

Item 1. Cover Page

Brochure of

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March 31, 2015

This brochure provides information about the qualifications and business practices of Sabal Capital Management, LLC (“SCM”). If you have any questions about the contents of this brochure, please contact us at 310-598-7576. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Item 2. Material Changes

The following are the material changes to this brochure since its last annual update on March 12, 2014:

- 1) None

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Item 4. Advisory Business

SCM is a Delaware limited liability company that has been in business since 2010. It serves as the general partner of various investment limited partnerships and as the investment adviser to other accounts. SCM's manager, controlling owner and portfolio manager is William F. Charters. As of February 28, 2015, SCM had total discretionary regulatory assets under management of approximately \$227.3 million. SCM only manages assets on a discretionary basis.

SCM invests principally, but not solely, in equity, equity-related and debt securities that are traded publicly or non-publicly in U.S. markets on behalf of its clients, but is authorized to enter into any type of investment transaction that it deems appropriate under the terms of the client's partnership or other account agreement.

The investors in the funds that SCM manages have no opportunity to select or evaluate any fund investments or strategies. SCM selects all fund investments and strategies.

SCM does not participate in wrap fee programs.

SCM typically does not tailor its services to the individual needs of individually managed accounts, but manages each such account according to the strategy selected by the client. SCM's discretionary authority is limited, however, as described in Item 16.

Item 5. Fees and Compensation

SCM's compensation is negotiable and varies, but typically, it charges an annual fee of 1.0% to 1.5% of assets under management, which amount is payable in either monthly or quarterly installments at the beginning or end (depending on the provisions of each client's partnership or other account agreement) of each calendar month or quarter based on the net market value of each client's account on the date the fee accrues and becomes payable. SCM also typically is allocated from each limited partner in its investment limited partnerships a performance allocation equal to 20% of net profits (including both realized and unrealized gains and losses) otherwise allocable to such limited partner, and receives from each other client a performance fee equal to a certain percentage of net profits of the account (including both realized and unrealized gains and losses). Performance allocations and fees are assessed in arrears on an annual basis, and are only applied to the portion of profits that exceed the cumulative losses previously allocated to or incurred by clients.

SCM complies with Rule 205-3 under the Investment Advisers Act of 1940, to the extent required by applicable law. Performance allocations and fees may create an incentive for SCM to make more risky and speculative investments than it would otherwise make.

SCM typically deducts management fees and performance allocations and fees directly from client accounts, but may bill a client for such amounts on request.

Accounts that invest in mutual funds also pay, indirectly, investment advisory fees to the managers of those funds.

SCM believes that its fees are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees.

The disclosure in this Item 5, together with the disclosure in Item 12, allow a plan that is subject to the Employee Retirement Income Security Act of 1974 and that invests in an investment limited partnership of which SCM is general partner, to use the “alternative reporting option” to report SCM’s compensation as “eligible indirect compensation” on the Schedule C of the plan’s Form 5500 Annual Return/Report of Employee Benefit Plan.

The relationship with SCM’s investment partnership clients are terminable on expiration of the partnership’s term, dissolution of the partnership or on SCM’s withdrawal as general partner. Each limited partner may withdraw from the partnership, on specified prior written notice, on the last day of any calendar month; provided that if a withdrawal occurs prior to the first anniversary of such limited partner’s admission to the partnership, the limited partner pays a 3% withdrawal fee to the partnership.

Except as may be otherwise negotiated in particular cases, the holder of an individually managed account may terminate the account by giving 60 days’ prior written notice.

In all cases, expenses, the pro rata portion of the management fee and the performance allocation or fee through the date of termination are charged to the account. All prepaid but unearned advisory fees are refunded on termination of a client’s account. An investor who withdraws from a fund on a date other than the last day of a month, however, does not receive a refund of the management fee previously paid.

Each account is responsible for its own costs and expenses, including trading costs and expenses (such as brokerage commissions, expenses related to short sales, and clearing and settlement charges), ongoing legal, accounting and bookkeeping fees and expenses, and the fees and expenses charged by any fund administrator for its accounting, bookkeeping and other services. SCM bears its own operating, general, administrative and overhead costs and expenses, other than the expenses described above. All or part of these costs and expenses may be paid, however, by securities brokerage firms and futures commission merchants that execute clients’ securities trades, as discussed in Item 12 below.

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

SCM manages accounts that pay performance-based compensation as described in Item 5 and accounts that do not pay performance-based compensation. Typically, an account that does not pay performance-based compensation pays a higher asset-based fee. Regardless, SCM has a conflict of interest if, in any time period, one fee structure would cause higher fees to SCM than the other fee structure, because SCM would have an incentive to favor the account that would pay the higher fees. To address this conflict, SCM typically allocates all investment opportunities within each strategy on a pro rata basis, based on each account’s assets. In addition, SCM has policies and procedures to review client account investment allocations on a regular basis.

Item 7. Types of Clients

SCM provides investment advice to investment funds and other accounts. Investors in the funds are required to invest a minimum of either \$500,000 or \$1,000,000 (depending on the fund), but SCM may waive this minimum. SCM generally requires a minimum of \$10 million to open an individually managed account, but may waive this minimum. SCM's separate account clients may include high-net-worth individuals, institutions, trusts, endowments and pension plans.

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

Investment Strategy

Investment Objectives. SCM invests, holds, sells, trades, on margin or otherwise, and otherwise deals in securities and other intangible investment instruments consisting of stocks, bonds, notes, options, warrants, rights and other securities and instruments (or investment vehicles that own securities) that are primarily "Special Situations". SCM attempts to purchase mispriced securities in the public equity markets, and up to 20% of the portfolio is able to be invested in public or non-public distressed debt (measured at cost). SCM may purchase debt to attempt to obtain an equity position in the reorganized entity, and intends to remain a passive investor during episodes of high corporate debt defaults. SCM also engages in short selling, trades in publicly traded and over-the-counter options (including covered and uncovered puts and calls and over-the-counter options), futures, options on futures, swaps and other derivative instruments, non-U.S. securities, private securities, invests in other debt and fixed income instruments, equity and equity related securities, preferred stocks, convertible securities and engages in hedging and other securities investment strategies.

Special Situations Portfolio. SCM's strategy is designed to exceed long-term equity indices while exhibiting less volatility. Of course, SCM cannot guarantee that this objective will be achieved. SCM focuses its investment efforts on companies that are in the process of undergoing corporate and/or balance sheet restructuring initiatives that SCM believes will lead to improved profitability and free cash flow. SCM believes this universe is most inefficient because of its complexity, which leads to being under followed by the sell-side, and not an easy story for investment by large buy-side financial institutions. This inefficiency should allow for outsized returns. Of course, these securities also present significant volatility and risk.

The strategy is typically net long with net exposure typically ranging from -10% to 50%. SCM generally believes the long portfolio will be less correlated to the market and performance will be more idiosyncratic to specific company events or catalysts. SCM may also seek to reduce volatility by maintaining a large short portfolio designed for alpha on a standalone basis, and as a hedge against the market.

SCM's investment approach is focused on intensive bottom-up fundamental business analysis. Specifically, SCM looks for companies with sustainable business models; the potential to generate free cash flow (FCF); and securities offering compelling risk adjusted returns.

The investment strategies summarized above represent SCM's current intentions, are general in nature and are not exhaustive. There are no limits on the types of securities in which SCM may take positions on behalf of its clients, the types of positions that it may take, the concentration of its investments or the amount of leverage that it may use. SCM may use any trading or

investment techniques, whether or not contemplated by the expected investment strategies described above. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities and commodities markets and the economy generally, SCM may pursue any objectives or use any techniques that it considers appropriate and in clients' interest.

Risk Factors

Investing in securities involves risk of loss that clients should be prepared to bear. Below are some of the risks that investors should consider before investing in any account that SCM manages. Any or all of such risks could materially and adversely affect investment performance, the value of any account or any security held in an account, and could cause investors to lose substantial amounts of money. Below is only a brief summary of some of the risks that a client or investor may encounter. Potential investors in a fund should review such fund's offering circular carefully and in its entirety, and consult with their professional advisers before deciding whether to invest. The risks described below also generally apply to individually managed accounts. A potential client should discuss with SCM's representatives any questions that such person may have before opening an account.

- Client accounts may not achieve their investment objectives. A strategy may not be successful and investors may lose some or all of their investment.
- Client accounts are concentrated in "special situations" securities of companies, many of which have experienced significant distress. Those securities involve substantially higher risks than do investments in securities of non-distressed companies.
- SCM has limited operating history on which prospective clients and investors may evaluate its performance.
- Investor sentiment on the market, an industry or an individual stock, fixed income or other security is not predictable and can adversely affect an account's investments.
- An account may hold stocks that disappoint earnings expectations and decline, and may short stocks that beat earnings expectations and rise.
- SCM may not be able to obtain complete or accurate information about an investment and may misinterpret the information that it does receive. SCM also may receive material, non-public information about an issuer that prevents it from trading securities of that issuer for a client when the client could make a profit or avoid losses.
- SCM may take positions in securities of small, unseasoned companies that are less actively traded and more volatile than those of larger companies.
- SCM may engage in hedging, which may reduce profits, increase expenses and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, resulting in losses on both the hedged security and the hedging instrument. SCM is not obligated to hedge a client's portfolio positions, and it frequently may not do so.

- An account may have higher portfolio turnover and transaction costs than a similar account managed by another investment adviser. These costs reduce investments and potential profit or increase loss.
- SCM sells securities short, resulting in a theoretically unlimited risk of loss if the prices of the securities sold short increase.
- Management and stockholders of an issuer may sue short sellers to prevent short sales of the issuer's securities. SCM could be subject to such actions, even if they are baseless, and clients could incur substantial costs defending them.
- SCM may use leverage by borrowing on margin, selling securities short and trading futures, other commodity interests and derivatives, which increases volatility and risk of loss. These instruments can be difficult to value. An incorrect valuation could result in losses.
- SCM may sell covered and uncovered options on securities. The sale of uncovered options could result in unlimited losses.
- Counterparties such as brokers, dealers, futures commission merchants, custodians and administrators with which SCM does business on behalf of clients may default on their obligations. For example, a client may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.
- SCM may cause a client to enter into repurchase agreements or reverse repurchase agreements. These instruments can have effects similar to margin trading and leveraging strategies.
- SCM may cause clients to invest in securities of non-U.S., private and government issuers. The risks of these investments include political risks; economic conditions of the country in which the issuer is located; limitations on foreign investment in any such country; currency exchange risks; withholding taxes; limited information about the issuer; limited liquidity; and limited regulatory oversight.
- Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting in volatile securities markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.
- SCM may acquire for a client a large position in an issuer's securities but the client nevertheless is unlikely to have any control over the issuer's management. In addition, if SCM holds a large position in an issuer's securities, it could depress the market for those securities.
- Some of an account's positions may be or become illiquid, in which case SCM may not be able to sell such positions.

- An account may invest in restricted securities that are subject to long holding periods or that are not traded in public markets. These securities are difficult or impossible to sell at prices comparable to the market prices of similar publicly-traded securities and may never become publicly traded.
- An account's investments may not be diversified. Therefore, a loss in any one position, industry or sector in which a fund has invested may cause significant losses.
- SCM determines the value of securities and commodities held in client accounts, whether or not a public market exists for such instruments. If SCM's valuation is inaccurate, it might receive more compensation than that to which it is entitled, a new investor in a fund might receive an interest that is worth less than the investor paid and an investor that is withdrawing assets might receive more than the amount to which the investor is entitled, to the detriment of other investors.
- Typically, the client and not SCM is responsible for any trade errors that SCM makes in an account, even when the error hurts the client.
- SCM and its affiliates and agents generally are not responsible to any client or investor for losses incurred in an account unless the conduct resulting in such loss breached SCM's fiduciary duty to the client or investor.
- There is not and will not be an active market for fund interests. It may be impossible to transfer any such interests, even in an emergency.
- A fund may not be able to generate cash necessary to satisfy investor withdrawals. Substantial withdrawals in a short period could force SCM to liquidate investments too rapidly, and may so reduce the size of a fund that it cannot generate returns or reduce losses.
- A fund may limit or suspend withdrawals of an investor's assets from the fund.
- A fund may establish a reserve for contingencies if SCM considers it appropriate. Investors may not withdraw or redeem assets covered by that reserve until it is lifted.
- If the assets that SCM and its affiliates manage grow too large, it may adversely affect performance, because it is more difficult for SCM to find attractive investments as the amount of assets that it must invest increases.
- No client or investor has been represented by separate counsel. The attorneys who represent SCM or its manager do not represent clients or investors. Clients and investors must hire their own counsel for legal advice and representation.
- A fund may dissolve or expel any investor at any time, even if such actions adversely affect one or more investors.
- SCM, an administrator or any government agency may freeze assets that any of them believes a client holds in violation of anti-money laundering laws or rules or on behalf of

a suspected terrorist, and may transfer such assets to a government agency. None of SCM, a fund or an administrator will be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations.

- The funds do not intend to make distributions, but intend instead to reinvest substantially all income and gain. Therefore, an investor may have taxable income from a fund without a cash distribution to pay the related taxes.
- Federal, state and international governments may increase regulation of investment advisers, private investment funds and derivative securities, which may increase the time and resources that SCM must devote to regulatory compliance, to the detriment of investment activities.
- SCM is not registered with the SEC as a broker-dealer, or with the Commodity Futures Trading Commission as a commodity pool operator or commodity trading adviser, although SCM is registered as an investment adviser with the U.S. SEC. The equity interests in the funds are not registered under the Securities Act of 1933, and the funds are not registered investment companies under the Investment Company Act of 1940. SCM believes that none of these registrations are required because exemptions are available under applicable law. If a regulatory authority deems that any of these registrations are required, SCM and any fund could be subject to expensive legal action and potential termination. In addition, investors in the funds do not have certain regulatory protection that they would have if these registrations were in place.
- SCM's activities could cause adverse tax consequences to clients and investors, including liability for interest and penalties.
- SCM's activities may cause an account that is subject to the Employee Retirement Income Security Act of 1974 to engage in a prohibited transaction under that Act.
- If a limited partnership client becomes insolvent, investors may be required to return with interest any distributions and forfeit any undistributed profits.
- SCM and its affiliates may spend time on activities that compete with a fund without accountability to investors, including investing for other clients and their own accounts. If SCM receives better compensation and other benefits from managing other assets or client accounts compared to managing a fund, it has incentive to allocate more time to those other activities. These factors could influence SCM not to make investments on a fund's behalf even if such investments would benefit the fund.
- SCM may provide certain investors or clients more frequent or detailed reports, special compensation arrangements and withdrawal rights that it does not provide to other investors or clients.

The above is only a brief summary of some of the important risks that a client or investor may encounter. Before deciding to invest in a fund that SCM manages, you should consider carefully all of the risk factors and other information in the fund's offering circular.

Item 9. Disciplinary Information

This Item is not applicable, because SCM has no reportable disciplinary information.

Item 10. Other Financial Industry Activities and Affiliations

This Item is not applicable, because SCM has no reportable other financial industry activities or affiliations.

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

SCM has adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940 that establishes standards of conduct for SCM's supervised persons. The Code of Ethics includes general requirements that SCM's supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to comply with the personal trading restrictions described below and periodically to report their personal securities transactions and holdings to SCM's Compliance Officer, and requires the Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the Compliance Officer. Each supervised person of SCM receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received those materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during the preceding year. Clients and prospective clients may obtain a copy of SCM's Code of Ethics by contacting Mario Marcon at 310-598-3726.

Under SCM's Code of Ethics, SCM and its employees may personally invest in securities of the same classes as SCM purchases for clients and may own securities of issuers whose securities that SCM subsequently purchases for clients. This practice creates a conflict of interest in that any of such persons can use his or her knowledge about actual or proposed securities transactions and recommendations for a client account to profit personally by the market effect of such transactions and recommendations. To address this conflict, except as described in Item 12 regarding aggregating securities transactions, SCM and its employees must obtain pre-approval before engaging in most securities transactions. SCM and its employees may also buy or sell specific securities for their own accounts based on personal investment considerations aside from company or industry fundamentals, which SCM does not believe appropriate to buy or sell for clients.

SCM solicits investors who may or may not be SCM's clients to invest in its limited partnership clients. SCM has an incentive to cause a client to invest in a limited partnership instead of an individually managed account because of the reduced expenses and administrative burdens of managing a fund compared to an individually managed account, SCM's performance compensation from a limited partnership receives more favorable tax treatment than that from an individually managed account and limited partners have less transparency and liquidity than individual account clients. In addition, if a fund investor also has an individually managed account with SCM that uses an investment strategy that is similar to that of the fund, the investor may use knowledge of the other account's portfolio to decide if and when to make an additional

investment or withdraw assets from the fund at times when other fund investors would have made similar decisions had they had similar transparency. SCM discloses these conflicts of interest to clients and investors.

Because SCM manages more than one account, there may be conflicts of interest over its time devoted to managing any one account and allocating investment opportunities among all accounts that it manages. For example, SCM selects investments for each client based solely on investment considerations for that client. Different clients may have differing investment strategies and expected levels of trading. SCM may buy or sell a security for one type of client but not for another, or may buy (or sell) a security for one type of client while simultaneously selling (or buying) the same security for another type of client. SCM attempts to resolve all such conflicts in a manner that is generally fair to all of its clients. SCM may give advice to, and take action on behalf of, any of its clients that differs from the advice that it gives or the timing or nature of action that it takes on behalf of any other client so long as it is SCM's policy, to the extent practicable, to allocate investment opportunities to its clients fairly and equitably over time. SCM is not obligated to acquire for any account any security that SCM or its employees may acquire for its or their own accounts or for any other client, if in SCM's absolute discretion, it is not practical or desirable to acquire a position in such security for that account.

Item 12. Brokerage Practices

SCM has complete discretion in selecting the broker or futures commission merchant that it uses for client transactions and the commission rates that clients pay such brokers and futures commission merchants. In selecting a broker or futures commission merchant for any transaction or series of transactions, SCM may consider a number of factors, including, for example:

- net price, clearance, settlement and reputation;
- financial strength and stability;
- efficiency of execution and error resolution;
- block trading and block positioning capabilities;
- willingness to execute related or unrelated difficult transactions in the future;
- special execution capabilities;
- order of call;
- offering to SCM on-line access to computerized data regarding clients' accounts;
- computer trading systems; and
- the availability of stocks to borrow for short trades.

SCM may also purchase from a broker or futures commission merchant or allow a broker or futures commission merchant to pay for research and brokerage services eligible under the safe harbor of Section 28(e) of the Securities Exchange Act of 1934.

Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Conduct outside of the safe harbor of section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. If SCM uses commission dollars to pay for products or services that provide administrative or other non-

research assistance to itself or its affiliates, such payments may not fall within the section 28(e) safe harbor. SCM addresses these conflicts by monitoring the soft-dollar arrangements and to ensure that no soft dollar arrangements are being entered into except as permitted under the safe harbor of Section 28(e).

SCM may receive soft dollar credits based on principal, as well as agency, securities transactions with brokers and futures commission merchants or direct a broker or futures commission merchant that executes transactions to share some of its commissions with a broker or futures commission merchant that provides soft dollar benefits to SCM.

SCM may select a broker to act as a “trading broker” for a client account. In such cases, SCM or the trading broker may select the executing broker, and the trading broker would then place or manage the order. The trading broker is compensated (through commissions or otherwise) for this trading service in addition to the commissions paid to the executing brokers. As with all soft dollar arrangements, using a trading broker in this manner causes the client account to pay brokerage commissions, mark-ups and other transactions fees that are higher than might otherwise be paid if brokers were selected solely based on lowest execution cost. In addition, using a trading broker (rather than an employee of SCM) to provide those services may allow SCM to reduce its own personnel expenses.

SCM has retained BTIG, LLC, 600 Montgomery Street, 6th Floor, San Francisco, California 94111, to serve as the onshore investment funds’ prime broker and Goldman Co. as the offshore funds’ prime broker. BTIG clears through Goldman Sachs Execution & Clearing, L.P., 30 Hudson Street, Jersey City, NJ 07302, which acts as investment fund’s custodian. The services that Goldman provides as custodian may include providing custody, margin financing, clearing, settlement and stock borrowing in accordance with the terms of the prime brokerage and custody agreements entered into with investment fund. SCM receives other services from them. The arrangement may be deemed to be a soft dollar arrangement. SCM expects to use a substantial portion of these services for research and trading on behalf of the investment funds, but some may be used for administrative purposes, which would not be within the safe harbor of section 28(e). Although many prime brokers and custodians provide similar services to investment advisers in exchange for brokerage, custody and clearance fees and other charges, if SCM did not receive these services from BTIG and Goldman, SCM would be required to pay for all or some portion of them. SCM expects to direct most of the investment fund’s securities transactions to BTIG and Goldman and their respective affiliates, but is not required to direct a particular number of trades to them or to continue to use them as the investment fund’s prime broker and custodian, but it has an incentive to do so based on their prior and continued services.

The investment fund’s obligations to Goldman and its respective affiliates will be secured by way of a first priority perfected security interest over all of the investment fund’s assets held in custody by Goldman. Goldman and its respective affiliates may transfer to themselves all rights, title and interest in and to those assets as collateral and may deal with, lend, dispose of, pledge or otherwise use all such collateral for their own purposes. If any such transfer occurs, the investment fund will rank as such custodian’s (or affiliate’s) unsecured creditor. If such custodian or affiliate becomes insolvent, the investment fund may not be able to recover such equivalent Securities in full. In addition, the investment fund’s cash held by a custodian may not be segregated from such custodian’s own cash and, if not so segregated, may be used by such

custodian or affiliate in the course of its business and the investment fund will therefore rank as an unsecured creditor in relation thereto.

If any of the investment fund's investments are registered in the name of a custodian or affiliate due to the nature of the law or market practice of a particular jurisdiction, such investments will not be segregated from the custodian's or affiliate's own investments and if such custodian or affiliate becomes insolvent, the investment fund may not be able to recover such equivalent investments in full.

SCM may pay to a broker or futures commission merchant commissions and mark-ups that exceed those that another broker or futures commission merchant might charge for effecting the same transaction because of the value of the brokerage, research, other services and soft dollar relationships that such broker or futures commission merchant provides. SCM determines in good faith that such compensation is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, in terms of either the specific transaction or SCM's overall fiduciary duty to its clients. An account may, however, pay higher commissions and mark-ups than are otherwise available or may pay more commissions or mark-ups based on account trading activity. The research and other benefits resulting from SCM's brokerage relationships benefit SCM's operations as a whole and all accounts that it manages, including those that do not generate the soft dollars that pay for such research and other benefits and accounts of clients that direct SCM to use a broker or futures commission merchant that does not provide SCM with soft dollar services. SCM does not allocate soft dollar benefits to client accounts proportionately to the soft dollar credits that the accounts generate.

SCM's relationships with brokers and futures commission merchants that provide soft dollar services influence SCM's judgment and create conflicts of interest in allocating brokerage business between firms that provide soft dollar services and firms that do not, and in allocating the costs of mixed-use products between their research and non-research uses. SCM has an incentive to select or recommend a broker or futures commission merchant based on SCM's interest in receiving soft dollar services rather than clients' interest in receiving the most favorable execution. These conflicts of interest are particularly influential to the extent that SCM uses soft dollars to pay expenses it would otherwise be required to pay itself.

SCM addresses these conflicts of interest by quarterly evaluating the trade execution services that SCM receives from the brokers and futures commission merchants that it uses to execute trades for clients. Such evaluation includes comparing those services to the services available from other brokers and futures commission merchants. SCM considers, among other things, alternative market makers and market centers, the quality of execution services, the value of continuing with various soft dollar services and adding or removing brokers or futures commission merchants, increasing or decreasing targets for each broker or futures commission merchant and the appropriate level of commission rates.

SCM may aggregate securities sale and purchase orders for a client with similar orders being made contemporaneously for other accounts that SCM manages or with accounts of its affiliates. In such event, SCM may charge or credit a client the average transaction price of all securities purchased or sold in such transactions. As a result, however, the price may be less favorable to the client than it would be if SCM were not executing similar transactions concurrently for other

accounts. SCM may also cause a client to buy or sell securities directly from or to another client, if such a cross-transaction is in the interests of both clients.

SCM may direct a certain amount of brokerage to a broker or futures commission merchant in return for the broker's or futures commission merchant's referral of prospective clients or investors. Directing brokerage in exchange for client or investor referrals creates a conflict of interest in that SCM has an incentive to refer its clients' brokerage business to brokers and futures commission merchants to which it might not otherwise direct transactions. SCM has policies and procedures to review its brokerage practices regularly, including its use of brokers from which SCM receives client or investor introductions.

If a client directs SCM to use a specific broker, SCM has not negotiated the terms and conditions (including, among others, commission rates) relating to the services provided by such broker. SCM is not responsible for obtaining from any such broker the best prices or particular commission rates. A client that directs SCM to use a specific broker may not be able to participate in aggregate securities transactions and may trade after such aggregate transactions and receive less favorable pricing and execution. The client may pay higher commissions and mark-ups than it would pay if SCM had discretion to select broker-dealers other than those that the client chooses.

Item 13. Review of Accounts

SCM's Portfolio Manager reviews all accounts periodically. Those reviews take into account such matters as asset allocation, cash management, the prospects of individual securities, changes in issuer earnings, industry outlook, market outlook and price levels. Each account and investment fund investor receives a quarterly letter stating performance for the quarter and discussing investment outlook.

Item 14. Client Referrals and Other Compensation

SCM may engage solicitors to whom it pays cash or a portion of the advisory fees paid by clients referred to it by those solicitors. In such cases, this practice is disclosed in writing to the client and SCM complies with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, to the extent required by applicable law.

Item 15. Custody

The custodian of each individually managed account sends account statements at least quarterly to the client. Each client should carefully review those statements and compare them with the statements that such client receives directly from SCM, if any.

Item 16. Investment Discretion

SCM has discretionary authority to manage investment accounts on behalf of clients pursuant to a grant of authority in each fund's limited partnership agreement or a limited power of attorney in each client's account agreement. Except for SCM's limited partnership clients, such discretion is limited by the requirement that clients advise SCM of:

- the investment objectives of the account;
- any changes or modifications to those objectives; and
- any specific investment restrictions relating to the account.

A client must promptly notify SCM in writing if the client considers any investments recommended or made for the account to violate such objectives or restrictions. A client may at any time direct SCM to sell any securities or take such other lawful actions as the client may specify to cause the account to comply with the client's investment objectives. In addition, a client may notify SCM at any time not to invest any funds in the client's account in specific securities or specific categories of securities.

Item 17. Voting Client Securities

In determining whether a proposal serves an account's best interests, SCM considers a number of factors, including:

- the proposal's economic effect on shareholder value;
- the threat that the proposal poses to existing rights of shareholders;
- the dilution of existing shares that would result from the proposal;
- the effect of the proposal on management or director accountability to shareholders; and
- if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual.

SCM abstains from voting proxies when SCM believes that it is appropriate to do so.

If a material conflict of interest over proxy voting arises between SCM and a client, SCM will vote all proxies in accordance with the policy described above. If SCM determines that this policy does not adequately address the conflict of interest, SCM will notify the client of the conflict and request that the client consent to SCM's intended response to the proxy solicitation. If the client consents to SCM's intended response or fails to respond to the notice within a reasonable time specified in the notice, SCM will vote the proxy as described in the notice. If the client objects in writing to SCM's intended response, SCM will vote the proxy as the client directs.

A client can obtain a copy of SCM's proxy voting policy and a record of votes cast by SCM on behalf of that client by contacting SCM.

Item 18. Financial Information

This Item is not applicable, because SCM is not required to report financial information.

Item 19. Requirements for State-Registered Advisers

This Item is not applicable, because SCM is not registered with the state of California, only the SEC.

Privacy Policy

SCM and the investment limited partnerships for which it serves as general partner:

- collect non-public personal information about their clients and investors from the following sources:
 - information received from clients or investors on applications or other forms, and
 - information about clients' or investors' transactions with SCM, its affiliates or others;
- do not disclose any non-public personal information about their clients or investors or former clients or investors to anyone, except as permitted by law;
- restrict access to non-public personal information about their clients and investors to their employees who need to know that information to provide services to clients; and
- maintain physical, electronic and procedural safeguards that comply with federal standards to guard clients' and investors' personal information.