

Part 2A of Form ADV - FIRM BROCHURE

Item 1 – Cover Page

KLR GROUP ADVISORS, LP

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This brochure (the “**Brochure**”) provides information about the qualifications and business practices of KLR Group Advisors, LP (the “**Adviser**” or “**KLR Group**”). If you have any questions about the contents of this Brochure, please contact us at (713) 654-8080. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

KLR Group is a registered investment adviser. Registration with the SEC as an investment adviser does not imply that KLR Group or any of its employees possess a particular level of skill or training.

MAY 17, 2018

Item 2 – Material Changes

KLR Group is providing this Brochure as part of its initial registration as an investment adviser. In the future, this section will discuss any material changes made to the document since the last annual update of this Brochure.

KLR Group will ensure that Investors (as defined below) receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. The Adviser may further provide other ongoing disclosure information about material changes as necessary.

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Item 4 - Advisory Business

- A. KLR Group was formed in May 2018 as a Delaware limited partnership and has its principal place of business in Houston, Texas. The principal owner of the Firm is Edward Kovalik (the “**Principal**”), who bears the overall responsibility for the day-to-day supervision and management of KLR Group’s business. KLR Group Holdings, LLC wholly owns and serves as the general partner of KLR Group. KLR Group will act as an investment adviser to a private investment fund, KLR Seawolf Fund, LP (the “**Fund**” or “**Client**”)¹, whose investors consist of sophisticated institutional investors and high net-worth individuals (“**Investors**”).
- B. The investment strategy of the Adviser is to purchase water rights and associated assets in the state of Texas through a single investment entity. KLR Group pursues its investment strategy through managing assets held by its Client on a discretionary basis. The Adviser provides investment advisory services to the Client based on the investment objectives and strategies described in the Client’s confidential offering memorandum and governing documents, including but not limited to an investment management agreement (referred to collectively as the “**Offering Documents**”).
- C. The Adviser tailors its advisory services to the specific investment objectives and strategy of the Client and in accordance with the investment objectives, policies and guidelines set forth in the Fund’s Offering Documents.
- D. The Adviser will not participate in wrap fee programs.
- E. As of May 17, 2018, the Adviser managed \$0 in discretionary and non-discretionary regulatory assets under management.

¹ As a 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.

Item 5 - Fees and Compensation

A. Set forth below is a description of the fees and expenses paid by the Fund:

In consideration of KLR Group's investment advisory and other services, KLR Group will receive a management fee from the Fund, which is generally equal to a percentage of the total invested capital to the Fund (the "**Management Fee**"). The percentage of the Management Fee will be 2% of the invested capital per annum. After the conclusion of the investment period, the Management Fee generally accrues at an annual rate based on a percentage of the aggregate capital contributions of all investors used to make investments in portfolio investments that have not been sold or written off.

In addition, the general partner of the Fund, will receive certain allocations and distributions calculated and charged based on a share of capital gains on or capital appreciation of the assets of the Fund, as negotiated and determined at the time such Fund is established and as set forth in its Offering Documents. These allocations and distributions are commonly known as "**Carried Interest**".

Management Fees and Carried Interest distributions generally are not negotiable. However, KLR Group has complete discretion to reduce or waive Management Fees and/or Carried Interest distributions. As a general practice, KLR Group will waive the Management Fee and Carried Interest distributions for KLR Group's affiliates, including its employees.

Management Fees are funded from the total amount of invested capital but may also be funded with or withheld from proceeds from investments. Carried Interest distributions generally will be distributed to KLR Group's affiliate from time to time upon the disposition of investments by the Fund and are distributed to such affiliate in accordance with the terms of the Fund's Offering Documents.

B. As stated above, the Fund pays a Management Fee based on a percentage of the invested capital to the Fund. Such fees are generally paid quarterly in advance as compensation for the management services to be performed by the Adviser. The Management Fee is typically funded with capital contributions drawn for such purpose but may also be funded with or withheld from proceeds from investments. Carried Interest distributions generally will (if earned in accordance with the Fund's Offering Documents) be distributed to KLR Group or its affiliate upon the disposition of one or more investments of the Fund.

From time to time, where permitted under the Offering Documents, an affiliate of KLR Group may provide financial advisory and transaction execution services to certain Fund's portfolio companies or otherwise be involved in providing financial advisory and other services. These activities may not need to be approved by the Investors, and compensation received in connection with these activities may not be shared with the Fund or reduce management or other fees payable by the Investors.

It is critical that Investors and prospective investors refer to the Fund's Offering

Documents for a complete understanding of how KLR Group and its affiliates, including the general partner of the Fund, are compensated for advisory services. The information contained herein is a summary only and is qualified in its entirety by the Fund's Offering Documents.

- C. In general, KLR Group pays its ordinary administrative and overhead expenses, incurred in connection with managing, originating and monitoring investments, such as employee salaries, rent and utilities.

In addition to the Management Fee and the Carried Interest described above, the Fund is subject to customary expenses associated with conducting a Fund's investment program, including, without limitation: (i) fees, costs and expenses relating to the sourcing, purchasing, holding and sale of investments, including the costs of unconsummated transactions and travel related thereto; (ii) legal, auditing, bookkeeping, reporting, regulatory compliance and accounting (including tax advisory, tax compliance and costs for preparation of reports to the Client and financial statements) fees and expenses; (iii) all insurance and indemnification expenses; (iv) interest expenses and debt service obligations, investment banking, brokerage fees, finders' fees, custody, transfer, registration, commissions, discounts and other similar expenses; (v) costs associated with meeting with limited partners, including related travel costs; (vi) extraordinary expenses such as litigation expenses; (vii) expenses of liquidating any vehicles set up for the Client; (viii) costs and expenses associated with the formation, launch and closing of such Fund and (ix) taxes, fees or other government charges levied against the Client investments and all expenses incurred in connection with tax audit, investigation, settlement, regulatory compliance or review of the Client investments.

The foregoing list of expenses is not intended to be exhaustive and is qualified in its entirety by the terms set out in the Offering Documents of the Fund.

- D. Other than as described above and in *Item 10.C*, neither KLR Group nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

As stated in *Item 5* above, KLR Group or one its affiliates may be entitled to receive Carried Interest distributions from the Fund, which is a type of performance-based compensation. The specific structure and calculation of the performance-based fee are described in detail in the Fund's Offering Documents. 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, which requires that performance-based fees only be charged to "**qualified clients**" (as such term is defined in Rule 205-3).

The Carried Interest distribution is effectively equivalent to a percentage of the Fund's net profits, subject to certain terms and conditions set forth in the Offering Documents of the Fund. Any share of a Fund's net profits paid to KLR Group is separate and distinct from Management Fees and other fees paid or borne by a Fund.

Carried Interest distributions could motivate the Adviser to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. KLR Group generally attempts to mitigate conflicts of interest associated with Carried Interest distributions through (i) the requirement that invested capital, a preferred return and expenses be returned to the Client before KLR Group is entitled to receive any Carried Interest distributions and (ii) the requirement that KLR Group and/or its affiliates invest alongside the Client.

Item 7 - Types of Clients

As mentioned in *Item 4*, KLR Group provides investment advisory services to its Client based on the investment objectives and strategies described in its Offering Documents.

Investors in the Fund are required to complete and submit a subscription agreement binding them to the terms of the Fund's governing documents. The Adviser only admits "**accredited investors**", as defined in Rule 501(a) of Regulation D under the Securities Act of 1933 and qualified clients as defined in Rule 205-3 of the Advisers Act. The minimum investment in the Fund is \$1,000,000, although the general partner may accept investments in a lesser amount at its sole discretion.

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

- A. The Adviser's principal investment strategy is to purchase certain water rights, customer contracts and infrastructure assets in the state of Texas through a single investment entity.

Investing in the Fund involves risk of loss that Investors should be prepared to bear including, but not limited to, those described below. The management style offered by KLR Group is not intended as a complete investment program and may not be suitable for all investors. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of such an investment. No guarantee or representation is made that the Adviser will achieve its investment objectives or that there will be any return of capital, and investment results may vary substantially on monthly, quarterly or annual basis.

Although the Adviser seeks to reduce the risks associated with the Clients' investments, prospective investors should consider carefully, among other factors, the risks described below. Such risk factors are not meant to be an exhaustive listing of all potential risks associated with investments in the Client.

- B. The following is a brief summary of certain significant risks associated with the Adviser's investment strategies:

Nature of Investment. An investment in the Fund requires a long-term commitment with no certainty of return. Portfolio investments of a Fund may not generate current income. The return of capital and the realization of gains, if any, from a portfolio investment generally will occur upon the partial or complete realization or disposition of such portfolio investment.

No Assurance of Investment Return. KLR Group cannot provide assurance that it will be able to identify, make and realize investments in any particular company or portfolio of companies. There can be no assurance that the Adviser will be able to generate returns for the Funds or their investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein. There can be no assurance that the Fund will receive any distribution from its investments. Accordingly, potential limited partners of the Fund should only consider making investments in the Fund if they can afford a loss of their entire investment.

Absence of Operating History. The Fund has no operating history and will be entirely dependent on the general partner, the Adviser and its Principal. In addition, the Fund's investments may differ from previous investments made by the Principal in a number of respects.

Tax Risk. The Fund may take positions with respect to certain issues, which depend on legal conclusions not yet addressed by the courts. Should any of these positions be successfully challenged by applicable tax authorities, a Client might be found to have a different tax liability for that year than that reported on his or its tax return. Prospective investors are

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

advised to consult with their own tax advisors in this regard.

Business and Regulatory Risks of Alternative Investment Funds. The financial services industry generally, and the activities of alternative investment funds and their managers in particular, have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the Client's exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may also impose additional administrative burdens on the Adviser, including, without limitation, responding to examinations and investigations, implementing new policies and procedures and complying with recordkeeping and reporting obligations. Such burdens may divert such parties' time, attention and resources from portfolio management activities.

Securities, futures and credit markets are subject to comprehensive statutes, regulations and other requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. Additionally, the regulation of the markets in which the Clients may participate is increasing and is subject to modification by government and judicial actions. The effects of any changes in law or interpretations of existing laws on the Clients could be substantial and adverse.

With the passage of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**"), the U.S. government has undertaken extensive rulemaking and regulatory changes that affect private fund managers, the funds that they manage and the financial industry as a whole. Under the Dodd-Frank Act, the Commodity Futures Trading Commission ("**CFTC**") and the SEC have mandated (and will mandate) recordkeeping, reporting, central clearing and mandatory trading on electronic facilities, which add costs to the legal, operational and compliance obligations of the Adviser and the Clients and increase the amount of time that the Adviser spends on non-investment-related activities. The Dodd-Frank Act affects a broad range of market participants with whom the Clients interacts or may interact, including banks, non-bank financial institutions, rating agencies, mortgage brokers, credit unions, insurance companies, payday lenders and broker-dealers, and may change the way in which the Adviser conducts business with counterparties. It may take years to understand the impact of the Dodd-Frank Act on the financial industry as a whole, and, therefore, the continued uncertainty may make markets more volatile and make it difficult for the Adviser to execute the investment strategy of its Clients. The Dodd-Frank Act also created the Financial Stability Oversight Council (the "**Council**") that is charged with monitoring and mitigating systemic risk. As part of this responsibility, the Council will have the authority to subject banks and other financial entities to regulation by the U.S. Federal Reserve Board, which could limit the amount of risk-taking engaged in by the Client. The Council also may require that the Adviser or the Client respond to queries in order to provide the Council with necessary information in order for it to monitor systemic risk.

The regulatory environment for alternative investment funds is evolving, and changes in the regulation of private funds and their investing activities may adversely affect the ability of

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

the Client to pursue its investment program, the value of the investments held by the Client and the Client's ability to obtain leverage. There has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general. It is impossible to predict whether changes in regulations may occur, but any regulations that restrict the Client's activities could have a material adverse effect on the Client's investments. In addition, such regulatory scrutiny may increase the Client's exposure to potential liabilities and to legal, compliance and other related costs.

Dependence on Occurrence of Events. The ability to realize a profit on the Fund's investments may be dependent upon the occurrence of certain events, for example, the bankruptcy, sale, or successful reorganization of a company. If the event that the Adviser is expecting to occur does not occur, the Clients may sustain a significant loss.

Cyber Security Risks. With the increased use of technologies such as the internet and the dependence on computer systems to perform necessary business functions, investment vehicles such as the Clients and its service providers may be prone to operational and information security risks resulting from cyber-attacks. In general, cyber-attacks result from deliberate attacks, but unintentional events may have effects similar to those caused by cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial-of-service attacks on websites, the unauthorized release of confidential information and causing operational disruption. Successful cyber-attacks against, or security breakdowns of, the Fund, the general partner, the Managed Accounts, the Adviser, the Administrator and/or other third-party service providers may adversely impact the Clients or the Investors. For instance, cyber-attacks may interfere with the processing of Investor subscriptions or withdrawals, impact the Clients' ability to value its assets, cause the release of private Investors information or confidential information of the Clients, impede Client operations, cause reputational damage, and/or subject the Clients to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. The Clients also may incur substantial costs for cyber-security risk management to prevent any cyber incidents in the future. The Clients and the Investors could be negatively impacted as a result. While the Clients have established business continuity plans and systems designed to prevent such cyber-attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Similar types of cyber security risks are also present for issuers of securities or other instruments in which the Clients invests, which could result in material adverse consequences for such issuers and may cause the Clients' investment therein to lose value.

Reliance on Key Individual. In managing the investments of the Funds, KLR Group will be relying extensively on the experience, relationships and expertise of its principals and its other key employees. There can be no assurance that these individuals will remain in the employ of the Adviser or otherwise continue to carry on their current duties.

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

Potential Conflicts of Interest. Investors should be aware that there may be occasions when KLR Group and its affiliates encounter potential conflicts of interest in connection with making investments for its Fund. If any matter arises that KLR Group determines in its good faith judgment constitutes an actual or potential conflict of interest, KLR Group may take such actions as may be necessary or appropriate to ameliorate the conflict, including presenting such actual or potential conflicts to limited partners or any advisory committee (if any) that is set up to address such conflicts, although the Adviser is not required to establish such advisory committees. By becoming an investor in a Fund, such investor will be deemed to have acknowledged the existence of any such actual or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest.

While KLR Group strives to mitigate these risks through a variety of techniques, it makes no guarantee or representation that a client's investment program and related trading will be successful. As a result of the foregoing and other factors, Clients face the risk of losing all or substantially all of their investment.

KLR Group Affiliated Broker-Dealer. KLR Group, LLC, the Adviser's affiliated broker-dealer, is registered and a member of FINRA. The affiliated broker-dealer is operated by supervised persons that also provide services to the Adviser. From time to time, the affiliated broker-dealer may be permitted to provide various investment banking services, including capital raising and other financial advisory services, to companies which are or may become portfolio companies of the Fund. No portfolio company, as a condition of the Fund's investing in the portfolio company, will be required to engage the affiliated broker-dealer to provide any such services. The FINRA rules of conduct impose certain requirements and limitations on a broker-dealer, and persons associated with a broker-dealer, in connection with securities offerings. The Adviser expects that the affiliated broker-dealer will comply with all applicable FINRA rules and other applicable laws and regulations pertaining to its business. If a regulator determines that the affiliated broker-dealer has failed to comply with such rules, laws and regulations for any reason, the Fund may be unable to participate, or its participation may be delayed, in certain securities offerings and such failure may have a material adverse effect on the Fund's financial performance.

- C. The following is a brief summary of the risks involved with particular securities recommendations:

General Private Equity Risks. Private equity investments are subject to varying degrees of risk. The value of such investments is affected by a number of factors, including changes in the general economic climate, industry dynamics, the quality of management, competition, and changes in operating costs. Values of equity investments in companies are also affected by such factors as government regulations, interest rate levels, the availability of financing and potential liability under changing environmental and other laws.

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

No Market for Interests and Restrictions on Transfer. Legal vehicles set up by KLR Group to make private equity investments have not been registered and it is not contemplated that these vehicles will ever be registered under the Securities Act of 1933 or any other securities laws. There is no public market for interests in these vehicles and one is not expected to develop. A limited partner of the Fund will not be permitted to assign its interests, except by operation of law or with the prior written consent of the applicable general partner. Except in extremely limited circumstances, investors will not be permitted to make withdrawals from the Fund. Consequently, investors in the Fund must be prepared to bear the risks of owning these investments for an extended period of time.

Lack of Liquidity of Investments. The investments to be made by the Fund are likely to be illiquid. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition. The possibility of partial or total loss of capital will exist, and investors should not subscribe for interests in the Fund unless they can readily bear the consequences of such loss.

THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED ASSOCIATED WITH KLR GROUP'S INVESTMENT ANALYSIS AND INVESTMENT STRATEGIES. SUBSTANTIAL ADDITIONAL RISKS MAY BE PRESENT. PROSPECTIVE INVESTORS SHOULD READ THE OFFERING DOCUMENTS AND CONSULT WITH THEIR OWN ADVISORS BEFORE DECIDING TO MAKE AN INVESTMENT.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of the Adviser or the integrity of KLR Group's management.

There are no legal or disciplinary events that are material to a Client's or prospective client's evaluation of KLR Group's advisory business or the integrity of its management.

Item 10 - Other Financial Industry Activities and Affiliations

- A. The Adviser itself is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. However, the Adviser is affiliated with a registered broker-dealer, KLR Group, LLC. Additionally, management persons of the Adviser are also registered representatives of the affiliated 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 indicated above, KLR Group is affiliated with a registered broker-dealer and member of FINRA. KLR Group shares office space and may share certain overhead expenses with the affiliated broker-dealer but maintains separate and independent operations. The supervised persons of the Adviser are also registered representatives of the affiliated broker-dealer. The affiliated broker-dealer is permitted to provide various investment banking services, including capital raising and other financial advisory services, to companies which are or may become portfolio companies of the Fund. If the affiliated broker-dealer provides such services, it may be entitled to receive reasonable compensation or reimbursement of expenses. KLR Group's relationship with the affiliated broker-dealer may give rise to conflicts of interest, which are disclosed in *Item 8* above.

The Fund is an affiliate of the Adviser. Additionally, the Fund's general partner, KLR Seawolf Resources Management, LP, is an affiliate of the Adviser. Since the general partner is entitled to receive a share of the Carried Interest from the Fund, 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 below in *Item 11*, the Adviser has 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 its Client in a manner that is consistent with its fiduciary duties to its Client.

- D. The Adviser does not recommend or select other investment advisers for its Client nor does it have any business relationship with other advisers that might create a material conflict of interest.

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

- A. The Adviser has adopted a written Code of Ethics (the “**Code**”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 under the Advisers Act. 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 Adviser employees execute personal securities trading in a manner that mitigates actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility.

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

- B. Neither the Adviser nor any of its related persons recommend to its Client securities in which the Adviser or any related persons have a material financial interest. However, KLR Group and its employees may hold economic interests in the Fund and thus would have pecuniary interests in such investments made by the Fund, with such interests being on parity with the Fund. As noted in *Item 5*, Investors affiliated with KLR Group, including its employees, will bear no management fees or carried interest allocations.
- C. The Adviser or related persons may invest in securities that it recommends to its Client. This may create an incentive for the Adviser to allocate securities in favor of the Adviser's proprietary accounts over the Client accounts. To address these conflicts of interest, the Adviser has implemented policies within the Code that requires pre-clearance before purchasing an IPO or limited offering (e.g., private placements); requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations. KLR Group endeavors to maintain current and accurate records of all personal securities accounts of its employees in an effort to monitor all such activity.

Certain transactions in which KLR Group engages may require, for either business or legal reasons that no employee trade in the subject securities for specified time periods. Such securities will appear on a list (the “**Restricted List**”) that will be circulated to all employees upon an addition or removal of such security. No employee may engage in any sort of trading activity with respect to a security or a derivative thereof on the Restricted List without obtaining prior written approval from the CCO.

- D. Subject to the requirements of the Code, the Adviser or related persons may recommend investments to its Client, or make investments for the Client, at or about the same time that the Adviser or its related persons buys or sells the same investments for their own personal interest. See *Item 11.C.* above for a discussion on how these conflicts of interest are addressed.

Item 12 - Brokerage Practices

- A. The Adviser's investment strategy involves making privately negotiated investments with respect to purchasing certain water rights, customer contracts and infrastructure assets through a single investment entity. As a result, the Adviser does not select or recommend broker-dealers for the purchase and sales of securities. Furthermore, the Adviser does not maintain any trading accounts and does not use "soft dollars" received from broker-dealers from the purchase and sales of securities for its clients.
- B. Not Applicable

Item 13 - Review of Accounts

- A. The Adviser is responsible for reviewing Client investment portfolios. Each investment of the Fund is reviewed by KLR Group's investment professionals on a regular basis when deemed appropriate based on the financial performance and communications and other developments related to the investment, but in no event less than on a quarterly basis. These investment professionals monitor operations, overall performance, financial performance and strategic direction of each portfolio investment owned by the Fund. The Adviser's investment professionals perform periodic comprehensive reviews. In addition, the investment professionals of KLR Group meet on a regular basis to review, among other, things, (i) market events and their effect on investments; (ii) investment ideas, economic developments and current events, and investment strategies, (iii) operations and financial condition of the portfolio companies; and (iv) any proposed investments or divestments of any portfolio companies. In addition, the Fund typically retains third party service providers to assist with certain back-office functions, valuations, tax reporting and other similar functions. The Offering Documents for the Fund contain additional specific descriptions of the oversight and monitoring of the portfolio investments of such Fund.
- B. KLR Group's investment professionals review the portfolio investments of the Fund on a periodic basis as described above. There are no specific triggers to launch a portfolio review.
- C. The Adviser provides written financial reports to its Investors in the Fund on a quarterly basis. These reports include information relevant to the Fund's investments (and each Investor's investment in such Fund). In addition, the Investors in the Fund receive written annual financial statements of the Fund on an annual basis.

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 its Client.
- B. The Adviser does not directly or indirectly compensate any person that is not a supervised person of the Firm for client referrals.

Item 15 - Custody

KLR Group is deemed, under Rule 206(4)-2 of the Advisers Act, to have custody of the assets of the Fund by virtue of the common control of the Adviser and the general partner of the Fund. In order to comply with the custody provision, KLR Group utilizes the services of a bank and other qualified custodians (as defined under Rule 206(4)-2) to hold all cash and securities of the Fund (except with respect to privately offered securities).

In accordance with Rule 206(4)-2, KLR Group also (1) has engaged an independent public auditor to conduct annual audits of the Fund, and (2) will distribute the audited financial statements of the Fund that are prepared in accordance with United States generally accepted accounting principles. The financial statements are sent to all Investors in the Funds within at least 120 days after the end of the fiscal year. All Investors are urged to carefully review these statements. Qualified custodians are not expected to provide account statements directly to investors in the Fund.

Item 16 - Investment Discretion

KLR Group exercises full discretionary authority in managing the investments made by the Fund, based on the Fund's investment objectives, policies and strategies disclosed in its Offering Documents. KLR Group contractually assumes discretionary authority over the assets of the Fund under an investment management agreement entered among KLR Group, the Fund and its general partner.

Item 17 - Voting Client Securities

The Adviser does not hold Fund investments in public equity securities and therefore does not generally receive proxies on behalf of its Client. As a general practice, however, should a situation arise where KLR Group needs to exercise proxy voting, the Adviser will adopt and implement written policies and procedures governing the voting of client securities to ensure such proxies are voted in the best interest of its Client.

Item 18 - Financial Information

- A. KLR Group does not require or solicit prepayment of more than \$1200, six months or more in advance.
- B. KLR Group does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its Client.
- C. KLR Group has not been the subject of a bankruptcy petition at any time during the past ten years.