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This brochure provides information about the qualification and business practices of Independence Capital Asset Partners, LLC. If you have any questions about the contents of this brochure, please contact us at (303) 209-4100, or by email at info@icapllc.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. Independence Capital Asset Partners, LLC is an investment adviser registered with the United States Securities and Exchange Commission (the "SEC"). Registration with the SEC does not imply a certain level of skill or training.

Additional information about Independence Capital Asset Partners, LLC is available on the SEC's website at www.adviserinfo.sec.gov

March 31, 2014

Item 2: Material Changes

The following is a summary only of material changes that have occurred since the firm's last annual update of its brochure, dated March 22, 2013.

Item 10 – Other Financial Activities and Affiliations has been updated to reflect that certain personnel of Independence Capital Asset Partners, LLC are registered with Foreside Fund Services, LLC.

Effective March 31, 2014, Beth G. Shanker serves as the Chief Compliance Officer (“CCO”) of Independence Capital Asset Partners, LLC. Anita Falicia continues to serve as the firm's Chief Operating Officer.

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Item 4: Advisory Business

Independence Capital Asset Partners, LLC (the “Advisor”), was formed in 2004. The principal member of the Advisor is James A. Hillary. As of December 31, 2013, the advisor serves ten clients with approximately \$608 million in net assets under management, all of which is currently managed on a discretionary basis. The Advisor does not, as of December 31, 2013, manage any assets on a non-discretionary basis.

The Advisor, an investment advisor registered with the United States Securities and Exchange Commission (the “SEC”), is the General Partner of ICAP Absolute Return Fund, L.P., ICAP QP Absolute Return Fund, L.P., and Independence Capital Small Cap Fund, L.P. (the “Small Cap Fund”) (each, a Delaware private investment limited partnership, and collectively, the “Partnerships”). The Advisor also serves as General Partner to Independence Capital Appreciation Fund, L.P. (the “Cap App Fund”) and Independence Capital Health Care Select Fund, L.P. (the “Health Care Fund”) (each, a Delaware private investment partnership). The Health Care Fund is owned solely by the Advisor’s senior management and is operated on a no-fee basis for the purpose of ongoing assessment of this investment strategy, and, as such, has not been and is not currently available to outside investors. The Advisor is the Investment Manager to the ICAP Offshore Absolute Return Fund II, Ltd., a Cayman Islands Mutual Fund Company (the “Offshore Fund”). The Advisor offers separate account investment service to selected clients that may include other pooled investment vehicles (collectively, the “Separate Accounts”), including the PROSPER Stars and Stripes Fund that is a Luxembourg open-ended investment company with multiple sub-funds. The Advisor serves as the sub-advisor to the LS Opportunity Fund¹, and, as of January 24, 2014, serves as the sub-advisor to the Franklin K2 Alternative Strategies Fund² (collectively, the “Mutual Funds”), which are registered investment companies under the Investment Company Act of 1940, as amended (the “1940 Act”).

The Advisor provides investment advisory and portfolio management services to the Partnerships, the Cap App Fund, the Health Care Fund, the Separate Accounts, the Offshore Fund, and the Mutual Funds (collectively, the “Advisory Clients”). The Advisory Clients other than the Mutual Funds are typically structured to rely on exclusions from the definition of an “investment company” under the 1940 Act or are otherwise not subject to registration with the SEC, and as such are not registered investment companies.

Subject to the Advisory Clients’ stated investment objectives, restrictions and policies, or the terms of the Advisor’s investment management agreement, the Advisor generally has the sole responsibility for determining which general investment strategies are to be employed in managing the portfolios of the Advisory Clients to achieve the Advisory Clients’ investment objectives.³ Additionally, the Advisor is typically responsible for the actual management of the

¹ NASDAQ ticker LSOFX.

² NASDAQ tickers FAAX, FASCX, FSKKX, FASRX and FABZX.

³ Please see Item 8 for further details on the investment strategies employed by the Advisor.

portfolios of the Advisory Clients, including the selection of the portfolio securities and specific purchase and sale decisions.

The Advisor's provision of investment advisory services is typically tailored to each Advisory Client, generally through the Advisor's assessment of the Advisory Client's particular characteristics, investment objectives, and investment limitations. Limitations on investments, if applicable, can be found in the Amended and Restated Agreement of Limited Partnership for each of the Partnerships, the Cap App Fund and in the Private Placement Memorandum for the Offshore Fund. Each Separate Account may also negotiate its own investment limitations. Additional information about the investment policies and restrictions of the Mutual Funds are contained in their prospectus and statement of additional information.

The Advisor does not participate in wrap fee programs.

Item 5: Fees and Compensation

Fees charged by the Advisor are generally not negotiable. Fees may be waived by the appropriate party (the Investment Manager, General Partner, or the Advisor depending on the account's structure) in that party's sole discretion. The Health Care Fund does not currently pay any fees to the Advisor.

Partnerships, Offshore Fund and Cap App Fund

For the Partnerships and the Offshore Fund, the Advisor receives a management fee equal to one and one-half percent (1.5%) of the net asset value of each client per year. For the Cap App Fund, the Advisor receives a management fee equal to one percent (1.0%) of the net asset value of each client per year. The management fee is calculated and paid monthly, in advance for the Partnerships and in arrears for the Offshore Fund. The amount due each month is one twelfth of 1.5% or 1.0% of the Net Asset Value at month end.

Fees paid by the Partnerships, the Offshore Fund and the Cap App Fund are paid directly from the accounts upon calculation by the Administrator and approval by the General Partner or the Board of Directors respectively.

Separate Accounts

Each Separate Account, with the exception of the PROSPER Stars and Stripes Fund, is charged a management fee equal to or between 1.15% and 1.50% of the net market value of the account. The PROSPER Stars and Stripes Fund is subject to a management fee of 1.40% of its assets, of which between 0.80% and 1.00% is payable to the Advisor depending on the total assets in this account. Management fees, or the portions thereof payable to the Advisor, are generally paid quarterly in advance or in arrears subject to the agreement between the Advisor and the Separate Account. The fee is calculated based on the net market value of the account at the close of trading on the preceding business day. In the event of mid-quarter contributions or withdrawals, the fee will be prorated based on the amount of the quarter the assets were in the account.

Fees paid by Separate Accounts are calculated and paid by the client and are not directly withdrawn from the client's account.

Refundable Fees

Typically upon termination of any agreement, any prepaid, unearned fees will be promptly refunded, subject to any transaction expenses associated with the liquidation of an account. Clients may inquire about any refundable fees by contacting the Advisor at (303) 209-4100.

Mutual Funds

As sub-advisor for the Mutual Funds, the Advisor receives a management fee that varies by fund and ranges from .88% to 1.65%. In some instances, the Advisor receives a flat fee and in other instances the Advisor's fees are determined by a tiered scale taking into consideration the total assets of the fund. A description of the advisory agreement pursuant to which the Advisor provides services to each Mutual Fund, including information regarding the Advisor's compensation and, if applicable, agreements to waive or reimburse fees or expenses, can be found in each Mutual Fund's prospectus.

Performance Fees

The Advisor may charge a performance-based fee in addition to the fees addressed in this Item 5. Please see Item 6 for further details on performance fees. The Advisor does not charge additional fees or receive additional compensation beyond what is described here in Item 5 and in Item 6 below.

Other Fees and Expenses

In addition to the management fees and performance fees paid to the Advisor, each client is typically responsible for certain operating expenses related to their account. Each client's agreement with the Advisor specifies the operating expenses to be paid by the client. In general, the following expenses are considered operating expenses, and all or some of the following may be the responsibility of the client depending on whether the client is a Partnership, Offshore Fund or registered investment company:

- Costs and expenses incurred in connection with the evaluation, acquisition, monitoring or disposition of investments, including, without limitation, brokerage commissions,⁴ research fees, interest on margin accounts and other indebtedness, borrowing charges on investments sold short, interest and commitment fees, custodial fees, bank service fees, transfer taxes and premiums, and legal, accounting, consulting, and information services related to the discovery, investigation, development, making, management and disposition of investments (whether or not consummated).
- All expenses incurred in connection with financial statements, reports, tax returns and Schedule K-1s (or similar schedules).

⁴ Please see Item 12: Brokerage Practices for further information related to brokerage commissions and research fees

- All fees and disbursements of attorneys and accountants relating to the client's matters.
- All taxes and other governmental charges that may be incurred or payable by the client.
- All insurance premiums or expenses incurred by the client in connection with the activities of the client.
- All expenses (including legal fees and expenses) incurred to comply with any law or regulation related to the activities of the client or incurred in connection with any litigation or governmental inquiry, investigation or proceeding involving the client including the amount of any judgments, settlements or fines paid in connection therewith, except to the extent the amounts are indemnified by the Advisor.
- All costs and expenses incurred in connection with the dissolution, winding up, or termination of the client
- All costs and expenses incurred in connection with computing the value of the assets of the client.
- All Administration Fees, these include all costs and expenses incurred in connection with the accounting, valuation and other administration services provided to the client by the client's administrator.
- All expenses related to any indemnification obligations the client has granted to the Advisor.

Item 6: Performance Fees and Side by Side Management

Partnerships and Offshore Fund

The Advisor typically receives a performance fee equal to twenty percent (20%) of the net realized and unrealized profit with respect to the Partnerships and the Offshore Fund. The performance fee is generally subject to a high water mark such that in the event a capital account of a Partnership or a sub-series of the Offshore Fund suffers a net loss in a particular period, no performance fee will be due to the Advisor for such period or any subsequent period until such net loss is first recovered.

Fees paid by the Partnerships and the Offshore Fund are paid directly from the accounts upon calculation by the Administrator and approval by the General Partner or the Board of Directors respectively.

The Cap App Fund

The Advisor receives a performance fee equal to twenty percent (20%) of the net capital appreciation less the performance of the S&P 500 Index with respect to the fund if the performance of the fund is positive and equals or exceeds the performance of the S&P 500 Index. The performance fee is generally subject to a high water mark such that in the event a capital account of the fund suffers a loss in a particular period, no performance fee will be due to the Advisor for such period or any subsequent period until such net loss is first recovered. In addition, the fee may be deferred if the payment of the fee would result in the elimination of all net capital appreciation for a given period in the capital account of a limited partner.

Fees paid by Cap App Fund are paid directly from the accounts upon calculation by the Administrator and approved by the General Partner.

Mutual Funds

The Mutual Funds do not pay a performance fee.

Separate Accounts

The Advisor receives a performance fee from each Separate Account, the amount of which varies from twelve percent (12%) to twenty percent (20%) of the net realized and unrealized profits with respect to each Separate Account as of the anniversary year or calendar year, depending on the Separate Account in question and certain other factors. The performance fee may be subject to a high water mark such that in the event a portion of a Separate Account suffers a net loss in a particular period, no performance fee will be due to the Advisor for such period or any subsequent period until such net loss is first recovered. Exceptions to the standard period for calculation including upon account termination, are addressed within the agreement specific to each Separate Account.

Fees paid by Separate Accounts are calculated and paid by the client and are not directly withdrawn from the client's account.

Management Fees

The Advisor charges management fees in addition to the fees addressed in this Item 6. Please see Item 5 for further details on these fees. The Advisor does not charge additional fees or receive additional compensation beyond what is described here in Item 6 and in Item 5 above.

Conflicts Related to Performance Fees

Certain conflicts are inherent to the existence of performance fees. These conflicts may become more prevalent when certain accounts are charged performance fees while others are not. The Advisor has established a Code of Ethics⁵ in which the Advisor outlines its fiduciary duty to act in the best interest of its clients at all times. The Advisor further seeks to mitigate these risks whenever possible through policies and procedures.

Incentive to Take More Risk Where Performance Fees are Available

One risk inherent to the existence of performance fees is the incentive for the Advisor to take greater risks in hopes of earning greater performance fees.

The Advisor seeks to mitigate this risk in a variety of ways. The use of a high water mark by the Advisor creates an incentive to balance risk and reward potential as any losses by clients will need to be regained before incentive fees are received. The Advisor also regularly monitors the risk of individual investments and the portfolio of each Advisory Client as a whole and has established general guidelines for reviewing investments that have lost value.⁶

Incentive to Favor Performance Fee Paying Accounts During Allocation

Another risk inherent to the existence of performance fees is the incentive to favor certain clients during the allocation process so that the clients that pay performance fees receive better allocations.

The Advisor typically allocates investments on a pro rata basis. The Advisor currently employs four strategies, and each strategy trades independent of the other strategies although a block trade may be executed for all strategies. Each Advisory Client typically receives its pro rata share of any trade placed by the strategy that the Advisory Client belongs to. In the event that an Advisory Client has trading or investment restrictions that would limit that client's participation in an investment, that client will receive the amount it is eligible to receive and the remaining

⁵ Please see Item 11: Code of Ethics, Participation in Client Transactions and Personal Trading for further details on the Code of Ethics the Advisor has in place.

⁶ Although the Advisor seeks to mitigate certain risks, investments may lose value. Please see Item 8: Methods of Analysis, Investment Strategy and Risk of Loss for further details regarding the risk of loss associated with investing.

portion of the trade would be allocated pro rata among the other clients. Varying regulatory requirements applicable to the Partnerships, the Cap App Fund, the Offshore Fund, Separate Accounts or the Mutual Funds may also affect the allocation of trades. The pro rata allocation methodology is built into the trading system that the Advisor uses, which assists the Advisor in mitigating the risk that one client receives preferential treatment during the allocation process.

Item 7: Types of Clients

The Advisor generally serves two categories of clients: pooled investment vehicles and separate accounts. As of December 31, 2013, the Advisor has ten (10) clients, six (6) of which are pooled investment vehicles and four (4) of which are separate accounts.

Pooled Investment Vehicles

The Advisor provides advisory services to pooled investment vehicles that are: (i) investment companies registered under the 1940 Act; (ii) structured to operate under exclusions from registration under the 1940 Act; or (iii) otherwise not subject to registration under the 1940 Act. Other than the Mutual Funds, interests in these pooled investment vehicles are typically exempt from registration under the Securities Act of 1933, as amended (the “1933 Act”), in accordance with private placement exemptions that are available under Regulation D and Section 4(2) of the 1933 Act.

As a consequence, investors in these particular pooled investment vehicles must typically meet certain financial criteria. Investors in these particular pooled investment vehicles must demonstrate that they are “accredited investors,” and, depending on the vehicle in which they invest, may also have to establish their status as “qualified clients” or “qualified purchasers.” The precise financial criteria associated with these requirements are set forth in more detail in the respective subscription agreements of those investment vehicles.

Other than the Cap App Fund, and the Health Care Fund, investments in these pooled investment vehicles are typically subject to an account minimum of \$1,000,000, which may be waived in certain circumstances at the sole discretion of the Advisor. Investors in these vehicles and the Cap App Fund may include affiliated parties of the Advisor, funds of funds, high net worth individuals, institutions, endowments and foundations.

The Cap App Fund generally requires a minimum investment of \$5,000,000, which may be waived in certain circumstances at the sole discretion of the Advisor. There is currently no minimum investment for the Health Care Fund.

Separate Accounts

The separate accounts served by the Advisor generally require a minimum investment of \$5,000,000, which may be waived in certain circumstances at the sole discretion of the Advisor. Each of the Mutual Funds is subject to certain minimum initial and subsequent investment amounts described in each Mutual Fund’s prospectus.

Item 8: Methods of Analysis, Investment Strategy and Risk of Loss

Investment Strategy

The Advisor seeks to generate long-term compounded annual returns with less risk (i.e. volatility) than that of the stock market in general. The Advisor typically recommends investing in a portfolio of both long and short positions consisting primarily of publicly-traded common stocks. The Cap App Fund invests solely in long positions. The other investment strategies used by the firm are not currently available to the public.

Methods of Analysis

The Advisor follows a research-driven, bottom-up stock selection process on both the long and short side whereby investment decisions are based upon extensive analysis of the business and financial fundamentals concerning particular companies and their industries. The Advisor assesses a company's investment value and seeks to capitalize on significant differences between the current market price of a company's stock and its current or expected future investment value.

For long investments, the Advisor generally recommends companies where the research indicates a significant upside opportunity relative to downside risks. For short investments, the Advisor generally recommends companies where the research highlights weak or deteriorating fundamentals and unattractive valuations indicating significant downside risk.

In evaluating potential investments, the Advisor may rely on information from a variety of sources including, but not limited to, financial newspapers and magazines, reviewing corporate activities, reviewing corporate documents filed with the U.S. Securities and Exchange Commission, company press releases and research provided by third parties. The Advisor also utilizes electronic data feeds and research tools from third party vendors.

The Advisor may use some or all of the investment methodologies described here. There is no assurance that the Advisor's application of these methodologies will be successful, nor is there any assurance that the information and data upon which we rely will always be fully accurate or unbiased.

Risk of Loss

General Risk of Investing

Investing in securities involves a substantial risk of loss to the value of investments. Each client or investor should be prepared to bear the risk of losing a substantial amount of their investment up to and including all assets invested. The Advisor recommends both long and short investments. Long securities risk a loss equal to the amount invested, short securities have a risk of unlimited loss. The Advisor seeks to manage risk on several levels but does not attempt to hedge against all possible exposure nor does the Advisor attempt to maintain neutrality to the

market, sector, industry or any other risk factor. Performance is subject to numerous factors that are neither within the control of or predictable by the Advisor including economic, political, competitive and other conditions. A non-exhaustive list of the significant risks related to the method of analysis and the investment strategies of the Advisor is outlined below. A more thorough listing of risks associated with the Partnerships and the Offshore Fund can be found in the offering documents (such as a private placement memorandum or prospectus) specific to that investment vehicle.

Lack of Diversification

The portfolio recommended by the Advisor is not generally diversified among a wide range of securities, industries or asset classes. As such, the portfolio may be exposed to wider fluctuations in portfolio value than otherwise would be the case if the portfolio were required to maintain a high degree of diversification among its investments. Note that this risk does not relate to the Mutual Funds' status as "diversified" or "non-diversified" as those terms are defined under the 1940 Act, nor does it reflect a determination of the Mutual Funds' diversification for purposes of Subchapter M of the Internal Revenue Code.

Short Sales

Certain of the Advisory Clients may engage in short sales. Selling securities short risk losing an amount greater than the proceeds received. Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed.

Small Cap Stocks

These securities are often lesser known and may be rather illiquid which may result in greater risks than larger, better known companies.

Options

Although option techniques may increase investment return, they may also involve a relatively higher level of risk. The expiration of unexercised long options effectively results in loss of the entire cost, or premium paid for the option. The writing on an uncovered put or call option can involve, similar to short selling, a theoretically unlimited risk of an increase in the Client's cost of selling or purchasing the underlying securities in the event of exercise of the option.

Exchange Traded Funds ("ETF")

The market price of an ETF may be above or below the net asset value. An active trading market might not always exist for an ETF. Trading of an ETF's shares may be halted if the listing exchange's officials deem such actions appropriate, the shares are delisted or in the event that "circuit breakers" are activated.

Non-U.S. Investments

Non-U.S. investments include investments denominated in non-U.S. currencies or traded outside the United States. Risks specific to these investments include unfavorable currency exchange rate developments, restrictions on repatriation of investment income and capital, imposition of exchange control regulation, confiscatory taxation, and economic or political instability in foreign nations.

Leverage

While leverage could increase the opportunity to achieve higher returns on the amounts invested, it also could increase the risk of loss. The level of interest rates generally, and the rates at which such funds may be borrowed in particular could affect the results of investments using leverage.

Systematic Risk

World events and/or the activities of one or more large participants in the financial markets and other events or activities of others could result in a temporary systematic breakdown in the normal operation of financial markets.

Dependence on Key Employees

The Advisor relies heavily on the services of key employees, particularly Mr. James A. Hillary. The Advisor and the Advisory Clients would likely be impacted if the services of key employees were not available.

Conflicts of Interest

There may exist certain inherent and potential conflicts of interest between the Advisor and its affiliates and Advisory Clients. Conflicts may include, but are not limited to, time commitment by the Advisor, management of other clients and fees charged to clients, including incentive and management fees. To mitigate the risks of such conflicts, the Advisor relies on policies and procedures that it believes are reasonably designed to emphasize its fiduciary duties to all its clients, and that seek to monitor the allocation of time, opportunities and other resources between clients.

Frequent Trading

The Advisor may recommend purchases and sales of securities as necessary to achieve the objectives of the clients without regard to the frequency of trading. Consequences of frequent trading include greater portfolio turnover, brokerage commissions, expenses and other trading costs. These increased expenses will impact the return clients receive on their investments.

Item 9: Disciplinary Action

The SEC initiated a regulatory action against Mr. Lars Soderberg on July 31, 2006 for activities occurring during Mr. Soderberg's time at Janus Capital Management, LLC. The SEC's Division of Enforcement alleged that Mr. Soderberg violated certain anti-fraud provisions of the federal securities laws, including Section 17 of the Securities Act, Section 206 of the Investment Advisers Act and Section 34 of the Investment Company Act in an administrative proceeding before an SEC Administrative Law Judge ("ALJ"). The allegations stemmed from Mr. Soderberg's employment with Janus Capital Group, LLC, where the Division alleged he failed to prevent certain investors in Janus Mutual Funds from engaging in "market timing" of their purchases of fund shares. The ALJ concluded that Mr. Soderberg did not act willfully, knowingly or recklessly and, therefore, did not find him liable for any knowledge-based violations, including Section 17(a)(1) of the Securities Act, Section 10(b) of the Exchange Act and Section 206(1) of the Investment Advisers Act. However, the ALJ also concluded that Mr. Soderberg acted negligently by failing to prevent these purchases and the only sanction imposed by the ALJ, which was subsequently confirmed by the SEC on April 28, 2008, was an order directing him to cease and desist from any further violation of Sections 19(a)(2) and 17(a)(3) of the Securities Act, Section 206(2) of the Advisers Act, and Section 34(B) of the Investment Company Act.

Item 10: Other Financial Activities and Affiliations

The Advisor serves as General Partner to the Partnerships as outlined in Item 4. Certain employees of the Advisor are registered representatives of Foreside Fund Services, LLC (“Foreside”), an unaffiliated broker-dealer and FINRA member. The Advisor does not execute any client transactions with Foreside. The Adviser pays Foreside a fee for holding these employees’ registrations with FINRA.

Other than the relationship disclosed above, the Advisor and its employees do not have any affiliations or arrangements with other financial services companies that pose material conflicts of interest.

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

Code of Ethics

The Advisor has adopted a Code of Ethics that it believes is reasonably designed to protect against conflicts between the personal securities transactions (if any) of the Advisor and its affiliates' principals, officers and employees (and members of their families) and transactions effected on behalf of the Advisory Clients. The Code of Ethics is based on the principle that the Advisor and its employees owe a fiduciary duty to the Advisor's Advisory Clients and to the individual investors in such Advisory Clients. Thus, employees of the Advisor must (i) place the interests of Advisory Clients and their investors first, (ii) avoid taking inappropriate advantage of their positions within the advisor, and (iii) conduct their personal securities transactions (if any) in full compliance with the Code of Ethics. Personal investing by the Advisor's principals, officers, and employees, if any, in securities in which the Advisor's Advisory Clients are planning to invest or have investments, may only occur after such Advisory Client's purchases or sales have been effected. A copy of the Advisor's Code of Ethics is available to any client or prospective client upon request by notifying our office at 1400 16th Street, Suite 520, Denver, Colorado 80202.

Other policies adopted by the Advisor with which all principals, officers, and employees (and in some cases, members of their families) must comply include, but are not limited to, pre-approval of personal securities transactions by the Advisor's Chief Compliance Officer or delegate, annual certification of compliance with the Code of Ethics, and directing brokers to supply the Advisor with duplicate confirmations and periodic statements of personal securities transactions.

Participation in Client Transactions

Principals, officers, and employees (and members of their families) of the Advisor, if any, and its related persons and affiliates may participate directly or indirectly as investors in the Advisor's Advisory Clients, including the Partnerships. In addition, the Advisor may buy and sell on behalf of its Advisory Clients securities of issuers or other investments in which the Advisor and its related persons and affiliates have a confidential relationship or in which the Advisor's or its affiliates' principals, officers and/or employees (and members of their families) own securities or otherwise have an interest.

The Advisor may give advice and take actions in the performance of its duties to its Advisory Clients that differ from advice given, or the timing and nature of actions taken, with respect to other Advisory Clients' accounts. The Advisor has adopted policies and procedures that prohibit the use of material nonpublic information, and as a result, the Advisor and its related persons and affiliates, from time to time, may not be free to divulge or act upon certain material nonpublic information in their possession on behalf of their clients.

Personal Trading

The Advisor's personal trading policy seeks to address any possible conflicts of interest that may arise between investment recommendations in the interests of clients and employees' personal investments for their own accounts. The Advisor's policies and procedures generally seek to address such issues by imposing reporting requirements and other restrictions on employees' investments in reportable securities, with the exception of a limited number of highly liquid, index based ETFs that are not unaffiliated open-end funds registered in the United States. While the Advisor's employees and Advisory Clients may both be investing in these ETFs, the Advisor believes that, given the liquidity of these ETFs, employee transactions are not materially impacting the markets for these securities, and that consequently there is no substantial risk of conflicts of interest in this regard.

Employees may hold investments beyond the permitted ETFs. These investments are generally holdings that the employee held prior to their affiliation with the Advisor. These holdings may include securities that are also held by Advisory Clients. Holdings may also include investments in illiquid securities that do not fall within the Advisor's recommendations to clients. Holdings by employees may create a conflict where the employee has interests in competition with the interests of Advisory Clients. The Advisor seeks to mitigate this conflict through its Code of Ethics and policies and procedures. The Advisor's Code of Ethics outlines the Advisor's duty to put the interest of its Clients first. Policies and procedures further mitigate the conflict by requiring pre-clearance approval by the CCO or a designee of transactions in any of these securities. Approval is only given when the transaction can be completed without competing with the interests of the Advisory Clients.

Item 12: Brokerage Practices

Brokerage Selection

The Advisor has discretionary authority to determine the type, amount, price and timing of securities being bought and sold on behalf of each of its Advisory Clients, including the selection of and commissions paid to brokers, subject to each Advisory Client's investment policies and goals.

Subject to the rest of this Item 12, the Advisor, in seeking to obtain the best execution of portfolio transactions, may consider the quality and reliability of brokerage services. The Advisor may also consider brokerage, research and investment information provided by the brokers and dealers. Factors considered by the Advisor in selecting brokers and dealers may include the following: price; the broker's or dealer's facilities, reliability and financial stability; the ability of the broker or dealer to effect securities transactions, particularly with regard to such aspects as complexity of the trade, timing, order size and execution of the orders; and the brokerage and research products and services provided by that broker or dealer to the Advisor that are expected to enhance the Advisor's general portfolio manager capabilities, notwithstanding that an Advisory Client may not be the direct or exclusive beneficiary of such services.

Commission rates, being a component of price, are one factor considered together with other factors. The Advisor may cause a client's account to pay a broker or dealer a commission for effecting a transaction for the client's account that may be higher than a commission charged by another broker, in exchange for brokerage and/or research services or for marketing services such as capital introduction. This is a benefit to the Advisor because the Advisor does not directly produce or pay for the research or services. This may create an incentive to select a broker based on the research or other services provided rather than the client's interest in best execution. Under Section 28(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), the Advisor may do this if it determines in good faith that the amount of commission charged was reasonable in relation to the value of brokerage and/or research services provided by such broker.

To mitigate and address any conflicts of interest that may arise, the Advisor has adopted policies and procedures to evaluate, on an ongoing basis, the value of a broker's research and brokerage services and the reasonableness of any commissions charged.

The products and services that the Advisor received with client brokerage commissions within the last fiscal year include, but may not be limited to: economic/market/industry data, electronic brokerage support, trading, market and research software.

Soft Dollars

The Advisor has made no attempt to put a specific dollar value on the brokerage or research products or services of any broker or dealer or to allocate the relative costs or benefits of those products or services, because the Advisor believes that the products and services received are, in the aggregate, of assistance in fulfilling the Advisor's overall responsibilities to its clients. In many cases, products and services that are generated by third parties may be provided by or through the brokerage firm to which commissions are paid. The Advisor believes that all such soft dollar activities fall within the scope of the safe harbor under Section 28(e) of the Exchange Act.

The Advisor has entered into a soft dollar agreement with one of its prime brokers that will establish an account at the prime broker for the specific purpose of aggregating and maintaining "soft dollar credits" generated by the portfolio transactions described above in the Brokerage Selection section, provided that the particular Advisory Client relationship permits the use of "soft dollar credits." The Advisor may elect to use these credits to purchase research or brokerage products and services that the Advisor has determined to be within the safe harbor provisions of Section 28(e) of the Exchange Act. The products and services obtained through soft dollar credits may or may not benefit the particular Advisory Clients whose transaction were the source of such credits.

Certain Advisory Clients, due to structural, contractual, or regulatory considerations, do not participate in the aforementioned soft dollar arrangements. Nonetheless, these Advisory Clients may indirectly benefit through the Advisor's receipt of research or services. The Advisor believes, however, that no single Advisory Client is materially advantaged to the detriment of other Advisory Clients as a direct result of any such arrangements.

The Advisor does not guarantee any brokers the placement of a pre-determined amount of securities transactions in return for the research or brokerage products or services they provide. The Advisor does, however, have an internal procedure for allocating transactions in a manner consistent with its execution policy to brokers that it has identified as providing brokerage or research products or services of a benefit to its Advisory Clients. Brokerage and research products furnished by brokers may be used in servicing any or all of the Advisory Clients of the Advisor and such research and brokerage may not necessarily be used by the Advisor in connection with the accounts that paid commissions to the broker providing such brokerage and research products and services.

The Advisor may also use step-out transactions in order to receive brokerage and research products and services. In a step-out transaction, the Advisor directs trades to a broker-dealer with the instruction that the broker-dealer execute the transaction, but "step-out" a portion of the transaction or commission in favor of another broker-dealer that provides such products and/or services. Given the Advisor's receipt of such products and services in connection with step-out transactions, the Advisor has an incentive to continue to engage in such transactions; however, the Advisor only intends to utilize step-out transactions when it believes that doing so would not hinder best execution efforts.

Directed Brokerage

As noted above, the Advisor typically retains discretion over brokerage selection. However, certain Advisory Clients may sometimes wish to restrict brokerage to a particular broker or dealer in recognition of custodial or other services (including, in some cases, referral of the Advisory Client to the Advisor for investment advisory services) provided to the Advisory Client by the broker or dealer. When an Advisory Client for whom the Advisor provides discretionary investment management services request or instructs in writing the Advisor to direct a portion of the securities transactions for its account to a specified broker-dealer, the Advisor will treat the Advisory Client direction as a decision by the Advisory Client to retain, except to the extent of the direction, the discretion the Advisor would otherwise have in selecting broker-dealers to effect transactions and in negotiating commissions generally for the Advisory Client's account. Although the Advisor will attempt to effect such transactions in a manner consistent with its policy of seeking best execution on each transaction, there may be occasions where it is unable to do so, in which case the Advisor will continue to comply with the Advisory Client's instructions on a going forward basis.

The Advisory Client, therefore, should consider whether under its direction commissions, execution, clearance and settlement capabilities, and fees for custodial or other services provided the Advisory Client by the broker-dealer (if applicable) will be comparable to those otherwise obtainable by the Advisor.

An Advisory Client making such a designation also should understand that it may lose the possible advantage that non-designating Advisory Clients derive from aggregation of order for multiple Advisory Clients as a single transaction for the purchase or sale of a particular security because all or a portion of the Advisory Client-designated trades may be excluded from and executed subsequent to aggregated orders. An Advisory Client that makes such a designation should further understand that it may forego benefits from savings on execution costs that may otherwise be obtained, most notably by aggregating brokerage orders for accounts and that if a designated broker or dealer is not on the Advisor's approved list of brokers there may be additional credit and/or settlement risk. However, when appropriate, the Advisor will include in aggregate orders transactions for Advisory Clients that have made such a designation. In such cases, the executing broker will transfer the directing Advisory Client's portion of the aggregated order to the broker designated by the Advisory Client for that broker to clear and settle. The Advisory Client who directs the Advisor to use a specific broker may receive less efficient clearing and settlement on some transactions at least in part because the directed broker may provide less efficient service. In addition, such Advisory Client may not be able to participate in an allocation of shares of a new issue if those shares are sold by another broker.

Trade Aggregation

Where appropriate, transactions for multiple Advisory Clients may be bunched for execution purposes, which will not ordinarily affect commissions charged and execution prices on such transactions. Specifically, the Advisor may effectuate bunched orders for multiple accounts according to a pre-determined allocation methodology whereby clients receive an average price

and are assessed a fixed commission charge ranging between approximately \$.01 to \$.06 per share. Circumstances involving partial fills may arise whereby the Advisor may determine that, while it would be both desirable and suitable that a particular security or other investment be purchased or sold for more than one Advisory Client, there is a limited supply or demand for the security of other investment. The Advisor may be unable to aggregate trades for a particular account within a strategy due to reasons including, for example, a specific account's investment restrictions (e.g., use of synthetic securities vs. physical, account's use of specified counterparty). In general, the Advisor seeks to aggregate trades when it has the opportunity to do so.

Other

The Advisor will seek to allocate the opportunity to purchase or sell that security or other investment among such clients on an equitable basis, typically taking into consideration such factors as size of the portfolio, concentration of holdings, investment objectives and guidelines, tax considerations, purchase cost, and cash availability. The Advisor attempts to, but is not required to, assure equality of treatment among its clients receiving such allocation (including the opportunity to purchase or sell that security or other investment will be proportionally allocated among those clients according to any particular predetermined standards or criteria).

Because each Advisory Client has its own investment guidelines, objectives, and restrictions, a particular security may be bought for one or more Advisory Clients at a time when one or more clients are selling the same security. In such cases, when the Advisor believes it is appropriate and in accordance with applicable law and regulations, the Advisor may effect internal cross transactions between two or more Advisory Client accounts. The Advisor believes that such transactions can benefit both accounts by effecting a transfer of securities from one account to another at a greatly reduced cost.

As part of this process, the Advisor may rebalance the investments in various accounts from time to time through cross trades, through separate market purchase and sales or both.

The Advisor generally will execute agency cross transactions only through an independent third party broker. Broker-dealers receive minimal or no compensation for this accommodation. The firm does not currently engage in agency cross transactions.

Item 13: Review of Accounts

The portfolio of each client is generally under ongoing review by the Advisor. Responsibility for review of accounts lies with the applicable portfolio manager (either James Hillary or Christopher Hillary) who typically reviews holdings for consistency with clients' investment objectives and limitations, if any. The Advisor's CCO reviews account information strictly for administrative and compliance purposes. The Advisor's activities on behalf of the Mutual Funds are also subject to the review, from an administrative and compliance perspective, by the Chief Compliance Officer of the individual fund.

In addition to the ongoing review, the Partnerships (other than the Small Cap Fund) and the Offshore Fund are subject to annual audits conducted by PricewaterhouseCoopers LLP and the Health Care Fund, Small Cap Fund and Cap App Fund are subject to annual audits by Rothstein Kass. Separate Account Clients may receive additional information from the Advisor pursuant to their Advisory Agreements, usually including information that is generally related to holdings and transaction information. Investors in the Partnerships (other than the Small Cap Fund) and the Offshore Fund will receive annual written audit reports following the completion of the PricewaterhouseCoopers LLP audit. Investors in the Health Care Fund, Small Cap Fund and Cap App Fund receive annual written audit reports following the completion of Rothstein Kass audit. The Advisor's services on behalf of the Mutual Funds are subject to each fund's periodic reporting and other applicable requirements under the 1940 Act.

Item 14: Client Referrals and Other Compensation

The Advisor has had, and may have, a bonus pool for its employees. The Advisor would consider several factors in determining the size and allocation of the pool, none of which is anticipated to be dispositive and none of which is anticipated to be evaluated using a strict mathematical formula. These factors would likely include, but would not be limited to, client referrals.

Although the Advisor does not currently enter into arrangements with third parties who solicit clients, from time to time the Advisor may enter into such arrangements. Any such arrangements would be pursuant to a written agreement consistent with Rule 206(4)-3 under the Investment Advisers Act of 1940. Appropriate disclosure would be provided to an investor prior to or at the time of entering into any advisory agreement. The costs of any such referral fees are anticipated to be paid entirely by the Advisor and are anticipated to be determined pursuant to terms that would be disclosed in the specific solicitation agreement and the solicitor's disclosure statement.

Item 15: Custody

The Advisor may be deemed to have custody of the client assets and securities for the Partnerships, the Cap App Fund, the Health Care Fund and the Offshore Fund due to the relationships between the Advisor and these clients as described in Item 4. Investors with assets in the Partnerships (other than the Small Cap Fund) or the Offshore Fund typically receive a monthly account statement directly from International Fund Services, which serves as the Administrator to the Partnerships (other than the Small Cap Fund) and the Offshore Fund as of the date of this Brochure, and investors with assets in the Cap App Fund and the Small Cap Fund will receive a monthly account statement directly from MG Stover & Co., which serves as the Administrator to those funds as of the date of this Brochure. Furthermore, as noted in Item 13 above, investors in the Partnerships (other than the Small Cap Fund) and the Offshore Fund will receive annual written audit reports following the completion of the PricewaterhouseCoopers LLP audit and investors in the Cap App Fund and the Small Cap Fund will receive annual written audit reports following the completion of Rothstein Kass audit. Although the Advisor does not typically supply investors with its own account statements, it may from time to time provide investors with account information upon request. The Advisor encourages investors to carefully review reports and account statements from the administrator against any statements that may be issued from the Advisor, as statements may occasionally vary due to different accounting procedures, reporting dates, or valuation methodologies.

The Advisor does not have custody of the assets of any Separate Account Clients or of the Mutual Funds.

Item 16: Investment Discretion

The Advisor typically has full discretionary authority over the accounts of its clients. Please see Item 4 above for further details on the discretionary authority of the Advisor. The Advisor typically receives this discretionary authority pursuant to, and in accordance with the terms of, the investment advisory agreements and/or subscription agreements entered into by clients and investors.

Item 17: Proxy Voting

The Advisor currently has authority to vote proxies for most of its Advisory Clients. With respect to proxies voted by the Advisor, the Advisor has adopted written proxy voting procedures. Under those procedures, the Advisor generally votes with management, except in certain circumstances. Any conflicts of interest that arise in the context of voting proxies are evaluated by our Chief Compliance Officer, and handled in accordance with how the Chief Compliance Officer deems appropriate, given consideration to the type and materiality of the conflict. A copy of the Advisor's proxy voting procedures is available upon request. Clients may obtain information about how the Advisor voted that client's proxies by contacting the Advisor in writing at its principal place of business.

Item 18: Financial Information

Not Applicable