

Part 2A of Form ADV: KeyPoint Capital Management, LLC - Brochure

Item 1 - Cover Page

KeyPoint Capital Management, LLC
3100 Monticello Avenue, Suite 400
Dallas, Texas 75205
Phone - (214) 420-8211
www.keypointcapital.com

This Brochure provides information about the qualifications and business practices of KeyPoint Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at (214) 420-8211. 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.

KeyPoint Capital Management, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser.

Additional information about KeyPoint Capital Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Brochure prepared on March 31, 2016

Item 2 - Material Changes

KeyPoint Capital Management, LLC (the “Adviser”) is providing this annual update to the “Brochure” for the fiscal year ended December 31, 2016. The last annual update to the Brochure took place on March 28, 2016. A summary of material changes since the last annual update is as follows:

- The Adviser has filed for and is pending registration with the Texas State Securities Board.
- The description of the firm’s advisory business in Item 4 now reflects assets under management as of December 31, 2016 due to the launch of KeyPoint Concentrated Real Estate Opportunity Fund, LP.

Pursuant to the Investment Advisers Act of 1940, as amended (“Advisers Act”), the Adviser provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in an Issuer, together with other relevant governing documents. The Adviser will ensure that all clients receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of the business’ fiscal year. The Adviser may further provide other ongoing disclosure information about material changes as necessary.

Currently, the Brochure may be requested by contacting Rodney B. Hinze, the Adviser’s Chief Compliance Officer, at (214) 420-8211 or rh@keypointcapital.com.

Additional information about the Adviser is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as investment adviser representatives of the Adviser.

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Item 4 - Advisory Business

- A. The Adviser is a Texas limited liability company and has its principal place of business in Dallas, Texas. The Adviser provides investment advisory services to (i) domestic and offshore private funds for sophisticated qualified investors (the “Funds”); and (ii) separate accounts including high net worth individuals, retirement plans, trusts, partnerships, corporations, or other businesses (the “Accounts” and, together with the Funds, the “Clients”).¹

The Adviser was formed in July 2008. Mr. Rodney B. Hinze (the “Principal”) is the sole member of the Adviser.

- B. The Adviser utilizes a range of investment strategies, including investing in real estate related equity securities, both long and short, as well as a broad array of other securities in public markets. The Adviser seeks to deliver strong absolute returns in varying economic conditions and market cycles, while seeking to have significantly less risk than the overall stock market. The Adviser seeks to accomplish this by investing in real estate related equities that are trading at what it considers to be significantly below private market value and by shorting real estate related equities that are trading at what it considers to be significantly above private market value.
- C. While each of its Clients will follow the general strategy stated above, the Adviser may tailor the specific advisory services with respect to each Client based on the particular investment objectives and strategies described in the applicable Client’s (i) confidential offering memorandum, separate account agreement, or registration statement (as applicable) and (ii) governing documents (referred to collectively as “Offering Documents”).

All discussion of the Clients in this Brochure, including but not limited to their investments, the strategies used in managing the Clients, and conflicts of interest faced by the Adviser in connection with the management of the Clients are qualified in their entirety by reference to each Client’s respective Offering Documents.

- D. The Adviser does not participate in wrap fee programs.
- E. As of December 31, 2016, the Adviser managed approximately \$17,659,713 in discretionary assets and \$0 in non-discretionary assets.

¹ As an SEC-registered investment adviser, the Adviser owes a fiduciary duty to all of its clients. In 2006, the decision by the Court of Appeals for the D.C. Circuit in *Goldstein v. SEC*, 451 F.3d 873 (D.C. Cir. June 23, 2006), with respect to private funds, clarified that the “client” of an investment adviser to a private fund is the fund itself and not an investor in the fund. For purposes of this Brochure, the terms “Fund” or “Funds” refer to the advisory clients of the Adviser.

Item 5 - Fees and Compensation

- A. Below is a discussion of how the Adviser is compensated in connection with providing advisory services to its Clients. The Adviser may enter into different fee arrangements on a Client by Client basis.

Domestic Funds

Management Fees. For its services to the Funds, the Adviser is entitled to a management fee (the “Management Fee”) at an annual rate of up to 2.0% of the capital account balances of each limited partner. The Management Fee is calculated each calendar quarter and paid each calendar quarter in advance. Capital contributions accepted after the commencement of a calendar quarter will be subject to a pro-rated Management Fee.

Performance Allocation. The general partner of the Fund (the “General Partner”), which is an affiliate of the Adviser, is entitled to a performance-based profit allocation at the end of each calendar year equal to (i) 20% of the net profits attributable to Class A limited partner interests (“Class A Interests”) and (ii) 15 to 17.5% of the net profits attributable to Class B limited partner interests (“Class B Interests”) according to the applicable Fund’s offering documents, but, in each case, only to the extent that such profits exceed any losses carried forward from prior years, based on a “high water mark” formula (the “Performance Allocation”).

Net profit includes unrealized appreciation or depreciation of marketable positions but generally includes only realized amounts in the case of any non-marketable investments. However, the Fund generally does not invest in non-marketable investments.

Organizational Expenses. The Fund bears the expenses of the organization of the Fund and the offering of the Fund interests to investors, including legal and accounting fees, printing costs, travel, “blue sky” filing fees and expenses, and out-of-pocket expenses. The organizational expenses borne by a Fund are described in more detail in that Fund’s Offering Documents.

Direct Expenses of the Fund. The Fund bears all costs and expenses directly related to its investment program, including expenses related to proxies, underwriting and private placements, brokerage commissions, interest on debit balances or borrowings, custody fees, the fees and expenses of risk and portfolio management systems, any withholding or transfer taxes and all expenses incurred in connection with locating, evaluating and implementing potential investments including travel, software subscriptions and other research related expenses. Each Fund also bears all out-of-pocket costs of the administration of the Fund, including accounting, audit and legal expenses, costs of any litigation or investigation involving the Fund’s activities, and costs associated with reporting and providing information to existing and prospective Limited Partners. However, the Adviser or the General Partner may, in their sole discretion, choose to absorb any such expenses incurred on behalf of a Fund.

Withdrawals. Subject to certain withdrawal restrictions, a limited partner holding Class A Interests is permitted to make withdrawals on 30 days prior written notice at the close of business on the last business day of each calendar month; provided that withdrawals of Class A Interests at the close of a calendar month occurring prior to the end of the 12 months from the date of the initial investment in the Fund (the “One Year Anniversary”) are subject to a withdrawal reduction in the amount equal to 2% of the withdrawal amount, which amount is retained by the Fund. A limited partner holding Class B Interests is permitted to make

withdrawals on 30 days prior written notice as of the close of business on the last business day of each calendar month occurring on or after the One Year Anniversary; provided, however, that withdrawals that occur on or after the One Year Anniversary but prior to the end of 36 months from the date of the initial investment in the Fund (the “Three Year Anniversary”) shall be subject to a withdrawal reduction in the amount equal to 2% of the withdrawal amount, which amount is retained by the Fund.

Offshore Fund

Management Fees. For its services to the Fund, the Adviser is entitled to a Management Fee at an annual rate of (i) 2.0% of the net asset value of each Class A share (“Class A Share”) and Class B share (“Class B Share”) and (ii) 1.5% of the net asset value of each Founder’s Class share (“Founder’s Class Share”). The Management Fee is calculated each calendar quarter and paid each calendar quarter in advance. Subscriptions accepted after the commencement of a calendar quarter will be subject to a pro-rated Management Fee.

Performance Allocation. The General Partner is entitled to a Performance Allocation at the end of each calendar year equal to (i) 20% of the net profits of each Class A Share; (ii) 17.5% of each Class B Share; and (iii) 15% of each Founder’s Class Share, but, in each case, only to the extent that such profits exceed any losses carried forward from prior years, based on a “high water mark” formula.

Net profit includes unrealized appreciation or depreciation of marketable positions but generally includes only realized amounts in the case of any non-marketable investments. However, the Fund generally does not invest in non-marketable investments.

Organizational Expenses. The Fund bears the expenses of the organization of the Fund and the offering of the Fund interests to investors, including legal and accounting fees, printing costs, travel, “blue sky” filing fees and expenses, and out-of-pocket expenses. The organizational expenses borne by a Fund are described in more detail in that Fund’s Offering Documents.

Direct Expenses of the Fund. The Fund bears all costs and expenses directly related to its investment program, including expenses related to proxies, underwriting and private placements, brokerage commissions, interest on debt balances or borrowings, custody fees, the fees and expenses of risk and portfolio management systems, any withholding or transfer taxes imposed on the Fund and all expenses incurred in connection with locating, evaluating and implementing potential investments including travel, software subscriptions and other research related expenses. The Fund also bears all out-of-pocket costs of the administration of the Fund, including accounting, audit, legal, regulatory compliance and other professional expenses, costs of any litigation or investigation involving the Fund’s activities and costs associated with reporting and providing information to existing and prospective shareholders. However, the Adviser may, in its sole discretion, choose to absorb any such expenses incurred on behalf of a Fund.

Redemptions. Subject to certain withdrawal restrictions, a shareholder holding Class A Shares is permitted to initiate a complete or partial redemption on 30 days prior written notice at the close of business on the last business day of each calendar month; provided that redemptions of Class A Shares at the close of a calendar month occurring prior to the end of the One Year Anniversary are subject to a redemption reduction in the amount equal to 2% of the redeemed amount, which amount is retained by the Fund. A shareholder holding Class B Shares is

permitted to initiate a complete or partial redemption on 30 days prior written notice as of the close of business on the last business day of each calendar month occurring on or after the One Year Anniversary; provided, however, that redemptions that occur on or after the One Year Anniversary but prior to the Three Year Anniversary shall be subject to a redemption reduction in the amount equal to 2% of the redeemed amount, which amount is retained by the Fund. A shareholder holding Founders Class Shares is permitted to initiate a complete or partial redemption on 30 days prior written notice at the close of business on the last business day of each calendar month; provided that redemptions of Founders Class Shares at the close of a calendar month occurring prior to the end of the Three Year Anniversary are subject to a redemption reduction in the amount equal to 2% of the redeemed amount, which amount is retained by the Fund

Separate Accounts

Management Fees. The fees and expenses associated with the Accounts will be negotiated with each Account and are described in detail in the each Account's Offering Documents. The Management Fee is calculated each calendar quarter and paid each calendar quarter in advance. The annual Management Fees may range up to 2% of an Account's assets.

Performance Fees. Separate Accounts may be charged a performance fee of up to 30% per annum. The performance fee will be calculated based on net profits. The Management Fee and performance fee will generally be deducted from the Account directly upon invoice to the custodian.

Miscellaneous

The Clients will incur brokerage and other transaction costs. Item 12 of this brochure discusses how the Adviser selects brokers and determines the reasonableness of their compensation. The direct expenses borne by each Client are described in more detail in each Client's Offering Documents.

The Adviser generally grants waivers of the management fees and performance allocations/fees to principals and employees of the Adviser.

The Adviser may agree with certain investors to a variation of the terms set forth in each Client's Offering Documents, including different management fees and performance allocations/fees.

Lower fees for comparable services may be available from other sources.

- B. Management fees and performance allocations/fees are paid as indicated in Item 5.A. above.
- C. Clients will incur brokerage and other transaction costs. Item 12 of this brochure discusses how the Adviser selects brokers and determines the reasonableness of their compensation. The direct expenses borne by each Clients are described in more full detail in each Client's Offering Documents
- D. As stated above, any Fund Management Fees are payable quarterly in advance. Since investors are generally permitted to withdraw or redeem their investment in a Fund on a monthly basis, the Adviser will refund any pre-paid Management Fees if an investor withdraws or redeems their investment in a Fund before the end of the billing period. Furthermore, the Adviser will

refund any pre-paid Management Fees by an Account if the advisory contract with such Account is terminated before the end of the billing period. Management Fee refunds are calculated on a pro-rata basis for partial periods.

- E. Other than as described above, neither the Adviser nor any of its supervised persons receives any compensation from the sale of securities or other investment products.

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

As stated in Item 5 above, the Adviser or its affiliates receive performance-based fees or allocations from certain Clients. These payments are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Such fee arrangements may also create an incentive to favor higher fee paying clients over other clients in the allocation of investment opportunities. To address these conflicts of interest, the Adviser has implemented policies and procedures to ensure that all Clients receive equitable and fair treatment over time with respect to the allocation of investment opportunities.

Item 7 - Types of Clients

As mentioned in Item 4, the Adviser provides investment advisory services to (i) private funds for sophisticated qualified investors; and (ii) separate accounts including high net worth individuals, retirement plans, trusts, partnerships, corporations, or other businesses.

The minimum investment in a Fund is \$1,000,000, although the Adviser may accept investments in a lesser amount at its sole discretion. Generally, there is no stated minimum for opening an Account.

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

A. Investment Objective

The Adviser's investment objective is to deliver strong absolute returns in varying economic conditions and market cycles, while seeking to have significantly less risk than the overall stock market. The Adviser currently seeks to accomplish this by purchasing real estate related equities that are trading at what it considers to be significantly below private market value and by shorting real estate related equities that are trading at what it considers to be significantly above private market value. The Adviser's current intention is to invest primarily in U.S. equity securities.

Investment Strategy

The Adviser seeks to take advantage of near term price discrepancies in public equities by using a proprietary model to value public market real estate companies with real time market data. The Adviser utilizes a relationship with what it considers to be one of the nation's leading real estate lenders to obtain further bottom up valuation capabilities that other firms may lack access to. The Adviser intends to maintain true hedged positions in all investments to protect capital and reduce volatility. Each long position is typically hedged against a short position with a typical long/short ratio of less than 2:1. Long positions are generally executed when the stock is trading at what the Adviser considers to be significantly below private market value, based on a proprietary model that utilizes real time market data, such as cap rates, financing conditions, and forward NOI assumptions. The Adviser also intends to maintain close relationships with senior management of the target companies and believes a strong management team can significantly add value to real estate related businesses. The Adviser currently intends to use relatively low leverage to reduce volatility and preserve capital. The Adviser expects gross exposure to be 100%-200% and net exposure to be +60% to -60%, depending on macro level conditions in real estate. The Adviser currently intends for long positions to comprise 2%-20% of each Client's total portfolio and short positions to comprise 1%-10% of each Client's total portfolio. The Adviser anticipates that low market capitalization stocks will have an 8% position maximum and will generally be no more than 20% of a Client's total portfolio. The Client portfolios are generally expected to remain relatively liquid with long positions with no more than 8-10 days trading volume and shorts no more than 3-5 days trading volume. The Adviser's trading approach is intended to be flexible.

Investment Process

Generally, the Adviser starts with a coverage list of approximately 750 publicly traded real estate related companies, across all sectors, with a combined market capitalization over \$800 billion. From this universe, the Adviser typically seeks out companies that have a significant gap between the private and public market values. This valuation gap is determined through a proprietary model that has been refined over many years of completing private equity real estate transactions across all sectors in the U.S., Europe, and Latin America, in addition to executing long and short positions at a hedge fund. The proprietary model assumes private market financing terms, capitalization rates, growth assumptions, and asset by asset level valuations. Some of the inputs in this model (e.g. capitalization rates, financing terms, occupancy rates, etc.) are obtained through an exclusive, strategic partnership with what it considers to be one of the nation's leading real estate lenders. The Adviser generally meets with or has a

conference call with senior management of the target companies before capital is committed to new investments.

Long positions are generally executed when the public market valuation is what the Adviser considers to be significantly below the private market valuation. Typically, all long positions have a 12 month price target, which is revisited as new information becomes available in addition to after-quarterly reports. Short positions are typically executed when the public market valuation is what the Adviser considers to be significantly above the private market value. Generally, all short positions have an absolute price target, which is revisited when the stock is within 5% of this value. The Adviser expects to have a relatively high turnover in its short positions. Long and short positions are monitored daily with soft “alert level,” “action level,” and “exit level” loss limits.

Investing in securities (including private equity portfolio companies) involves the risk of loss, which investors should be prepared to bear. There can be no assurance that the Fund’s investment strategy will achieve profitable results or that the Clients will not incur substantial or total losses.

- B. The Adviser’s investment strategy involves a high degree of business and financial risk that can result in substantial losses and is suitable only for investors prepared to bear such risk. The risks factors below are not intended to be exhaustive. Prospective investors should carefully review the risks described in the applicable Client’s Offering Documents:

Investment Judgment; Market Risk. The profitability of a significant portion of the Adviser’s investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that the Adviser will be able to predict accurately these price movements. With respect to the investment strategy utilized by the Fund, there is always a degree of market risk.

Diversification. Since a Client’s investment portfolio will not necessarily be widely diversified, its investment portfolio may be subject to more rapid changes in value than would be the case if it were required to maintain a wide diversification among companies, securities, and types of securities. This limited diversification could expose a Client to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in a Client’s investments.

Key Personnel. Each Client’s success is dependent on the investment expertise of the Principal. The diminution or loss of services of the Principal could have a material adverse effect on the Clients.

Valuation of Portfolio Securities. From time to time, special situations affecting the valuations of a Client’s investments could have an impact on the net asset value of a Client’s portfolio. The Adviser is not required to make retroactive adjustments to prior subscription or redemption data, management fees, or performance allocations/fees based on subsequent valuation data. In addition, the Adviser may discount the value of a Client’s positions due to limited liquidity, concentration levels, or for other reasons. Due to the nature of the investments, the Adviser may not be able to place a precise value on positions and therefore may need to estimate value.

Withdrawals. Substantial withdrawals of capital from a Client’s account could require the Adviser to redeem or liquidate Client investments more rapidly than otherwise desired in

order to raise the cash necessary to fund the withdrawals. Illiquidity in certain markets could make it difficult for the Adviser to liquidate positions on favorable terms.

Portfolio Turnover. The Adviser is generally not restricted in effecting transactions for a Client by any limitations with regard to portfolio turnover rate. The Adviser's investment strategy might result in substantial portfolio turnover. A high rate of portfolio turnover involves correspondingly greater brokerage commissions and fees, which will be borne directly by the Client.

Leverage. Subject to applicable margin and other limitations, the Adviser may cause the Client to 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 the Client's portfolio would be amplified.

Illiquidity. Client investments made by the Adviser may be very illiquid, and consequently the Adviser may not be able to sell such investments at prices that reflect the Advisers assessment of their value or the amount paid for such investments.

Short Sales. The Adviser may enter Clients into transactions, known as "short sales," in which the Client sells a security it does not own in anticipation of a market decline in the market value of the security. Short sales by a Client that are not made "against the box" theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase.

Derivatives. 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. 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.

Interest Rates. The prices of a Client's portfolio investments tend to be sensitive to interest rate fluctuations and unexpected fluctuations of interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to the Client of borrowed securities and leveraged investments.

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 and the various foreign currencies in which the Client'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.

- C. Investments by a Client in real-estate related equity securities involve a high degree of business and financial risk that can result in substantial losses and is suitable only for investors prepared to bear such risk. The risks factors below are not intended to be exhaustive. Prospective

investors should carefully review the risks described in the applicable Client's Offering Documents.

Real Estate Risks. The companies in which the Adviser invests on behalf of the Clients will be subject to the risks inherent in the ownership and operation of commercial real estate, including risks associated with both the domestic and international general economic climate, local real estate conditions, changes in supply of or demand for competing properties in an area, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, the ability of the company to manage its real property efficiently, government regulations (such as rent control), and interest rates. Many real estate issuers, including real estate investment trusts ("REITs"), utilize leverage, which increases investment risk and could adversely affect an issuer's operations and market value in periods of rising interest rates.

Although the Adviser does not expect a Client to acquire any real property directly, the Adviser could cause a Client to do so, or the Client could acquire real property as a result of a property-related asset, such as upon a foreclosure of a mortgage loan held by the Client. With respect to any such real property owned by a Client, the Client will incur the burdens of ownership of real property, including, without limitation, the paying of expenses and taxes, maintaining such property, and ultimately disposing of such property.

Real Estate Development Risks. The Adviser intends for its Clients to acquire equity interests in businesses that engage in real estate development. Such companies are subject to the risks normally associated with real estate development, including, without limitation, risks relating to the availability and timely receipt of zoning and other regulatory approvals, the cost and timely completion of construction, and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses, and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on a Client's investments.

Leveraged Assets. The Adviser may invest a Client in equity or subordinated-loan investments in companies that utilize a leveraged capital structure, in which case a third-party would be entitled to cash flow generated by such company prior to the Client receiving a return. While such company's use of leverage may increase returns ultimately paid to the Client, it also will increase the Client's risk of loss on a leveraged investment.

Environmental Considerations. As is the case with any holder of real estate investments, the companies in which the Clients invest could face substantial risk of loss from environmental claims based on environmental problems associated with their real property as well as from occupational safety issues and concerns. Under various federal, state and local laws, ordinances, and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances released on or in its property.

Investing in securities involves risk of loss that prospective investors should be prepared to bear. There can be no assurance that a Client's objective will be achieved or that the investment strategies the Adviser employs will be successful. Investors must be prepared to lose all or substantially all of their investment. The past performance of the Adviser is not indicative of its future performance.

For a more complete description of the risks associated with investing with the Adviser, investors should refer to the relevant Offering Documents for each Client.

Item 9 - Disciplinary Information

On March 19, 2015, the SEC determined that certain equity transactions constituted a technical violation of Rule 105 of Regulation M of the Securities Exchange Act, a rule that is “prophylactic and prohibits the conduct irrespective of the short seller’s intent.” KeyPoint agreed to a disgorgement of the \$11,654.62 in total profits and payment of prejudgment interest and a civil fine.

Item 10 - Other Financial Industry Activities and Affiliations

- A. The Adviser is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of the Adviser are registered representatives of a broker-dealer.
- B. Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.
- C. As noted in Item 5, the General Partner of the Funds is an affiliate of the Adviser. Since the General Partner is entitled to receive the Performance Allocation from the Funds, this may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case if such arrangement was not in effect. However, as noted in Item 11, the Adviser has adopted a written Code of Ethics that contains policies and procedures to address conflicts of interest. Under such policies and procedures, the Adviser is required to make investment decisions for the Funds in a manner that is consistent with its fiduciary duties to the Funds.

The Adviser has no relationships or arrangements with any related person listed in the instructions to Item 10.C. that are material to its advisory business or to its Clients.

- D. 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

- A. The Adviser has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act (the “Code”). The Code sets forth a standard of business conduct and compliance with federal securities laws by all of the Adviser's employees. The Code contains policies and procedures that ensure that all personal securities trading by employees of the Adviser is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. The Adviser prohibits personal trading on certain securities or instruments; requires pre-clearance of personal trades in certain circumstances, including purchases of an IPO or a new private placement; requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

While the Adviser rarely has access to non-public information relating to public companies, as part of its Code, the Adviser has established procedures to prevent the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. Because the structure of the Adviser would make information barriers impractical, the firm has not imposed information barriers to restrict the internal flow of possible material, non-public information. Thus, all professionals are deemed to be in receipt of material, non-public information, in all instances where any professional of the Adviser has received material, non- public information, and, therefore, may not trade on the basis of that information.

The Adviser will provide a copy of the Code to any investor or prospective investor upon request.

- B. Affiliates of the Adviser serve as the General Partners to the Funds, which issue partnership interests to third party investors. Other than with respect to these structures, neither the Adviser nor any of its related persons recommend to the Funds, or buy or sell for Funds, investments in which the Adviser or any related persons have a material financial interest.
- C. The Principal makes significant capital Commitments in the Funds. Such amounts may be invested pro rata with the limited partners of each Fund in all Fund portfolio investments. Other than any of these investments in the Funds, neither the Adviser nor any of its related persons invest in the same or related securities that either the Adviser or its related persons recommend to the Funds.
- D. Neither the Adviser nor any related person recommends investments to the Funds, or makes investments for the Funds, at or about the same time that the Adviser or its related persons buys or sells the same investments for their own account.

Item 12 - Brokerage Practices

- A. The Adviser has complete discretion to determine, subject to each Client's disclosed investment objectives, policies and strategies, the securities to be purchased or sold and in what amounts, the broker-dealers and other financial intermediaries use in effecting the transactions for the Funds, and the commission rates to be paid for such transactions.

Brokerage. The Adviser selects the broker-dealers and other financial intermediaries used to effect transactions on behalf of its Clients. The Adviser seeks to obtain "best execution" from these broker-dealers based on a variety of factors. In selecting broker-dealers to effect portfolio transactions, the Adviser may cause a Client to enter into arrangements pursuant to which the Client pays transaction costs in an amount greater than would be incurred if another broker-dealer were used. The Adviser is not required to solicit competitive bids or seek the lowest available commission or transaction costs. The transactions executed by a Client may be cleared through, and the Client's investment instruments may be held by, a number of financial institutions the Adviser selects on terms negotiated with each such financial institution individually. Subject to the Adviser's agreement with each Client, the Adviser generally will use a variety of financial institutions both to take advantage of differing expertise and capabilities and to avoid, due to credit concerns, having all investment instruments concentrated at one firm. The Adviser does not consider the receipt of Client referrals when selecting broker-dealers to execute transactions.

The Adviser does not permit clients to direct brokerage to a specified broker-dealer. All brokerage transactions will be executed through the broker-dealers selected by the Adviser.

Soft Dollars. The Adviser or its affiliates may receive from a Client's broker-dealers products and services in addition to brokerage services.

A portion of the commissions generated on a Client's brokerage transactions may generate "soft dollar" credits that the Adviser is authorized to use to pay for research and other non-research related services and products used by the Adviser or its affiliates. The Adviser may enter into "soft dollar" arrangements with one or more broker-dealers whereby the Adviser will direct securities transactions to the broker-dealer in return for research products and services from the broker-dealer. Although the Adviser will use the research and services in making investment decisions for the applicable Client, the Adviser may use such research or services for other Clients and the applicable Client will generally pay more than the lowest available commissions for execution of these transactions. The Adviser may also enter into "soft dollar" arrangements to cover Client expenses or costs and expenses of the Adviser to the extent such arrangements are permitted by law.

The Adviser has authority to use "soft dollar" credits generated by a Client's securities transactions to pay for expenses that might otherwise have been borne by the Adviser. This may give the Adviser an incentive to select brokers or dealers for Client transactions, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by the Adviser rather than giving exclusive consideration to the interests of the Clients.

In the event that the Adviser elects to use soft dollars, it intends to limit such use to services that fall within the safe harbor afforded by Section 28(e) of the Securities Exchange Act of

1934, as amended, or such services that are otherwise reasonably related to the investment decision-making process.

The term “soft dollars” refers to the receipt by an investment adviser of products and services provided by brokers, without any cash payment by the investment adviser, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment adviser. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment).

The use of brokerage commissions to obtain investment research services and to pay for the administrative costs and expenses of the Adviser creates a conflict of interest between the Adviser and its Clients, because a Client may pay for such products and services that are not exclusively for the benefit of the Client and that may be primarily or exclusively for the benefit of the Adviser. To the extent that the Adviser is able to acquire these products and services without expending its own resources (including management fees paid by a Client), the Adviser’s use of “soft-dollars” would tend to increase the Adviser’s profitability. In addition, the availability of these non-monetary benefits may influence the Adviser to select one broker rather than another to perform services for its Clients. Certain of the Clients’ Offering Documents, including the Funds’ Offering Documents, specifically authorize these practices to the fullest extent permitted by law.

- B. In general (and when applicable), the Adviser attempts to aggregate multiple orders for the purchase or sale of the same instrument into block transactions, subject to the overall obligation to achieve best price and execution for its Clients.

Item 13 - Review of Accounts

- A. Rodney B. Hinze, the Principal of the Adviser and the portfolio manager for the Clients, is responsible for reviewing Client investment portfolios. Mr. Hinze performs intraday, daily, weekly or monthly reviews of Client positions as he deems appropriate. Performance, security positions, exposure levels, and investment opportunities are among some of the matters that may be reviewed.
- B. See Item 13.A. above.
- C. The Adviser provides Fund investors with audited annual financial statements, periodic unaudited performance reports and all tax information relating to their investments in each the Fund necessary for U.S. federal income tax purposes.

Item 14 - Client Referrals and Other Compensation

- A. The Adviser does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Funds.
- B. The Adviser may enter into agreements with persons who refer potential investors for certain Clients, including Funds and Accounts, to the Adviser. For their referral services, these persons may receive compensation from the Adviser in the form of a percentage of the management fee and/or performance-based fee or allocation that the Adviser and its affiliates receive from the Clients with respect to the referred investors. All solicitation arrangements that the Adviser has entered into have been designed to be in compliance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended. The Clients and their underlying investors are not responsible for any of the fees paid to the referring persons.

Item 15 - Custody

The Adviser may be deemed under Rule 206(4)-2 of the Advisers Act to have custody of the assets of the Funds by virtue of its control of the General Partner of each Fund. All assets and securities of the Funds are held by qualified custodians. As noted in Item 13 above, Fund investors receive annual financial statements audited by an independent public accounting firm. Fund investors are urged to carefully review these statements.

The Adviser does not have nor is it deemed to have custody of the assets and securities of the Accounts.

Item 16 - Investment Discretion

The Adviser exercises discretion in managing the investments of each Client, based on the Client's particular investment objectives, policies and strategies disclosed in its Offering Documents.

The Adviser contractually assumes discretionary authority over the assets of each Fund under an investment management agreement entered into among the Adviser, the Fund and the Fund's General Partner or other controlling entity.

The Adviser contractually assumes discretionary authority with each Account under an investment management agreement with the Account.

Item 17 - Voting Client Securities

The Adviser follows a proxy voting policy to ensure that proxies the firm votes, on behalf of each Client, are voted to further the best interest of that Client. The policy establishes a mechanism to address any conflicts of interests between the Adviser and its Clients. Further, the policy establishes how a Client's underlying investors may obtain information on how the proxies have been voted.

The Adviser determines how to vote after studying the proxy materials and any other materials that may be necessary or beneficial to voting. The Adviser votes proxies in a manner that it believes reasonably furthers the best interests of its Clients and their investors and is consistent with the investment philosophy as set forth in the relevant Client Offering Documents.

If a proxy vote creates a material conflict between the interests of the Adviser and a Client, the Adviser will resolve the conflict before voting the proxies. The Adviser will take steps designed to ensure that a decision to vote the proxy was based on the Adviser's determination of the Client's best interest and was not the product of the conflict.

The Adviser maintains records of (i) all proxy votes that are made on behalf of its Clients; (ii) all written requests from each Client's underlying investors regarding voting history; and (iii) all responses (written and oral) to investors' requests. Such records are available to each Client's underlying investors upon request.

Item 18 - Financial Information

- A. The Adviser does not require or solicit prepayment of more than \$1,200, six months or more in advance.
- B. The Adviser does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its Clients.
- C. The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.