

**Item 1. Cover Page**

**Form ADV Part 2A: Firm Brochure**

**Hirzel Capital Management LLC**

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March 26, 2015

This brochure provides information about the qualifications and business practices of Hirzel Capital Management LLC. If you have any questions about the contents of this brochure please contact us at 214-999-0014 and/or [tim@hirzelcapital.com](mailto:tim@hirzelcapital.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.

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

Hirzel Capital Management LLC is registered as an investment adviser with the SEC. SEC registration does not imply a certain level of skill or training.

This brochure shall not constitute an offer to sell or the solicitation of an offer to buy any security.

**Item 2. Material Changes**

This “Summary of Material Changes” discusses specific material changes that are made to this brochure and provide clients with a summary of those changes. This brochure dated March 26, 2015 amends our most recent update on March 28, 2014. Material changes to this Form ADV, Part 2A include the following:

Items 5 and Item 14 regarding Compensation have been updated to reflect that Mr. Hirzel or certain of the Adviser’s related persons from time to time serve on the board of directors of one or more of the Funds’ portfolio companies. In their capacity as a director of such company they receive and retain director’s fees (including cash, stock options or stock grants) from the company consistent with other independent directors.

Hirzel Capital Management, LLC will ensure that clients receive a summary of any material changes to this brochure and subsequent brochures within 120 days of the close of the fiscal year. Clients may request the most recent version of the brochure by contacting Tim Connor at (214) 999-0014 or [tim@hirzelcapital.com](mailto:tim@hirzelcapital.com).

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

Hirzel Capital Management LLC (the “Adviser”) is a Texas limited liability company that was formed in June 2008 by Zac S. Hirzel, CFA. The Adviser serves as the general partner to Hirzel Capital Master Fund, L.P., a Cayman Islands exempted limited partnership, Hirzel Capital Fund LP, a Texas limited partnership, and Hirzel Capital Fund (Non-Qualified) LP, a Texas limited partnership, (collectively, the “Partnerships”). The Firm is also the operator of Hirzel Capital Fund (Offshore), Ltd., a Cayman Islands exempted company, (the “Offshore Fund”) and managing member of Hirzel HLSE5, LLC, a Delaware limited liability company, a fund-of-one for a single ERISA plan investor (the “Fund-of-One” and together with the Partnerships and the Offshore Fund, the “Funds”). Hirzel Capital Management LLC is principally owned and managed by Zac S. Hirzel, CFA. The investment arm of the Ray L. Hunt Family, Hunt Corporation, provided seed capital and holds a beneficial member interest in the Firm through Hunt-Hirzel, LLC, a Delaware limited liability company.

The Adviser provides investment advisory services to the Funds, each a pooled investment vehicle that is privately offered to certain investors and is exempt from registration as an investment company in reliance upon Section 3(c)(7) or Section 3(c)(1) of the Investment Company Act of 1940, as amended. The Adviser invests on behalf of the Funds primarily in publicly-traded equity securities, both long and short, as well as a broad array of other securities in both public and private markets. Employing fundamental research on specific companies, the Adviser seeks to identify investment opportunities in which it believes that a valuation discrepancy exists between the fundamental value and the market value of a security. The Firm’s investment advisory services include: (i) establishing each client’s investment objectives; (ii) buying or selling portfolio securities on behalf of each client and, from time to time, reallocating securities among client portfolios to balance securities among such portfolios; and (iii) periodically reporting to clients the applicable current investment holdings, valuations, transactions, capital gains or losses, investment income, and performance.

The Adviser adheres to the investment strategy set forth in the Funds’ applicable private placement memoranda and does not tailor its advisory services to the individual needs or any specified investment mandates of the investors in the Funds. Investors may not impose upon the Adviser restrictions on investing in certain securities or types of securities on behalf of the Funds. In the case of the Fund-of-One, the underlying investor does have the ability to impose investment restrictions within the limited liability company agreement. The Firm does not participate in wrap fee programs.

As of December 31, 2014, the Adviser manages approximately USD \$1,180,944,498 of net client assets on a discretionary basis. The Adviser does not manage any assets on a non-discretionary basis.

For further discussion of the investment strategies employed by the Funds, please see *Item 8: Methods of Analysis, Investment Strategies and Risk of Loss*.

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

The Adviser receives compensation from clients based on both a percentage of assets under management and on performance achieved for each Fund’s account. The Adviser’s fees are not negotiable; however, investments by the Adviser’s principals and employees are not subjected to management fees or performance fees. As the general partner or managing member of each Fund, the Adviser has the discretion to change the fee arrangements for individual investors in the Funds.

*Asset-Based Management Fee.* For its investment advisory services, the Adviser receives a quarterly management fee equal to 0.25% (1.0% per annum) of each fund investor’s capital account balance. The management fee is charged and paid quarterly, in advance, at the beginning of each calendar quarter,

based upon the value of each investor's capital account. An investor that invests in a Fund other than at the beginning of a calendar quarter will be charged a pro rata management fee for the initial calendar quarter. Hirzel Capital Master Fund, L.P. and Hirzel Capital Fund (Non-Qualified) LP allow investor withdrawals on a quarterly basis and, therefore, generally will not have additional prepaid fees at the time of withdrawal. In the event an investor is allowed to withdraw funds at other than a quarter end, any remaining prepaid fees will not be refunded. Hirzel HLSE5, LLC allows its single investor to make quarterly withdrawals, and in the event a withdrawal is made at other than a quarter end, any related prepaid fees will be refunded.

*Performance Allocation.* The Adviser, or an affiliate, also receives an annual allocation of 20% of the net profits attributable to each fund investor's account, subject to a loss carry forward requirement or "high water mark." A high water mark ensures that the Adviser only receives performance compensation when a Fund investor's account value for the year has recovered any losses from prior years (as adjusted for any withdrawals). The Adviser deducts the performance allocation from each Fund investor's account at the end of each year and reallocates the amount to the Adviser's, or an affiliate's, account in the respective Fund. In the event an investor makes a withdrawal from a Fund at any time other than at year end, a proportionate amount of any performance allocation accrued at that date will be allocated to the Adviser's, or an affiliate's, account.

For investors in Hirzel Capital Fund LP and Hirzel Capital Fund (Offshore), Ltd., all management fees and performance allocations are assessed and charged at the Hirzel Capital Master Fund, L.P. level. There are no other fees charged related to those two feeder funds.

Each Fund bears all costs and expenses related to its operations or directly related to its investment program, which for Hirzel Capital Fund LP and Hirzel Capital Fund (Offshore), Ltd., includes those expenses of Hirzel Capital Master Fund, L.P.

The Funds may incur the following expenses:

- expenses related to proxies, underwriting and private placements;
- brokerage commissions and related transaction fees;
- interest on debit balances or borrowings, including stock loan charges;
- custody fees;
- any withholding or transfer taxes
- accounting, audit, administration, and legal expenses;
- costs of any litigation or investigation involving a Fund's activities;
- costs associated with reporting and providing information to existing and prospective investors; and
- costs related to obtaining systems, research and other information utilized with respect to the investment program including for portfolio management, valuation and accounting purposes, including the costs of statistics, and pricing services and contracts for quotation equipment.

If any of the above expenses are incurred jointly for Clients, the Adviser will allocate such expenses to Clients based upon their asset size or participation in such expense or in such other manner the Adviser considers fair and equitable. For more information on brokerage costs, please see *Item 12: Brokerage Practices*. While the list above is detailed, it does not contemplate every possible expense a Fund may incur.

As part of the Adviser's investment program, Mr. Hirzel or certain of the Adviser's related persons from time to time serve on the board of directors of one or more of the Funds' portfolio companies. In their capacity as a director of such company they receive and retain director's fees (including cash, stock options or stock grants) from the company consistent with other independent directors.

None of the Adviser's employees receives (directly or indirectly) any compensation for the sale of securities or other investment products.

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

The Adviser, or an affiliate receives a performance-based profit allocation from each Fund equal to 20% of that Fund's net profits each year. Please see *Item 5: Fees, Expenses and Compensation* for a detailed discussion of performance-based compensation. The Adviser does not have any clients that are not charged performance-based compensation with the exception that investments by the Adviser's principals and employees in the Funds are not subjected to performance fees. The existence of performance-based compensation may create an incentive for the Adviser's management to make riskier or more speculative investments. Investments by the Adviser and its principals and employees in the Funds aid in aligning their interests with those of the Funds' and their underlying investors.

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

The Adviser provides investment advisory services exclusively to the Funds. The Funds have a diverse group of investors, including high-net-worth individuals, trusts and entities affiliated with high-net-worth individuals, endowments, foundations, financial institutions, hedge funds of funds, and pension funds.

Each investor in the Funds must either be an "accredited investor" within the meaning of Regulation D promulgated by the SEC under the U.S. Securities Act of 1933, as amended, or must be a "qualified purchaser" within the meaning of Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended. In addition, each investor is required to make certain representations and provide documentation to assure compliance by the Funds with applicable anti-money laundering laws. The minimum initial investment for an investor in the Funds is \$2,000,000; however, the general partner of each Fund has the discretion to, and on occasion may, accept investments of a lesser amount.

This brochure is not an offer to invest in the Funds. An offer will only be made to qualified investors by means of a confidential private placement memorandum.

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

##### Methods of Analysis and Investment Strategies

The Adviser attempts to generate returns, on behalf of the Funds, through the purchase and sale of publicly traded equity and equity-related securities, both long and short, as well as a broad array of other securities in both private and public markets. The Adviser primarily employs an investment strategy utilizing fundamental research on specific companies to identify investment opportunities in which it believes that a valuation discrepancy exists between the fundamental value and the market value of a security. The Adviser's employees research companies by evaluating available information obtained from sources including company filings, meetings with company management teams and industry analysts and consultants. With company performance often affected by, or correlated to, macro or global economic trends, employees evaluate possible effects of those factors on companies. Then using market valuation expectations, emerging themes, expected market or company-specific catalysts, or other factors identified in this research process, the Adviser will cause the Funds to buy or sell securities to express identified investment opportunities.

Trades may reflect a strategy that creates net long or short exposure to directional movements in a company, sector or general equity markets. Trades may also be designed to hedge against factors affecting the market, in general, in order to isolate a valuation discrepancy in a security or company.

The Funds may invest some or all of their assets in U.S. government fixed-income securities, money market instruments, money market mutual funds, or hold cash or cash equivalents in such amounts as the Adviser deems appropriate under the circumstances. Money market instruments include U.S. government securities, commercial paper and certificates of deposit. The use of money market mutual funds may incur additional fees charged to such Fund beyond those charged by the Adviser.

The Funds may invest in futures, currencies, options, swaps, commodities, structured securities on other instruments and contracts in order to gain net long or short exposure or to hedge against certain risks in a particular Fund's investment portfolio.

The Adviser's employees and management will continue to research and may develop additional investment strategies to further clients' investment objectives. The Adviser may employ such strategies when and if they are developed.

### Risks

All investments risk the loss of capital. No guarantee or representation is made that the Funds' investment programs will be successful, and investment results may vary substantially over time. Below are descriptions of certain investment strategies which the Adviser may employ in advising its clients and some important risks associated with each strategy. The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in the Funds' investment strategies. Careful consideration should be given to, among others, the risk factors described in this section. Investors and prospective investors in the Funds are urged to ask questions regarding risk factors applicable to a particular investment strategy or security, read all product-specific risk disclosures (for example, the Fund's offering documents) and determine whether a particular strategy or type of security is suitable for their own account in light of their circumstances, investment objectives and financial situation.

*Equity Securities.* The Funds invest in equity securities, seeking to profit from both security selection and thematic sector or market timing decisions. The value of these investments will generally vary with their issuer's performance and movements in overall equity markets. Consequently, the Funds may suffer losses if they invest in equity instruments of issuers whose performance diverges from the Adviser's expectations or if equity markets generally move in a direction contrary to the positions the Funds have taken.

*Small and Mid-Cap Stocks.* The Funds may invest a portion of their assets in small and/or mid-capitalization stocks, which involve greater risk than is customarily associated with larger, more established companies. These companies often have sales and earnings growth rates that exceed those of larger companies. These higher growth rates may in turn be reflected in more rapid share price appreciation. However, smaller companies often have limited product lines, markets or financial resources, and they may be dependent upon small management teams. These securities may have limited marketability and may be subject to more abrupt or erratic movements in price than securities of larger companies or the market averages in general.

*Short Sales.* The Funds may sell securities short. Short selling of securities occurs when a Fund borrows securities to sell, agreeing to buy them at a later date. If the price drops, the Fund is able to buy the securities at the lower price to return to the lender and realize a profit on the difference. If the price rises,

the Fund purchases the securities at the higher price, resulting in a loss. Short sales theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. Such losses may be mitigated by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, a Fund might have difficulty purchasing securities to meet short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet short sale obligations at a time when fundamental investment considerations would not favor such sales. In addition, the activity of purchasing the securities may also result in greater increases in the security price and greater losses.

*Foreign Securities.* The Funds may invest a portion of their assets in foreign securities. Investments in foreign securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the books of the Funds are maintained) and the various foreign currencies in which a Fund's portfolio securities will be denominated and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (iii) political, social or economic instability; (iv) imposition of foreign income withholding or other taxes; and (v) the extension of credit, especially in the case of sovereign debt.

*Illiquidity.* Some of the investments made by the Funds may lack liquidity or be thinly traded. Consequently, the Funds may not be able to sell such investments at prices that reflect the Adviser's assessment of their value or the amount paid for such investments. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale and other factors. Furthermore, the nature of the Funds' investments, especially those in financially distressed companies, may require a long holding period prior to profitability. The Funds have the ability to make in kind distributions of securities to investors in lieu of or in addition to cash. In the event the Adviser authorizes distributions of securities in kind, such securities could be illiquid or subject to legal, contractual and other restrictions on transfer.

*Derivatives.* The Funds may utilize swaps and other derivative transactions to obtain a desired exposure, and such transactions may expose the Funds to a risk of loss. Derivative instruments, or "derivatives," include futures, options, swaps, structured securities, and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, currency, or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are "leveraged," and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Funds to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to counterparty risk. The counterparty risk lies with each party with whom the funds contract for the purpose of making derivative investments. In the event of the counterparty's default, the Funds will only rank as an unsecured creditor and risks the loss of all or a portion of the amounts it is contractually entitled to receive.

*Leverage.* Subject to applicable margin and other limitations, the Funds may borrow funds in order to make additional investments and thereby increase both the possibility of gain and risk of loss.



Consequently, the effect of fluctuations in the market value of a Fund's portfolio would be amplified. Interest on borrowings will be a portfolio expense of the Fund and will affect the operating results of the Fund. Also, the Funds could potentially create leverage via the use of instruments such as options and other derivative instruments.

*Options.* Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (*i.e.*, the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (*i.e.*, sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value.

*Counterparty Creditworthiness.* In addition to exchange-traded options contracts, the Funds may also invest in the over-the-counter market in contracts which involve dealing with counterparties and their ability to meet the terms of the contracts. In particular, the Funds may enter into repurchase agreements, forward contracts and swap arrangements, each of which expose the Funds' assets to credit risk to the extent that the counterparty defaults on its obligations to perform under the relevant contract.

*Commodities and Futures.* The Funds may trade on a limited basis in futures and non-equity based swaps. Such trading activity is regulated by the Commodity Futures Trading Commission (the "CFTC"). Pursuant to an exemption from registration under CFTC regulations, the Adviser is not required to register, and is not registered, with the CFTC or the National Futures Association ("NFA") as a commodity pool operator (a "CPO") or as a commodity trading advisor ("CTA"). To comply with the CPO exemption, the firm is subject to specific limitations on the amount of commodities and futures that it can trade on behalf of the Funds. Should the Funds' investments in commodities or futures instruments exceed the limits provided by the applicable exemption from registration, the Adviser will either have to register with the NFA or cease providing futures and swaps trading advice to the Funds and liquidate the Funds' holdings of futures and swaps subject to regulation by the CFTC, which could result in losses and additional costs to the Funds.

*High Yield, Low or Unrated Securities.* Although the Adviser intends to invest the majority of the Funds' assets in long and short equity positions, some assets may be invested in "high yield" bonds or debt securities which are unrated or rated in the lower categories by the various credit rating agencies. Securities in the lower rated categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration or general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those of higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

*Interest Rate Fluctuations.* The investments of the Funds' assets will be sensitive to expected and unexpected fluctuations in interest rates, which could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated by the Adviser. In

addition, interest rate increases generally will increase the Funds' interest carrying costs of borrowed securities and leveraged investments.

*Exchange Traded Funds and Other Similar Instruments.* Shares of exchange traded funds and closed end funds ("ETFs") and other similar instruments may be purchased or sold short by the Funds. An ETF is an investment company that is registered under the Investment Company Act of 1940, as amended (the "Company Act") that holds a portfolio of common stocks designed to track the performance of a particular index. ETFs sell and redeem their shares at net asset value in large blocks (typically 50,000 of its shares) called "creation units." Shares representing fractional interests in these creation units are listed for trading on national securities exchanges and can be purchased and sold in the secondary market in lots of any size at any time during the trading day.

The Funds may also purchase instruments that are similar to ETFs, representing beneficial ownership interests in specific "baskets" of stocks of companies within a particular industry sector or group. These securities may also be listed on national securities exchanges and purchased and sold in the secondary market, but, unlike ETFs, are not registered as investment companies under the Company Act.

Investments in ETFs and other instruments involve certain inherent risks generally associated with investments in a broadly-based portfolio of stocks including risks that the general level of stock prices may decline, thereby adversely affecting the value of each unit of the ETF or other instrument. In addition, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or number of stocks held. Because ETFs and pools that issue similar instruments bear various fees and expenses, the Funds' investments in these instruments will involve certain indirect costs, as well as transaction costs, such as brokerage commissions. The Adviser considers the expenses associated with an investment when determining whether to invest in an ETF or other instrument on behalf of the Funds.

*Put and Call Options on Specific Securities.* The Funds may purchase exchange-listed and over-the-counter ("OTC") put and call options on specific securities. In addition, the Funds may write and sell covered or uncovered call and put option contracts. A call option gives the purchaser of the option the right to buy and obligates the writer to sell, the underlying security at as stated exercise price at any time prior to the expiration of the option. Similarly, a put option gives the purchaser of the option the right to sell and obligates the writer to buy the underlying security at a stated exercise price at any time prior to the expiration of the option. Options may be wholly or partially covered (meaning the Funds hold an offsetting position) or uncovered. Options on specific securities may be used to seek enhanced profits with respect to a particular security. Alternatively, they may be used for various defensive or hedging purposes.

Use of put and call options may result in losses to the Funds, force the sale or purchase of the Funds' portfolio securities at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation the Funds can realize on their investments or cause the Funds to hold a security they might otherwise sell. An adverse price movement may result in unanticipated losses with respect to covered options sold. The use of uncovered option writing techniques may entail greater risks of potential loss than other forms of options transactions. For example, a rise in the market price of the underlying security will result in the realization of a loss on the calls written, which would not be offset by the increase in the value of the underlying securities to the extent the call option position was uncovered.

*Futures Contracts.* A portion of the Funds' assets may be used to invest in futures contracts. Futures prices are highly volatile. Because of the low margin deposits normally required in futures trading, an

extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. Like other leveraged investments, any purchase or sale of a futures contract may result in losses in excess of the amount invested.

*Significant Positions.* Portfolio companies in which the Funds may invest could have a relatively small market capitalization such that the Funds may acquire (i) more than 5% of a class of securities of a single issuer which could result in the filing of a Schedule 13D or 13G with the SEC or (ii) more than 10% of a class of securities of a single issuer (which would impose certain limitations on the Funds' ability to trade in such securities, including restrictions of Section 16 of the Exchange Act).

*Board Participation.* The Funds from time to time hold significant positions in portfolio companies which enable the Adviser to place a representative on the company's board of directors. While such representation may enable the Funds to enhance the return on their investment, it may also prevent the Funds from freely disposing of their investment. Directors (and their related entities such as the Funds) are subject to restrictions on trading due to company imposed blackout periods, access to non-public information or other restrictions. The Funds may also be subjected to additional liability related to indemnifications provided to certain individuals performing the Funds' business or affairs.

*Competitive Markets.* The investment industry in general, and the markets in which the Funds intend to trade, are extremely competitive. In pursuing the Funds' trading methods and strategies, the Adviser will compete with investment firms, including many of the larger investment advisory and private investment firms, as well as institutional investors and, in certain circumstances, market-makers, banks and broker-dealers. In relative terms, the Funds have little capital and may have difficulty in competing in markets in which their competitors have substantially greater financial resources, larger research staffs, and more trading professionals than the Adviser has or expects to have in the future. In any given transaction, investment and trading activity by other firms will tend to narrow the spread between the price at which an investment may be purchased by the Funds and the price they expect to receive upon consummation of the transaction.

*Market Conditions.* Developments in the global financial markets illustrate that the current environment is one of extraordinary and possibly unprecedented uncertainty. In light of market turmoil and the overall weakening of the financial services industry, the Funds, their prime broker(s) and other financial institutions' financial condition may be adversely affected and they may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on the Adviser's business and operations.

#### **Item 9. Disciplinary Information**

Neither the Adviser, nor any of its managers, officers or principals has been involved in any investment-related criminal or civil actions in a domestic, foreign or military court.

Neither the Adviser, nor any of its managers, officers or principals has been involved in any administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

Neither the Adviser, nor any of its managers, officers or principals has been involved in any self-regulatory organization proceedings.

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

Neither the Adviser, nor any of its managers, officers or principals is registered as a broker-dealer or a representative of a broker-dealer nor has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

The Adviser has registered with the Commodities Futures Trading Commission as an exempt commodity pool operator pursuant to exemption 4.13(a)(3).

**Affiliations with Pooled Investment Vehicles**

The Adviser currently serves as the general partner to Hirzel Capital Master Fund, L.P., Hirzel Capital Fund LP and Hirzel Capital Fund (Non-Qualified) LP. The Adviser also serves as the operator for Hirzel Capital Fund (Offshore), Ltd. and the managing member of Hirzel HLSE5, LLC. The Adviser's clients do not have independent management. The Adviser selected Zac S. Hirzel, Matthew R. Kennedy and DMS Fund Governance I Ltd to serve as the directors for the Offshore Fund, which is structured as a Cayman Islands exempt company. Although these arrangements may give the Adviser heightened control and discretion over its clients, the Adviser manages any potential conflicts of interest by adhering to the investment strategy and investment allocation policy discussed in the Funds' applicable private placement memoranda.

The Adviser does not recommend or select other investment advisers for its clients.

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

The Adviser has adopted a Code of Ethics (the "Code") which sets forth the high ethical standards of business conduct that it requires of its employees, including compliance with applicable federal securities laws. The Code works to ensure that employees' actions, including their personal securities transactions, are consistent with the Adviser's fiduciary duties to its clients and to ensure compliance with legal and regulatory requirements. It focuses on specific areas in which employee conduct has the potential to affect clients' or investors' interests adversely, such as protection of confidential information, insider trading, gifts and entertainment, personal securities trading, and outside business activities of employees. A copy of the Code is available to any client, prospective client and their respective underlying investors, upon request.

The Adviser does not recommend to clients, or buy or sell for client accounts, securities in which the Adviser or a related person has a material financial interest. As discussed in Item 4, Hirzel Capital Management LLC serves as the general partner, managing member or operator of the Funds. The Adviser does not intend to trade with clients on a principal basis.

Generally, neither the Adviser, nor any related person, trades in the same securities which are recommended to clients. The Code prohibits any of the Adviser's employees from trading in any individual equity security or option for their own account. The Adviser may allow an exception to this prohibition when, for example, an employee arrives at the Adviser owning individual securities positions. That employee would be permitted to sell his or her positions upon clearance from the Chief Compliance Officer if the Adviser's clients are not actively trading that particular security and if doing so would not adversely affect the Adviser's clients in any way.

**Item 12. Brokerage Practices**

The Adviser has complete discretion over brokerage selection for its clients. In selecting broker-dealers and determining the reasonableness of commissions paid for clients' transactions, the Adviser strives to

achieve “best execution” by generally obtaining the most favorable outcome for client transactions under the circumstances of the particular transaction. Best execution is designed to facilitate the Advisor’s execution of client transactions in such a manner that the client’s total cost or proceeds in each transaction is most favorable under the circumstances. All brokerage transactions for the Funds will be executed by brokers and dealers selected by the Advisor on the basis of obtaining the best overall terms available, which the Advisor will evaluate based on a variety of factors, including the following:

- the ability to achieve prompt and reliable executions at favorable prices;
- the operational efficiency with which transactions are effected;
- the financial strength, integrity and stability of the broker;
- the quality, comprehensiveness and frequency of available research and related services considered to be of value; and
- the competitiveness of commission rates in comparison with other brokers satisfying the Advisor’s other criteria.

At times, the Advisor may pay higher prices to buy securities from, or accept lower prices for the sale of securities to, brokerage firms that provide research or brokerage services through soft dollar benefits. The products and services that the Advisor generally obtains from broker-dealers include both products and services generated internally by a broker-dealer’s own research staff and products and services obtained by a broker-dealer from a third-party research firm. The research or brokerage services that broker-dealers provide the Advisor may include:

- written information and analyses concerning specific securities, companies or sectors;
- market, financial and economic studies and forecasts; statistics and pricing services;
- discussions with research personnel;
- invitations to attend conferences or meetings with management or industry consultants; and
- databases, software and other services utilized in the execution process.

The Advisor may pay a commission in excess of that which another broker might have charged for effecting the same transactions, in recognition of the value of the brokerage or research services provided by the broker.

The Advisor may use these services and products in connection with its advisory services for any of its client accounts, although not necessarily for only the account that “paid” for them. The Advisor strives to allocate soft dollar benefits in a manner that is fair and equitable, but may not necessarily allocate them to each of the Advisor’s client accounts in proportion to the soft dollar credits that each client generates.

Section 28(e) of the Securities Exchange Act of 1934 provides a safe harbor—that protects financial advisers from liability for a possible breach of fiduciary duty to their clients for engaging in soft dollar arrangements if the advisor has made a good faith determination that the amount of the commission was reasonable in relation to the value of the research services received. The Advisor intends that all of its soft dollar arrangements will fall within this safe harbor.

Although the Advisor’s internal policies require it to obtain the best execution for clients by taking into account all applicable factors, using client transactions to obtain research and other benefits creates conflicts of interest between advisers and their clients. The availability of these benefits may influence the Advisor to select one broker-dealer rather than another to perform services for clients, based on the Advisor’s interest in receiving the products and services instead of on its clients’ interest in receiving the best prices. Obtaining these benefits may cause the Advisor’s clients to pay higher fees than those charged by other broker-dealers. To the extent that the Advisor is able to acquire these products and

services without expending its own resources, the Adviser's use of soft dollar benefits tends to increase its profitability.

The Adviser does not require or accept directed brokerage arrangements from its clients. As described above, the Adviser has complete discretion in selecting brokers for its clients' transactions and seeks to allocate transactions in a manner to obtain best execution for each of its clients.

At times, it may be determined that some or all of the Adviser's clients should participate in the same investment opportunity. When such a determination is made, the Adviser will seek to execute orders for all of the participating investment accounts on an equitable basis. Such orders are generally placed as combined orders for all such accounts simultaneously, and if all such orders are not filled at the same price, the Adviser will average the prices paid between participating clients. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, the Adviser will allocate the trade among the different accounts on a basis that it considers equitable. The aggregation of trades in this manner may result, in some instances, in volume discounts on clients' execution costs.

The Adviser may occasionally determine that it is in accordance with certain clients' investment strategy and in the best interest of the respective clients to have one client purchase a security from another client that is selling the same security, otherwise known as a "cross trade." There may be a conflict of interest because a cross trade is not independently negotiated. The Adviser does not earn any commissions or fees in connection with executing cross trades between its clients. When coordinating any cross trades between clients, the Adviser must follow its internal, written procedures for cross trading in order to reduce the potential for conflicts of interest. The Adviser's cross trading procedures require, among other things, that the selling client receive only cash for the trade, the trade be effected at an independent current market price, the only fees that the clients are allowed to pay are customary transfer fees, and the trade must be consistent with each participating client's investment policy. While the Adviser does not currently engage in cross trades, it may do so in the future.

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

The Adviser's principal, Zac S. Hirzel, CFA – President and Portfolio Manager – personally reviews all client accounts on at least a monthly basis, or more frequently as triggered by economic or market conditions. Additionally, firm employees actively monitor client accounts on a regular basis. Among other items, portfolio and individual security performance, diversification of holdings and position sizes are part of the Adviser's regular review of client accounts.

Investors in each Fund receive a monthly statement from the independent administrator of the respective Fund. The statement indicates the investor's beginning account balance, capital transactions, net income, ending balance, and return for the current period and year-to-date. Investors also receive a quarterly letter from the Adviser reviewing the performance for the quarter. Following the close of each year, each Fund investor receives a copy of the respective Fund's audited financial statements, and such information as is required to prepare their annual tax filings.

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

As stated in Item 12 above, the Adviser may allocate client portfolio transactions to broker-dealers who provide research and/or related services. For a more detailed discussion of such practices, please refer to *Item 12: Brokerage Practices*.

Neither the Adviser nor any of its principals or employees compensates anyone for client referrals.

As part of the Adviser's investment program, Mr. Hirzel or certain of the Adviser's related persons from time to time serve on the board of directors of one or more of the Funds' portfolio companies. In their capacity as a director of such company they receive and retain director's fees (including cash, stock options or stock grants) from the company consistent with other independent directors.

#### **Item 15. Custody**

While it is the Adviser's practice not to accept or maintain physical possession of any of its clients' assets, the Adviser is deemed to have custody of client assets under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, because it has the authority to access clients' funds and deduct fees and expenses from clients' accounts.

In order to comply with Rule 206(4)-2, the Adviser utilizes the services of a bank or qualified custodian (as defined under Rule 206(4)-2) to hold all of its clients' assets. The Adviser also ensures that the qualified custodian maintains these funds in accounts that contain only clients' funds and securities. In compliance with Rule 206(4)-2, the Adviser also (i) engages an outside auditor to audit client accounts at the end of each fiscal year; and (ii) distributes audited financial statements that are prepared in accordance with generally accepted accounting principles to all clients' investors within 120 days after the end of the fiscal year in which the Adviser is deemed to have custody.

#### **Item 16. Investment Discretion**

The Funds and their investors have given the Adviser broad discretionary authority to manage the Funds' securities accounts in accordance with the investment strategies and programs set forth in each Fund's private placement memoranda. Each of the Funds' investors is provided, prior to their investment, a private placement memorandum that sets forth, in detail, the relevant Fund's investment strategy and program. By completing the subscription documents to acquire an interest in one of the Funds, investors give the Adviser complete authority to manage their investment in the respective Fund in accordance with the private placement memorandum they received.

#### **Item 17. Voting Client Securities**

The Adviser determines how to vote proxies for client owned securities after studying the proxy materials and any other materials that may be necessary or beneficial to voting. The Adviser votes in a manner that it believes reasonably furthers the best interests of the client and is consistent with the investment philosophy as set forth in the client's relevant documents.

The major proxy-related issues generally fall within five categories: corporate governance, takeover defenses, compensation plans, capital structure, and social responsibility. The Adviser will cast votes for these matters on a case-by-case basis and will generally vote in favor of matters which follow an agreeable corporate strategic direction, support an ownership structure that enhances shareholder value without diluting management's accountability to shareholders and/or present compensation plans that are commensurate with enhanced manager performance and market practices.

The Adviser will typically follow management's recommendations for voting on matters in each of the categories listed above. In instances where the Adviser disagrees with management, it will vote as deemed in the best interest of the client. If a proxy vote creates a material conflict between the Adviser's interests and those of a client, the Adviser will resolve the conflict before voting the proxies, which may include disclosing the conflict to the client and obtaining a consent or taking other steps designed to ensure that a decision to vote the proxy is based on the Adviser's determination of the client's best

interest and is not the product of the conflict.

Upon request, any of the Adviser clients or any of their investors may obtain (i) a copy of the Adviser's proxy voting policies and procedures; and (ii) information concerning any proxy votes made on a client's behalf.

Neither the Adviser's clients nor their investors may require the Adviser to vote client proxies in a particular manner. Such discretion has been given solely to the Adviser pursuant to the clients' organizational documents.

The Adviser has the authority to vote all of its clients' proxies and receive all of their proxies and similar shareholder solicitations.

To the extent any government regulations govern the exercise of proxy voting on behalf of the Adviser's clients, the Adviser will comply with such regulation.

**Item 18. Financial Information**

The Adviser does not require prepayment of more than \$1,200 in fees per client more than six months in advance.

The Adviser's management is not aware of any current financial condition that is likely to impair the Adviser's ability to meet its contractual commitments to its clients.

The Adviser has never been the subject of a bankruptcy petition.