

PART 2A OF FORM ADV

FIRM BROCHURE

CAPSTONE EQUITIES MANAGER, LLC

545 FIFTH AVENUE, SUITE 1209

NEW YORK, NY 10017

March 28, 2014

This Brochure provides information about the qualifications and business practices of Capstone Equities Manager, LLC (“Capstone”). If you have any questions about the contents of this Brochure, please contact Qi Li at 646-206-8262 or by email at qi@capstonecm.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority, and references in this Brochure to Capstone as a “registered investment adviser” are not intended to imply a certain level of skill or training.

Additional information about Capstone is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

Capstone registered with the SEC as a newly formed adviser effective December 4, 2013, and is updating this Brochure as of March 28, 2014 in connection with the receipt of executed subadvisory capital commitments in an advisory client (as defined below in Item 4).

In the future, when Capstone amends its Brochure for its annual update and the amended version contains material changes from the last annual update, Capstone will identify and discuss those changes either on this page or as a separate document accompanying the Brochure.

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ITEM 4 – ADVISORY BUSINESS

Overview of Capstone Equities Manager, LLC

Capstone Equities Manager, LLC (“Capstone”) is a Delaware limited liability company formed on May 2011. Joshua I. Roshanzamir is the managing member and principal owner of Capstone (the “Managing Member”).

Capstone provides discretionary investment advisory services to the following private investment funds (each a “Fund” and collectively, the “Funds”):

- (i) Capstone Equities Capital Management LP (“Capstone Capital Management Fund”), organized as a Delaware limited partnership; and
- (ii) Capstone Equities Focused Opportunity Fund I, LP (“Capstone Focused Opportunity Fund”, organized as a Delaware limited partnership.

Capstone also serves as subadviser to a managed account organized to invest in securities and other financial instruments (the “Managed Account”, together with the Funds the “Advisory Clients”). In its role as subadvisor, the Advisor is responsible for all trading and other investment decisions of the Managed Account, subject to certain investment restrictions set forth in the subadvisory agreement. Investment advice is provided directly to the Managed Account and not individually to the limited partners, shareholders or members of the Managed Account. The Adviser manages the assets of the Managed Account in accordance with the subadvisory agreement.

An affiliate of Capstone, Capstone Equities GP, LLC, serves as the general partner (the “GP”) to the Funds.

It should be noted that the Capstone Focused Opportunity Fund was formed solely for the purpose of investing in a single publicly traded company and is currently closed to new investors.

Advisory Services

Capstone serves as investment manager or subadviser to the Advisory Clients and invests the Advisory Client’s assets on a discretionary basis. Capstone generally has broad and flexible investment authority with respect to the investment portfolios that it manages for the Funds. The investment objective is to seek out opportunistic returns which exceed the S&P 500 index over a long term investment period. The Managed Accounts may have substantially similar or different investment objectives to that of the Funds.

Capstone Capital Management Fund pursues a value strategy which focuses on buying equity, debt or hybrid securities whose value are perceived as not being priced properly by the markets. The Fund intends to invest 25%-50% of a Fund’s capital at any given time in real estate related

strategies. This might include REIT's, homebuilders, real estate operating companies, and retailers.

As noted above, Capstone Equities Focused Opportunity Fund was formed solely for the purpose of investing in a single publicly traded company. Refer to Item 8 of this Brochure for further details regarding each of the Fund's investment strategies.

Capstone provides investment advice to the Advisory Clients in accordance with the Advisory Client's investment objectives and strategy as set forth in the governing documents (the "Governing Documents"), which include the Fund's and/or Managed Account's confidential offering memorandum and other applicable offering materials, limited partnership agreement, subadvisory agreement, and the investment management agreement between the respective Fund and Capstone. Capstone does not tailor its advisory services to any one individual investor or group of investors in a Fund and/or Managed Account (the "Investors"). Capstone (together with the GP) has complete discretion to manage the investment program of the Advisory Clients, subject to the investment guidelines and restrictions set forth in the Governing Documents.

The GP may enter into side agreements with individual Investors, which may include provisions permitting an Investor to opt out of particular investments, or discounting an Investor's management fee and/or performance based allocation.

Capstone does not participate in wrap fee programs.

Assets Under Management

As of March 21, 2014, Capstone manages \$46,785,000 of client assets on a discretionary basis.

ITEM 5 – FEES AND COMPENSATION

Fees

As further described below, Capstone is generally compensated for advisory services through asset-based management fees (the “Management Fee”). In addition, the GP may receive performance-based compensation or incentive interests. The specific terms relating to the fees paid by the Advisory Clients are summarized below.

The Management Fee is paid to Capstone on a quarterly basis in arrears. Capstone Capital Management Fund pays a Management Fee equal to 0.5% per quarter (2.0 annualized) based on the percentage of each Investor’s beginning capital account for the quarter. With respect to Capstone Focused Opportunity Fund, it pays a Management Fee of 0.375% (1.5% annualized) of each Investor’s beginning capital account for the quarter.

Capstone or the GP (as applicable) deducts fees directly from the Advisory Client’s assets. Investors do not have the ability to choose to be billed directly for fees incurred. To the extent a capital contribution or withdrawal is made as of any day that is not the first day of a fiscal quarter, the Management Fee is prorated.

In addition to the Management Fees set forth above, the GP may be eligible to receive performance based compensation in the form of allocations (the “Incentive Allocation”) from the Funds based on net profits (including both realized and unrealized gains and losses) allocated to each Investor. The Incentive Allocation is allocated annually to the GP at a rate of 20% of the net capital allocated to each Investor account of Capstone Capital Management Fund for such fiscal year, and a rate of 15% of the net capital appreciation to each Investor account of Capstone Focused Opportunity Fund for such fiscal year (after reducing net capital appreciation for the Management Fee debited to such Investor’s capital account).

With respect to the Managed Account, Management Fees are invoiced monthly in arrears and the incentive fees are invoiced annually.

The Incentive Allocations for both Funds are subject to loss carryforward provision and the Funds will maintain a memorandum loss recovery account for each Investor. Generally the GP will not be allocated any Incentive Allocation until any net loss previously allocated to such Investor has been offset by subsequent net profits (taking into account interim withdrawals and distributions).

For each of the Funds, the GP, in its sole discretion, may waive, reduce or calculate differently the Management Fee for certain Investors including but not limited to any of Capstone’s employees, their family members, affiliates, and certain strategic investors.

It is critical that Investors and prospective Investors refer to the Fund’s and/or Managed Account’s Governing Documents for a complete understanding of how Capstone and the GP are compensated for advisory services. The information contained herein is a summary only and is qualified in its entirety by the Advisory Client’s Governing Documents.

Fund Expenses

Each Advisory Client bears its own administrative and operational expenses, including but not limited to, the Management Fee and any investment-related expenses (e.g., brokerage commissions, clearing and settlement charges, custodial fees, initial and variation margin, interest expense, stock borrowing fees, front-end trading system expenses, proxy solicitation expenses and consulting, advisory, investment banking and other professional fees relating to particular investments or contemplated investments), investment-related travel and lodging expenses, costs and expenses of research and research-related services, legal expenses, audit and tax preparation expenses, expenses of external, investor-based risk reporting and risk aggregating service providers, corporate licensing fees, indemnification expenses, entity-level taxes, regulatory and filing fees incurred by the GP or Capstone on behalf of the Advisory Clients, organizational expenses, expenses relating to the offer and sale of the Interests, expenses relating to obtaining insurance for the GP and/or Capstone and their affiliates, certain administrative and accounting services fees, extraordinary expenses and other similar expenses related to the Advisory Clients. Such expenses are shared on a pro rata basis by all of the Investors of the Advisory Clients, including the GP, except as otherwise noted in the Governing Documents.

Capstone will bear the cost for routine overhead expenses of Capstone and the GP, except to the extent such goods, services, costs and expenses are provided for through soft dollars generated by the Advisory Clients or otherwise paid for by the Advisory Clients directly. The Management Fee may or may not exceed the expenses borne by Capstone on behalf of the Advisory Clients.

As noted above, Investors will indirectly incur brokerage and other transaction costs (as applicable) related to their investment in the Advisory Clients. Refer to Item 12 of this Brochure for information regarding Capstone's brokerage practices.

Withdrawals and Terminations

Investors in the Advisory Clients do not pay fees in advance, and therefore refunds are not necessary. However, withdrawals are subject to significant conditions and restrictions, which are set forth in the relevant Advisory Client's Governing Documents. Such conditions, restrictions, and limitations may include, without limitation:

- The condition that withdrawal or redemption requests be properly submitted in accordance with the relevant Advisory Client documents and in a timely manner (generally 60 days);
- Restrictions on the timing of withdrawal/redemption payments (including but not limited to, "lock-up" provisions, minimum account balances, suspension of withdrawals/redemptions, and mandatory withdrawals/redemptions);
- Limitations on the amount paid to a withdrawing or redeeming Investor due to fees, expenses, and/or reserves for certain contingencies, among others; and
- Limitations on the method of withdrawal or redemption payments (i.e., in cash or in-kind).

It should be noted that Capstone or the GP may waive or modify the conditions relating to withdrawals or redemptions for certain Investors.

It is critical that Investors refer to the relevant confidential offering memorandum or other Governing Documents for a complete understanding of their withdrawal and/or redemption rights. The information contained herein is a summary only and is qualified in its entirety by such documents.

ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described in Item 5.B. above, the GP receives an Incentive Allocation (performance-based compensation) with respect to the investments of the Advisory Clients (although performance-based compensation may be waived or reduced for certain Investors).

It should be noted that the fact that the GP could receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for Capstone to effect transactions in investments that are riskier or more speculative than would be the case if compensation were based solely on a flat percentage of capital. The Advisory Client's performance-based fees are generally calculated on a basis that includes unrealized appreciation of the Advisory Clients' assets; such compensation may be greater than if it were based solely on realized gains.

Capstone provides investment advisory services only to the Advisory Clients, and each is subject to a performance-based fee or allocation. As such, the conflict of interest related to managing accounts that charge performance-based fees alongside accounts that do not charge performance-based fees does not apply to Capstone.

Investors were provided with clear disclosure in the Advisory Client's Governing Documents as to how performance-based compensation is charged with respect to the Advisory Clients, and the risks associated with such performance-based compensation, prior to making an investment in the Advisory Clients.

ITEM 7 – TYPES OF CLIENTS

As of the date of this Brochure, Capstone provides investment advisory services solely to pooled investment vehicles operating as private investment funds and/or managed accounts. Each investor in Capstone Advisory Clients must meet certain eligibility and suitability requirements. Specifically, each investor in the Advisory Clients is required to represent that it is an “accredited investors” (as defined in Regulation D under the Securities Act), a qualified clients under Rule 205-3 of the Investment Advisers Act and a qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act. Admission to the Advisory Clients is not open to the general public. The minimum investment amount for initial and subsequent investments is \$250,000. Capstone or its affiliates may, in their sole discretion, may accept lesser amounts.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investment Strategies and Methods of Analysis

The following summarizes the Advisory Client's investment strategy and Capstone's methods of analysis used in formulating investment advice for the Advisory Clients. An investment in an Advisory Client involves a risk of loss that Investors should be willing to bear.

With respect to Capstone Capital Management Fund, Capstone pursues a value strategy which will focus on buying equity, debt or hybrid securities whose value are perceived as not being priced properly by the markets. Capstone's investment philosophy seeks to achieve superior investment results over multi-year holding periods by in-depth fundamental research into asset valuation and by viewing "risk" as the permanent loss of capital rather than short term measures of variation relative to a particular market index. When not fully invested, the Fund may maintain its assets in cash or other liquid instruments having shorter-term maturities. The Fund's most common investment asset class are equity and debt securities and options. Securities may be U.S.-based or foreign-based. Capstone may also invest in other asset classes as opportunities arise, and is not limited in its mandate as to what asset classes it may invest in.

Capstone Capital Management Fund may invest in equity, fixed income, preferred stocks, commercial mortgage backed securities or other debt related instruments. Capstone intends to invest 25%-50% of the capital at any given time in real estate related strategies.

Capstone emphasizes valuation in its decision making, which typically leads to several general investment types. With respect to companies, Capstone employs a bottom-up analysis, looking across equity and debt of a company's capital structure seeking large discrepancies between price and value. Often times event driven situations such as bankruptcies, recapitalizations, spin-offs, mergers may create these opportunities. As the investment time horizon is typically 1-2 years the Funds may have limited portfolio turnover on a quarterly basis.

As noted above, Capstone Equities Focused Opportunity Fund was formed as a single purpose collective investment vehicle to take active steps to capitalize on the deep discount to asset value inherent in the current market pricing of a single publicly traded company (the "Company"). The GP believes that the Company has substantial equity value that is not being properly valued by the stock market. Capstone believes it can leverage its deep private market knowledge and extensive broker network to gain an informational advantage in valuing the Company.

Investment ideas are be generated in part from research of companies that are considered statistically undervalued or overvalued. Most long equity investments will have one or more of the following characteristics: high free cash flow yield, high returns on invested capital,

low stock price in relation to book value, low price-to-earnings ratio, low price-to-cash-flow ratio, above-average dividend yield, low price-to-sales ratio as compared to other companies in the same industry, low corporate leverage, low share price, purchases of a company's own stock by the company's officers and directors, company share repurchases, a stock price that has declined significantly from its previous high price and/or small market capitalization.

Investments may also be made in companies whose valuation would meet these criteria in "normalized" business conditions; i.e., the margins or profits that would be earned if the business was operating during a more typical part of its business cycle or if it was being run in a more effective manner. Short investments could include companies that are overvalued; are believed to be bankruptcy candidates; have declining businesses whose declines are not yet captured by their valuation multiples; etc.

It is critical that Investors and prospective Investors refer to the Advisory Client's Governing Documents for a complete overview of the Fund's and/or Managed Account investment strategy and Capstone's methods of analysis. The information contained herein is a summary only and is qualified in its entirety by the Advisory Client's Governing Documents.

Risk Factors

An investment in the Advisory Clients involves a significant degree of risk. There can be no assurance that the Advisory Clients' targeted rate of return will be achieved or that there will be any return of capital. An Investor should only invest in the Advisory Clients if the Investor can withstand the liquidity constraints of such investment and a total loss of its investment. No guarantee or representation is made that the Fund's investment program will be successful.

The following are some of the additional material risks associated with an investment in the Advisory Clients:

Limited Diversification. There are no limits on Capstone's investment discretion with respect to diversification. At any given time, it is therefore possible that Capstone may select investments that are concentrated in a particular market, or in a limited number or type of securities. This limited diversity could expose the Advisory Clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those investments.

Risks of Investing in REIT Securities and Real Estate Securities. The Advisory Client may invest in securities issued by entities which qualify as "real estate investment trusts" under the Internal Revenue Code of 1986, as amended ("REITs"), and in securities of non-REIT issuers which are primarily engaged in real estate activities, such as real estate development and management. As a result, some of the Advisory Client's investments will be subject to the risks incident to investments in REITs and companies engaged in real estate activities, generally, including: (i) potential environmental liabilities, the risk of uninsured losses, the perceptions of prospective tenants of the safety, convenience and attractiveness of the

properties, the ability of the owner to provide adequate management, maintenance and insurance, the expenses of periodically renovating, repairing and reletting spaces, and increasing operating costs (including mortgage payments, real estate taxes, insurance, maintenance costs and utilities) which may not be passed through to tenants; (ii) risks of owning properties through joint ventures or partnerships which may render a REIT or a company engaged in real estate activities unable to exercise sole decision-making authority and subject the REIT or other company to the risk that a joint venturer or partner will act in a manner contrary to its best interests; (iii) general real estate investment considerations, such as the effect of local economic and other conditions on property cash flows and values, the need to relet space upon the expiration of current leases, dependence on major tenants and the possibility of tenant defaults, the ability of a property to generate revenue sufficient to meet debt service payments and other operating expenses, periodic excessive real estate development, and the illiquidity of real estate investments, all of which may affect the REIT's or other company's ability to make expected distributions to its stockholders; (iv) possible increases in interest rates, which may lead prospective purchasers of real estate equity securities, as well as other classes of equities, to demand higher annual yields, and which would adversely affect the market price of such securities; (v) borrowing risks; (vi) relative illiquidity of real estate investments which will tend to limit the ability of a REIT or non-REIT issuer to vary its holdings promptly in response to changes in local economic or other conditions; and (vii) risks associated with the management by REITs of properties owned by third parties, including the risk that management contracts (which are typically cancelable without notice) will be terminated by the entity controlling the property or in connection with the sale of such property, that contracts may not be renewed upon expiration or may not be renewed on terms consistent with current terms, and that the rental revenues upon which management fees are based will decline as a result of general real estate market conditions or specific market factors.

Absence of Regulatory Oversight. While the Advisory Clients may be considered similar to an investment company, it is not required to, and will not, register as such under the Investment Company Act of 1940, as amended (the "Company Act"), in reliance upon an exclusion from the definition of "investment company" thereunder. The Advisory Clients generally rely on the exclusion from the definition of investment company provided by Section 3(c)(1) of the Company Act, limiting the availability of Interests in the to persons who are "accredited investors" as defined in the Company Act. Accordingly, the provisions of the Company Act (which may provide certain regulatory safeguards to investors) are not applicable. For example, the Advisory Clients are not required to maintain custody of its securities or place its securities in the custody of a bank or a member of a national securities exchange in the manner required of registered investment companies under rules promulgated by the SEC. A registered investment company which places its securities in the custody of a member of a national securities exchange is required to have a written custodian agreement, which provides that securities held in custody will be at all times individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company and which contains other provisions complying with SEC regulations. The Advisory Client generally maintains such accounts at brokerage firms which do not separately segregate such assets as would be required in the case of registered investment companies. Under the provisions of the Securities Investor

Protection Act, the bankruptcy of any such brokerage firms might have a greater adverse effect on the Advisory Clients than would be the case if the accounts were maintained to meet the requirements applicable to registered investment companies.

Limited Liquidity. An investment in the Advisory Clients provides limited liquidity since the interests or shares are not freely transferable and Investors may withdraw their capital only at the end of any fiscal year. As part of its investment program, an Advisory Client may acquire assets or securities, including debt securities, through direct investments or private placements. These investments may be illiquid, lack a readily available market and be subject to restrictions on resale ("Illiquid Investments"). Accordingly, an Advisory Client may be forced to sell its more liquid positions at a disadvantageous time, resulting in a greater percentage of the portfolio consisting of illiquid securities. An Advisory Client also may suspend the withdrawal rights of the Investors. An investment in an Advisory Client is suitable only for "accredited investors" as defined in the Company Act

The GP may suspend withdrawal rights, in whole or in part, when there exists in the opinion of the GP a state of affairs where disposal of an Advisory Client's assets or the determination of the value of an Investor's capital account would not be reasonably practicable or would be seriously prejudicial to the non-withdrawing Investors.

In addition, the GP by written notice to an Investor, may suspend withdrawals by such Investor or suspend the payment of withdrawal proceeds to such Investor if the GP reasonably deems it necessary to do so to comply with anti-money laundering laws and regulations or any other legal requirement applicable to the Advisory Clients, Capstone or any of the Advisory Client's other service providers.

Development Risks. The Advisory Client may acquire equity and/or debt interests in real estate developments and/or in businesses that engage in real estate development. To the extent that the Advisory Clients invest in such development activities, it will be subject to the risks normally associated with such activities. Such risks include, without limitation, risks relating to the availability and timely receipt of zoning and other regulatory approvals, the cost and timely completion of construction (including risks beyond the control of the Advisory Clients, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the financial condition and results of operations of the Advisory Clients and on the amount of Advisory Clients available for distribution to the Investors.

Risks of Investing in Infrastructure Investments. The Advisory Client may be subject to the risks incidental to the ownership of securities of companies that own and operate infrastructure projects, including risks associated with the general economic climate, geographic or market concentration, government regulations, and fluctuations in interest rates. Infrastructure projects are subject to numerous statutes, rules and regulations relating to environmental pollution. Any liability resulting from non-compliance or other claims relating to environmental matters could have a material adverse effect on the value of such

investments. The concessions of certain infrastructure investments are granted by government bodies and are subject to special risks, including the risk that the relevant government bodies will exercise sovereign rights to not legislate, impose regulations or change applicable laws or act contrary to the law in a way that would materially and adversely affect the business of such investments.

Incentive Allocation to the GP. The GP will receive an Incentive Allocation from each Investor based upon the net capital appreciation, if any, allocated to each Investor. The receipt of the Incentive Allocation by the GP may create an incentive for Capstone (an affiliate of the GP) to make investments that are riskier or more speculative than would be the case if such arrangement were not in effect. In addition, the Incentive Allocation was not the product of an arm's length negotiation with any third party, and because the Incentive Allocation is calculated on a basis which includes unrealized appreciation of the Advisory Client's assets, it may be greater than if such compensation were based solely on realized gains.

Illiquid Portfolio Securities. Capstone may invest a limited portion of the Advisory Client's net assets in private equity-like securities (*e.g.*, through investments in venture capital transactions, leveraged buyouts, private investment Advisory Clients and private investments in public equity ("PIPEs")). The Advisory Client may not be able to readily dispose of such non-publicly traded securities and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Investments in certain non-publicly traded securities which nevertheless may be tradable pursuant to exemptions available under the Federal securities laws are neither subject to nor included in the calculation of the applicable limits set forth in the Governing Documents.

Risks Associated With Leverage. It is anticipated that the Advisory Clients may borrow capital from third parties in order to leverage certain investment activities. There can be no assurance that credit will be available to the Advisory Clients on attractive terms. Moreover, leverage will magnify an Advisory Client's potential for both gain and loss. Thus, the use of leverage will tend to increase the level of risk associated with an investment in an Advisory Client.

It is critical that Investors and prospective Investors refer to the Advisory Client's Governing Documents for a detailed description of the material risks related to an investment in the Advisory Clients. The information contained herein is a summary only, and Investors and prospective Investors are advised to carefully review all risk factors set forth in the relevant Governing Documents.

ITEM 9 – DISCIPLINARY INFORMATION

Capstone is required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor's evaluation of Capstone or the integrity of Capstone's management. Capstone has no legal or disciplinary information to disclose at this time.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither Capstone nor any of its directors, officers or principals is registered, or has an application pending to register, as: (i) a broker-dealer; (ii) a registered representative of a broker-dealer; (iii) a futures commission merchant; (iv) a commodity pool operator; (v) a commodity trading advisor; or (vi) is an associated person of any of (iii), (iv) or (v).

As described above in Item 4, the GP is a related person of Capstone that serves as general partner to the Funds, and in connection therewith, maintains an investment in the Funds and (together with Capstone) provides investment management and administrative services to the Funds. Capstone and the GP are under common control.

Certain inherent conflicts of interest arise from the fact that the Managing Member may, and has, worked on other projects (other than for Capstone), which may be investment advisory in nature. Such projects include (but are not limited to) Capstone Equities LLC, a real estate investment firm in which the Managing Member is the managing principal, which may or may not utilize investment programs similar to that of the Funds. In addition, the Managing Member is a majority owner of a sponsor or syndicator of limited partnerships, Capstone Equities Real Estate GP LLC. Conflicts may arise in the allocation of management resources as a result of such other activities.

Capstone manages all conflicts noted above through enforcement of its Code of Ethics and Compliance Manual, which contain restrictions on personal trading of Access Persons (as defined herein), gift and benefit notifications, and outside activity disclosures. Finally, it should be noted that Investors are provided with disclosure with respect to these conflicts in the Fund's Governing Documents.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

Capstone has adopted a Code of Ethics (the “Code”) designed to meet the requirements of Advisers Act Rule 204A-1. The Code applies to Capstone’s “Access Persons.” Access Persons include, generally, any member, officer or director of Capstone and employees (as applicable) of Capstone who, in relation to the Advisory Clients: (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All Capstone employees are deemed to be Access Persons.

The Code sets forth a standard of business conduct that takes into account Capstone’s status as a fiduciary to the Advisory Clients and requires Access Persons to place the interests of Advisory Client above their own interests. The Code requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of Capstone’s Chief Compliance Officer. All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

The Code will set forth certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. Each Access Person must provide Capstone’s Chief Compliance Officer with a list of their personal accounts and an initial holdings report listing the holdings of such personal accounts within 10 days of becoming an Access Person. In addition, Capstone’s Access Persons must provide annual holdings reports and quarterly transaction reports detailing, respectively, the securities holdings and quarterly transactions in their personal accounts in accordance with Advisers Act Rule 204A-1.

The Code will also describe Capstone’s duty to protect material non-public information about securities/investment recommendations provided to (or made on behalf of) the Advisory Clients. Capstone will also maintain a “Restricted Securities” list, which will include securities that are under consideration for Advisory Clients, as well as certain securities owned by Advisory Clients.

Investors or prospective Investors may obtain a copy of the Code by contacting Capstone.

Conflicts of Interest

Capstone serves as adviser to the Advisory Clients and receives compensation for such services. Additionally, as explained in Item 10 above, the GP, which is a related person of Capstone, serves as the general partner to the Funds. The GP, and other related persons of Capstone, also commit capital to the Funds, and as a result every investment made by a Fund involves a purchase of securities whereby related persons of Capstone indirectly acquire an

indirect interest in such securities. These transactions have the potential to present conflicts of interest as described below.

Capstone and/or its related persons (including Capstone's employees), including the GP, have a financial ownership interest in the Funds. Capstone receives a management fee, and the GP may be eligible to receive a performance-based allocation, for their services to the Advisory Clients (as disclosed in Item 5 of this Brochure). The fact that Capstone and/or its related persons have a financial ownership interest in the Advisory Clients creates a potential conflict in that it could cause Capstone to make different investment decisions than if such parties did not have such a financial ownership interest. Further, as noted in Item 6, the possibility that the GP could receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for Capstone to make more speculative investments than it might otherwise make. However, Capstone believes that these financial interests align Capstone's and the GP's interests and incentives with other investors in the Advisory Clients.

In addition, Capstone may, at some point in the future, provide discretionary investment advisory services to additional accounts. The trades made by any other funds or accounts managed by Capstone or its affiliates in the future, may compete with trades for the Advisory Client's portfolios. Capstone will generally determine the allocation of assets pro rata based on assets under management or in some other manner which Capstone determines is fair and equitable under the circumstances.

As noted above, certain inherent conflicts of interest arise from the fact that the Managing Member acts on behalf of the Advisory Clients and will carry on investment activities for other clients, which may or may not invest in similar securities as the Advisory Clients. Please see above for a description of how Capstone manages the personal trading aspect of this conflict via its Code of Ethics.

ITEM 12 – BROKERAGE PRACTICES

Capstone recognizes its duty to obtain “best execution” for its Advisory Clients. In selecting brokers to effect portfolio transactions for the Advisory Clients, Capstone bases its decision on best execution and considers such factors as the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility and the provision or payment (or the rebate to the Advisory Clients for payment) of the costs of brokerage or research products or services that are of benefit to the Advisory Clients, the GP, Capstone and the other Accounts. Capstone need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Accordingly, if Capstone determines in good faith that the commissions charged by a broker are reasonable in relation to the value of the brokerage and research products or services provided by such broker, the Partnership may pay commissions to such broker in an amount greater than the amount another broker might charge. Capstone does not have directed brokerage arrangements.

Capstone has established prime brokerage arrangements on behalf of the Advisory Clients with one or more registered broker-dealers (each a “Prime Broker”). Under these arrangements, the Prime Broker, among other things: (i) settles and clears trades; (ii) extends margin and securities loans; (iii) in certain cases may maintain custody of cash and securities held by the Advisory Clients; and (iv) provides detailed portfolio and related reports. Capstone may cause the Advisory Clients to pay for custodial and related services either in cash or by allocating a portion of its business to the Prime Broker. The brokerage commissions and other costs charged by the Prime Broker have been negotiated by Capstone (or its affiliates) and are believed to be comparable to those charged by other brokerage firms for similar accounts.

In addition, the Managing Member may speak at conferences and programs sponsored by prime brokers for investors interested in investing in hedge funds and similar investment vehicles (“capital introduction programs”). Currently, neither Capstone nor the Advisory Clients compensate the Prime Brokers for their capital introduction programs. However, such events and other services (including, without limitation, capital introduction services) provided by a prime broker may influence the Investment Manager in deciding to use such prime broker in connection with brokerage, financing and other activities of the Advisory Client.

Capstone and its affiliates may, in their sole discretion, change the Prime Broker, alter the terms of the arrangements with the Prime Broker, or make alternative arrangements to receive the services provided by the Prime Broker. Capstone may also use additional brokers (in addition to the Prime Broker) to execute transactions. Capstone periodically evaluates the execution performance of broker-dealers to ensure that the services provided are consistent with best execution.

Capstone has and will enter into arrangements with brokers serving its accounts providing for the use of commissions or “soft dollars” to pay the costs of certain research products or services. Capstone will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Exchange Act and subject to prevailing guidance provided by the SEC regarding Section 28(e).

Capstone or its affiliates may in the future act as the investment adviser to investment entities and separate managed accounts with investment strategies and policies similar in many respects to, or very different from, those of the Advisory Clients.

In situations where Capstone determines that the purchase or sale of a particular security is appropriate for multiple accounts, Capstone may, but is not required to, aggregate purchase and sale orders of securities held by the Advisory Clients with similar orders being made simultaneously for other accounts if, in Capstone's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the affected accounts. Such benefits may include better transaction prices, lower commissions or execution costs, beneficial timing of transactions, or a combination of these and other factors.

Because of prevailing market conditions, it may not be possible to execute all shares of an aggregated trade, in which case Capstone will allocate the trade among participating accounts in an equitable manner determined prior to execution of the trade. Ordinarily, the executing broker-dealer will provide an average price, and where possible, average transaction costs will be allocated to all accounts participating in the aggregated trade. Capstone may make investment allocations among the accounts in any manner which it considers to be fair under the circumstances, including, without limitation, allocations based on relative account sizes, available cash, the degree of risk involved in the securities acquired and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved.

ITEM 13 – REVIEW OF ACCOUNTS

The Advisory Client's portfolio is under continuous review by the Managing Member and other members of the Advisory Client's investment team. Such reviews include a review of investment policy, the suitability of the investments used to meet policy objectives, and investment objectives. Capstone considers, among other things, investment performance, the portfolio's sensitivity to market changes, and whether anything has changed subsequent to an initial investment decision that impacts the risk or potential return.

Each Investor in a Fund receives: (i) quarterly unaudited financial statements of the Funds with a brief summary about quarterly overall Fund activity; (ii) an annual financial report audited by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board ("PCAOB"); (iii) and tax information regarding the Funds necessary for the completion of each Investor's tax return.

Managed Account clients receive a monthly written report and other information set forth in each applicable client agreement, as well as any reports or information required by applicable law.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Capstone has not currently entered into arrangements pursuant to which it compensates third parties for investor referrals; however, Capstone may enter into such arrangements in the future. All such agreements will be conducted in a manner that is consistent with Rule 206(4)-3 under the Advisers Act and relevant SEC guidance. All fees paid to solicitors, if any, will be fully disclosed to investors consistent with applicable law.

ITEM 15 – CUSTODY

Capstone or the GP is deemed to have custody of the Fund's assets pursuant to Advisers Act Rule 206(4)-2 (the "Custody Rule").

Capstone and the GP are deemed to have custody of Advisory Client assets by virtue of their respective status as investment manager and general partner. Capstone and the GP maintain the assets of Advisory Clients in accounts with "qualified custodians" pursuant to Rule 206(4)-2 under the Advisers Act and will notify Investors in writing of the qualified custodian's name, address and the manner in which the assets are maintained promptly when the account is opened and following any changes to this information.

The qualified custodian presently utilized by Capstone for the Funds is:

J.P. Morgan Clearing Corp.
4 Metrotech Center
Brooklyn, NY 11245

The qualified custodian presently utilized by Capstone the Managed Account is:

Deutsche Bank Securities Inc.
60 Wall Street
New York, NY 10005

Capstone is exempt from the quarterly account statement delivery obligations and surprise audit requirement of the Custody Rule because the Advisory Clients will be audited each year by an independent public accountant, registered with and subject to inspection by the Public Company Accounting Oversight Board (PCAOB), and Capstone will distribute audited financial statements ("AFS") to Investors annually within 120 days of the Fund's fiscal year-end.

ITEM 16 – INVESTMENT DISCRETION

As explained in Item 4 above, pursuant to the Advisory Client's Governing Documents, Capstone has discretionary authority to manage securities accounts on behalf of the Advisory Clients. Capstone is authorized to make transaction recommendations for the Advisory Clients. Individual Investors do not have the ability to impose limitations on Capstone's discretionary authority other than what has been negotiated in the relevant Governing Documents. Investors must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool. Further, Investors execute a limited partnership agreement and/or subscription agreement which include a power of attorney clause.

ITEM 17 – VOTING CLIENT SECURITIES

Capstone has authority to vote Advisory Client securities. Capstone has adopted and implemented policies and procedures reasonably designed to ensure that public company proxies (if applicable), as well as Portfolio Company solicitations received by Capstone on behalf of the Advisory Clients (together, “proxies”), are voted in the best interests of the Advisory Clients and Investors, and to recognize and resolve any material conflicts of interest that may arise in the course of such voting.

Capstone will vote proxies in the best interests of the Advisory Clients. Prior to voting a proxy addressed to the Advisory Clients (or Capstone on the Advisory Client’s behalf), the Chief Compliance Officer (or his designee) will consult with the Advisory Client’s investment team. Such individuals, in conjunction with the Chief Compliance Officer (or his designee), will review the proxy to determine if there are any conflicts of interest. Capstone and/or its personnel may have business or personal relationships with the proponents of proxy voting proposals, participants in proxy voting contests, corporate directors and officers, or candidates for directorships. If a conflict is identified, such individuals then make a determination as to whether the conflict is material or not. If no material conflict is identified pursuant to these procedures, the proxy will be voted in accordance with the best interest of the relevant Advisory Client.

If a material conflict is identified, such individuals will determine what course of action is in the best interests of the Advisory Clients (which may include utilizing an independent third party to vote such proxies). Further, Capstone will determine whether it is appropriate to disclose the conflict to Investors and give such Investors the opportunity to vote the proxies in question themselves.

The Chief Compliance Officer (or his designee) would deliver proxies in accordance with instructions related to such proxy. In the event proxy voting procedures were ever to be utilized, Capstone would keep a record of its proxy voting policies and procedures, proxy statements received, votes cast, all communications received and internal documents created that were material to voting decisions, and each Investor request for proxy voting records and Capstone’s response for the previous five years.

Investors or prospective Investors may obtain additional information regarding how Capstone voted proxies (if any) and may obtain a copy of Capstone’s proxy voting policies and procedures by contacting Capstone.

ITEM 18 – FINANCIAL INFORMATION

Capstone and its affiliates do not require or solicit prepayment of fees longer than six months in advance. Capstone is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to the Advisory Clients or Investors.