owner of RCB Fund Services, LLC.

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

General. The Adviser does not buy or sell securities for its own account. However, the Adviser, the General Partner or one of their affiliates may have an interest, as general partner or otherwise, in one or more of the Funds. In addition, certain officers, members and employees of the Adviser and its affiliates are permitted to own, buy and/or sell interests in the Funds. Accordingly, the Adviser and/or its affiliates and employees may from time to time have a substantial interest in certain of the Funds or other accounts managed by the Adviser. If the Adviser's or its affiliates' interests in a Fund are substantial, the Fund may be treated as a proprietary account of the Adviser for certain purposes. To the extent any such proprietary account participates in transactions in securities or other instruments in which other Funds or accounts participate, the Adviser seeks to ensure that such proprietary account participates in accordance with the Adviser's policies and procedures.

Code of Ethics and Personal Trading

The Adviser has adopted a Code of Ethics that reflects the firm's basic governing principle that the interests of the Funds must at all times be placed first, ahead of the interests of the Adviser, its affiliates, and their respective directors, officers, members, managers, employees and any other associated persons (including without limitation, members of the Adviser's Investment Committee). All directors, officers, members, managers, employees and associated persons of the Adviser (each, a "Covered Person," and collectively, "Covered Persons") are subject to the Code of Ethics. The Code of Ethics addresses the Adviser's policies and procedures regarding personal account trading, outside business activities and gifts. The Code of Ethics permits Covered Persons to invest for their personal accounts, and sets forth guidelines and restrictions reasonably designed to help prevent such trading from conflicting with the Covered Person's duties to the Fund.

The Code of Ethics prohibits Covered Persons from causing the Funds to take action, or not to take action, for their personal benefit rather than the benefit of the Funds. Covered Persons must avoid taking inappropriate advantage of their position for their personal benefit, such as by using their knowledge of the Funds' portfolio transactions to profit based upon the market effect of those transactions.

All personal securities transactions by Covered Persons, certain immediate family members, and other accounts in which Covered Persons have a financial interest or investment discretion must be conducted in accordance with the requirements of the Code of Ethics. Among other things, the Code of Ethics requires that all personal securities transactions by Covered Persons be approved in advance by the Chief Compliance Officer, with certain exceptions. Covered Persons are generally prohibited from trading in securities that are held by the Funds or that are being considered or reviewed by the Adviser for possible purchase or sale by the Funds. Exceptions require the written approval of the Adviser's Chief Compliance Officer. If a Covered Person recommends that a security be bought or sold for a Fund, the Covered Person must inform the Adviser's Compliance Officer if the Covered Person holds a position in that security in a personal account, and the Compliance Officer may restrict such person from buying or selling that security until after the Funds no longer has a position in the security.

Covered Persons must report their personal securities holdings upon employment (or other association with the Adviser or its affiliates) and periodically thereafter, and arrange for duplicate confirmations of all securities transactions and account statements to be sent to the Chief Compliance Officer.

Investors and prospective investors in the Fund may obtain a copy of the Adviser's Code of Ethics by submitting a written request to the Adviser.

The Adviser's personnel involved in research, trading or other investment-related matters may, from time to time, consult with other investment professionals in the financial industry and discuss investment ideas, including ideas generated by third-party research paid for by the Funds, subject to any applicable confidentiality obligations. The Adviser believes that on balance, the Funds benefit from such discussions by providing different perspectives on particular industries or companies. However, there is no guarantee that this approach will be successful or that such

discussions will not work to the detriment of the Funds. Any such discussions must be conducted in accordance with and subject to the Adviser's Code of Ethics, the Adviser's policies regarding the prevention of trading on material non-public information and applicable laws.

Item 12 – Brokerage Practices

General. The Adviser has complete discretion with respect to all investment decisions made for the Funds, and also with respect to the selection of brokers, dealers and other counterparties for such transactions, and the amount of commissions or other compensation to be paid by the Funds. The Adviser may cause each Fund to invest in parallel with each other, or alongside other accounts managed by the Adviser and its affiliates, if any, if believed to be in the best interests of each participating Fund.

Brokerage and Best Execution. Each Fund bears its *pro rata* share of brokerage commissions and related transaction costs for its portfolio transactions. The Adviser has a duty to seek best execution for the Funds' securities transactions. The Adviser will consider a wide range of factors in judging whether a broker-dealer can provide the best execution; whether the lowest possible commission is paid is not determinative. Brokerage transactions for the Funds are executed by brokers and dealers generally selected by the Adviser on the basis of obtaining the best overall terms available based on a variety of factors, including the following: the ability to hold and work orders with anonymity; research and market color provided on current and potential portfolio companies; access to management of current and potential portfolio companies and relevant research conferences; the ability to achieve prompt and reliable execution at favorable prices; the operational efficiency with which transactions are effected; the financial strength, integrity and stability of the broker; the quality and comprehensiveness of related services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying the Adviser's other selection criteria.

The Adviser's investment strategy with respect to the Funds generally requires long-term holding of securities and therefore, the Adviser's trading volume does not generate significant commissions. Accordingly, if the Adviser determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and research products or services provided by such broker, the Funds will pay commissions to such broker in an amount greater than the amount another broker might charge.

Certain Fund investors may request that a portion of the brokerage be directed to certain types of brokerage firms, such as firms in certain locations or minority-owned firms. The Adviser may direct brokerage to such firms subject to its duties to seek best execution.

Use of Soft Dollars to Obtain Research. The Adviser may cause the Funds to trade with broker-dealers that provide research or execution related products or services (collectively, "Soft Dollar Items") to the Adviser in addition to effecting trade execution. Soft Dollar Items include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, on-line quotations, news and research services, and other services providing assistance to the Adviser in the performance of its investment decision-making responsibilities on behalf of the Funds. The Adviser maintains procedures pursuant to

which it may use commissions generated by the Funds to pay for Soft Dollar Items within the safe harbor under Section 28(e) of the Exchange Act.

The Adviser may use research obtained with soft dollars generated by one Fund or account to service the accounts of other Funds or the client accounts of an affiliated adviser. Each Fund shares in the benefits from Soft Dollar Items regardless of the amount of commissions generated by a particular Fund. Generally, if a product or service obtained with commission dollars provides both research and non-research elements, the Adviser will make a reasonable allocation of the costs that may be paid for with soft dollars.

Other Investment Vehicles and Relationships and Allocation of Opportunities. The Adviser may manage and advise other investment vehicles (including other collective investment vehicles in which the adviser or its employees or principals may have an equity interest), accounts and clients which may have objectives similar, in whole or in part, to those of the Funds. The Adviser may hold interests in, and furnish advisory, consulting, and/or management services to, other persons or entities and with respect to similar or different investments. In addition, the Adviser may form one or more new investment vehicles with the same, similar, or different investment strategies. The Adviser does not have any obligation to engage in any transaction or investment for the Funds or to recommend any transaction to the Funds for which the Adviser may engage in for its own account or the account of any other client. Thus, from time to time, other funds and accounts including those that have investments by the Adviser (and its members, principals, employees and affiliates) may outperform the Funds.

To the extent legally permissible, the Adviser is authorized to combine purchase or sale orders for the Funds and other accounts. The Adviser will allocate the securities or other assets purchased or sold, in accordance with its policies and procedures designed to provide for fair and equitable access to the securities purchased or sold, by allocation, rotation, or otherwise. The Adviser allocates investments on a *pro rata* basis, but may allocate in a different manner if the Adviser determines appropriate as a result of differences in available capital, cash flow (including to fund redemptions), investment objectives and policies, tax considerations or as otherwise permitted by law, and the Adviser's policies and procedures.

Item 13 – Review of Accounts

All trades conducted for the Funds are authorized by the Adviser's Investment Committee and are reviewed by the Chairman of the Investment Committee ("Chairman") or his designee. The Chairman also receives and reviews a daily report with respect to the Funds' holdings, performance and other statistical information. The Adviser also assigns an investment team member to each portfolio position for purposes of regularly monitoring developments affecting such investment. The following Adviser personnel are involved in the review of the Funds' portfolios: the Chairman; the Deputy Chairman; the Director of Research & Trading; and the Chief Financial Officer. In addition, the Investment Committee periodically reviews the strategy, risk and other considerations relating to the Funds' positions.

Investors in the Funds will be provided with annual audited financial statements prepared by the Funds' auditor, which is an independent public accounting firm. Upon request, on a quarterly basis, the investors may be provided with unaudited reports of financial information relating to

the Funds, including valuation of the Funds' portfolios. Investors in the Funds will also be provided on an annual basis with such information as is necessary for investors to complete U.S. federal and state income tax or information returns, along with any other tax information required by applicable laws. In addition, certain of investors in the Funds receive more frequent and more detailed reporting with respect to the relevant Fund's holdings, performance and proxy voting. Upon request, investors in the Funds may receive more frequent and/or detailed reporting as described above.

Item 14 – Client Referrals and Other Compensation

The Adviser or an affiliate may enter into arrangements to compensate certain persons (including broker-dealers through which trades are executed for clients of the Adviser or Fund investors) for introducing, referring, soliciting or finding investors for the Funds.

Item 15 – Custody

The Funds' cash and securities are held by qualified custodians. As noted above in Item 13, within 120 days of the end of each Fund's fiscal year investors will receive the Fund's annual financial statements. Each Fund's annual financial statements are prepared in accordance with generally accepted accounting principles and audited by an independent public accountant that is registered with and subject to regular inspection by the Public Company Accounting and Oversight Board. Investors in the Funds are urged to carefully review such financial statements. The Adviser and General Partner are deemed to have custody of the Fund's assets as a result of their authority over the Funds and of their accounts.

Item 16 – Investment Discretion

The Adviser has complete discretion with respect to all investment decisions made for the Funds. The Adviser also has complete discretion with respect to the selection of brokers, dealers and other counterparties for transactions by the Funds, and the amount of commissions or other compensation to be paid by the Funds. The Adviser may cause each Fund to invest in parallel with each other, and/or alongside client accounts, if believed to be in the best interests of each participating Fund and other client account.

Item 17 – Voting Client Securities

The Adviser's proxy voting policies and procedures address material conflicts of interest between the Adviser or its employees and any Fund with respect to the subject of a proxy vote. In the event of such a conflict, conflicted personnel are prohibited from participating in evaluation of the proxy vote, and the Adviser may follow recommendations of the Advisory Committee or an independent third-party voting specialist. Given the nature of the Funds' investment strategy, the Adviser does not consider it to be a conflict of interest to vote the Funds' shares in favor of the election of its officers and/or employees (or officers and/or employees of its affiliates) who are nominees for directorships of portfolio companies.

It is expected that the Adviser generally will, consistent with its fiduciary role, seek to enhance the value of the Fund's portfolio by voting each company proxy in a manner that is designed to maximize the company's stock price.

The Adviser may determine not to vote proxies where the cost of participating in such vote restricts liquidity (*i.e.*, prevents the ability to sell) or where the cost of lodging a vote is significant (requires the Adviser to send an individual to lodge the vote or requires translation).

Investors in the Funds and other clients may obtain copies of the Adviser's proxy voting policies and procedures, and information about how the Fund's proxies were voted, by submitting a written request to the Adviser.

Item 18 – Financial Information

The 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.