

CrossCap Management Inc.

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This brochure provides information about the qualifications and business practices of CrossCap Management Inc. If you have any questions about the contents of this brochure, please contact us at 713-781-1000 or brady@crosscapital.com. 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 CrossCap Management Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

Since the last annual amendment of the Form ADV, the following material changes have occurred:

In December 2011 the Chief Compliance Officer changed from Doug Jegi to Brady Crosswell.

In March 2012 the Firm is applying to change its registration from the Securities and Exchange Commission to the State of Texas as a result of regulatory changes.

Table of Contents

Advisory Business.....	1
Fees and Compensation	2
Performance-Based Fees and Side-By-Side Management	3
Types of Clients	3
Methods of Analysis, Investment Strategies and Risk of Loss.....	3
Disciplinary Information.....	6
Other Financial Industry Activities and Affiliations	6
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	6
Brokerage Practices.....	7
Review of Accounts.....	9
Client Referrals and Other Compensation	9
Custody	9
Investment Discretion.....	10
Voting Client Securities	10
Financial Information.....	10
Requirements for State-Registered Advisers.....	11

ADVISORY BUSINESS

Advisory Firm Description

CrossCap Management Inc. ("Investment Manager," "CrossCap" or the "Firm") has been in business since October 1, 2000. The principal owners are H. Mark Crosswell and Brady E. Crosswell

Types of Advisory Services

Separately Managed Accounts

CrossCap provides investment advice for individual clients based on their individual needs. CrossCap conducts personal discussions with each client, determining goals, objectives and risk tolerance. The Firm develops a client's personal investment policy and creates and manages a portfolio based on that policy. Account supervision is guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, income, or growth and income). CrossCap manages advisory accounts on a discretionary basis only.

Pooled Investment Vehicles

CrossCap also provides investment supervisory services on a discretionary basis to private investment limited partnerships. Currently, the Investment Manager provides investment supervisory services to pooled investment vehicles (the "Partnerships" or the "Funds"). Investment supervisory services provided to the Partnerships include: (1) establishing the investment objectives of the Partnerships; (2) buying or selling portfolio securities on behalf of the Partnerships and (3) periodically reporting to each of the investors in the Partnerships in accordance with the limited partnership agreement.

Tailored Advisory Services

Separately managed account clients may impose restrictions on particular investments or investment classes in their separate accounts by notifying CrossCap at any time in writing.

Client Assets Under Management

At December 31, 2011, the Firm had \$54 million of discretionary assets under management.

FEES AND COMPENSATION

Separately Managed Accounts

CrossCap charges an annual advisory fee as a percentage of assets under management, according to the following fee schedule:

Assets Under Management	Annual Fee
First \$1,000,000	1.50%
Next \$4,000,000	1.00%
> \$5,000,000	0.80%

Fees are deducted from client accounts directly through the custodian by a limited power of attorney. Fees are payable in arrears at the end of each calendar quarter based upon the value (market value or fair market value in the absence of market value, plus any credit balance or minus any debit balance) of the client's account at the last day of the previous quarter. Fees are charged at one fourth of the above amount each quarter. Fees are negotiable.

Partnership Fees

The Investment Manager charges an annual management fee for its services to the Partnerships. The management fee ranges from 1.00 to 1.50% and is disclosed in each of the Private Placement Memorandum documents. The management fee is payable quarterly in advance, is negotiable under limited circumstances (to family members) and is deducted from each limited partner's capital account. Side letters may exist which describe variations in terms of limited partnership participation and fees.

In addition to the management fees, the Partnerships pay annual performance fees to the general partners, which are related entities to CrossCap. The performance fees range from 10 to 20% of net profits and are disclosed in the Private Placement Memorandum of each of the Partnerships. Profit is calculated by taking the difference between the average quarterly capital basis of the account (which includes unrealized gains) less the expenses (including trades) for the year. For anniversary dates where a performance fee has not been earned, the calculation period will carry over to the following year.

The performance based fee is paid at the end of each fiscal year subject to a high-water mark. Performance-based fees are charged in accordance with the provisions of Section 205-3 of the Investment Advisers Act of 1940. Performance-based fees may create an incentive for CrossCap to make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee. The general partners of each Partnership have the authority to waive all or a portion of the incentive fee.

Performance-based fees are charged to "qualified clients," which are investors that have (i) at least \$1 million in assets under management with an investment advisor or (ii) a net worth of \$2 million or more, excluding their primary residence.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The general partners of each Partnership are entitled to an annual performance-based profit allocation which is fully described above, under Fees and Compensation.

Side-by-Side Management: Private funds and separate accounts

There is an inherent conflict of interest between the Firm and its clients due to the fact that some clients (including the Funds) pay a performance fee and other clients do not, giving the Firm a possible incentive to favor those accounts paying performance fees. The Firm attempts to mitigate this conflict by monitoring investment objectives and allocations, and by seeing that all investment opportunities are provided to all clients equitably as appropriate.

TYPES OF CLIENTS

CrossCap provides investment advisory services to:

- High net worth individuals
- Individuals
- Pooled investment vehicles

The Firm has a preferred minimum account size of \$1,000,000 for separately managed accounts. Minimum investment in the Partnerships ranges from \$250,000 to \$500,000; the minimum is disclosed in each Partnership document. The Investment Manager reserves the right to waive or lower the minimum amount accepted.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis

CrossCap uses a combination of the following types of analysis in evaluating investments for client accounts:

- Charting—Analysis of charts of past stock performance
- Fundamental—Analysis of financial attributes of a company, such as revenue growth, debt-to-equity ratio, inventory turnover, etc.
- Technical—Analysis which assumes past performance is a predictor of future performance
- Cyclical—Analysis based on business, industry, calendar or historical cycles

Investment Strategies

Investment strategies for separately managed accounts are structured to meet each client's objective. Risks vary accordingly, although all accounts are subject to market risk.

The investment strategies the Investment Manager uses to implement investment advice for the Partnerships include:

- Long-term purchases (securities held at least a year)
- Short-term purchases (securities sold within a year)
- Trading (securities sold within 30 days)
- Short sales
- Margin transactions
- Option writing, including covered options, uncovered options or spreading strategies

Partnerships

Objectives and strategies of the Funds are described in detail in each Fund's documents. They vary from:

- Achieving income through investments in short term funding opportunities that are secured by various forms of collateral. The CrossCap Fund, LP utilizes a range of investment strategies,
- Primarily investing in both long and short in domestic equity securities, as well as other publicly traded securities, with a focus on companies located in Texas and the surrounding States,
- Achieving capital appreciation through investments in a specialized group of hedge funds.

Risk of Loss

The Investment Manager does not guarantee the future performance of the account or any specific level of performance, the success of any investment decision or strategy that the Firm may use, or the success of the Firm's overall management of the account. The client understands that investment decisions made for the client's account by the Firm are subject to various market, economic, political and business risks, and that those investment decisions will not always be profitable. Margin trades may require unexpected liquidation of securities in the account during rapidly falling markets. Clients are reminded that investing in any security entails risk of loss which they should be willing to bear.

More specifically, these risks include, but are not limited to:

Investments in Undervalued Assets. The Fund may invest in undervalued assets. The identification of investment opportunities in undervalued assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Fund's investments may not adequately compensate investors for the business and financial risks assumed. An investor should be aware that it may lose all or part of its investment in the Fund.

The Fund may be forced to sell, at a substantial loss, assets that are not, in fact, undervalued. In addition, the Fund may be required to hold such assets for a substantial period of time before realizing their anticipated value. During this period, a portion of the Fund's assets would be committed to the investments purchased, possibly preventing the Fund from investing in other opportunities. In addition, the Fund may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

Leverage. Subject to applicable capacity, the Fund may borrow funds in order to make additional investments, and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the Fund would be amplified. Interest on borrowings will be a portfolio expense of the Fund, and will affect the operating results of the Fund.

Investment in Distressed Companies. The fact that certain of the companies in whose securities the Fund may invest are in transition, out of favor, financially leveraged or troubled or potentially troubled, and may be or have recently been involved in major strategic actions, restructurings, bankruptcy, reorganization or liquidation, means that their securities are likely to be particularly risky investments, although they also may offer the potential for correspondingly high returns. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the Fund's investment in any instrument, and some of the obligations and preferred stock in which the Fund invests may be less than investment grade.

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

Short Sales. Certain Investment Vehicles may enter into transactions, known as "short sales," in which they sell a security they do not own in anticipation of a decline in the market value of the security. Short sales by such Investment Vehicles that are not made "against the box" theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. An Investment Vehicle may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, such

Investment Vehicle might have difficulty purchasing securities to meet its short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

Underlying Managers: The success of the Fund also depends upon the abilities of the underlying managers. Pursuant to the governing documents of each investment vehicle, the underlying managers selected by the general partners will typically be entitled to two forms of compensation: a fee based on net assets under management (typically 1-2% annually), plus performance compensation based on the appreciation (usually including unrealized appreciation) in the value of the Fund's investment with the Underlying Manager (typically 20% of net profits). Fund fees on top of the underlying managers' fees will require the Fund to outperform the total fees in order to attain profitability.

DISCIPLINARY INFORMATION

There have been no disciplinary actions against the Investment Manager or its owners.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

CrossCap Enhanced GP, L.P. and CrossCap General Partners, L.P. serve as general partners of the Partnerships managed by the Firm. The general partners and/or the Firm's owners will be soliciting individuals to purchase interests in the Partnerships.

As managing members of the general partners, a conflict with clients exists as a result of the general partners' ownership position with the Partnerships. This conflict is mitigated by the policies and procedures, which require fair and equitable treatment of all in each Partnership. This is further monitored by the Partnership Administrator.

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

Code of Ethics

CrossCap has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all Firm personnel (collectively referred to as "employees") and focuses on three specific areas where employee conduct has the potential to adversely affect the client: misuse of confidential information; personal securities trading and outside business activities. Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination with the Firm. Any client or prospective client may request a copy of the Firm's Code of Ethics which will be provided at no cost.

The following basic principles guide all aspects of the Firm's business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients' interests come before employees' personal interests and before the Firm's interests.

- The Firm must fully disclose all material facts about conflicts of which it is aware between the Firm and its employees' interests on the one hand and clients' interests on the other.
- Employees must operate on the Firm's behalf and on their own behalf consistently with the Firm's disclosures and to manage the impacts of those conflicts.
- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its employees must always comply with all applicable securities laws.

Misuse of Nonpublic Information

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Firm. Employees may not convey nonpublic information nor depend upon it in placing personal securities trades.

Personal Securities Trading

CrossCap's personal trading policy precludes anticipating client trades. CrossCap or individuals associated with the Firm may buy, sell or hold in their personal accounts securities that are identical to those the Firm recommends to its clients. This creates a potential conflict of interest with the possibility of Firm personnel obtaining a better price than clients obtain. To mitigate this conflict, such trades may occur simultaneously with clients in the same security as long as the same price is obtained, or the next day after the client trade has been executed.

Employees are required to submit reports of personal securities trades on a quarterly basis, and securities holdings annually. These are reviewed by the Chief Compliance Officer to ensure compliance with the Firm's policies.

Outside Business Activities

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed or the employee will be directed to cease this activity.

BROKERAGE PRACTICES

Selection of Brokers

For those individual clients that have granted CrossCap both investment and brokerage discretion, CrossCap will endeavor to select those broker-dealers which will provide the best services at the lowest commission rates possible.

The reasonableness of commissions are based on the broker-dealer's ability to provide professional services, competitive commission rates, research and other services which will help CrossCap in providing investment management services to clients. CrossCap may therefore recommend or use a broker-dealer that provides useful research and

securities transaction services even though a lower commission may be charged by a broker-dealer who offers no research services and minimal securities transaction assistance. While research services may be useful in servicing all clients, not all of such research may be used for the account for which the particular transaction was effected.

Research and Other Soft-Dollar Benefits

As disclosed above, CrossCap may receive from broker-dealers products or services which are used solely for investment research. In the event of CrossCap's receiving soft-dollar products it will make a good faith effort to determine the percentage of such products or services which may be considered as investment research. The portion of the costs of such products or services attributable to research usage may be defrayed by CrossCap through directing brokerage commissions generated by client transactions, (soft dollars). This may be done without prior agreement or understanding by the client (and done at CrossCap's discretion). The portion of the costs attributable to non-research usage of such products or services is paid by CrossCap to the broker-dealer in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934.

BNP Paribas, CrossCap's prime broker for the pooled investment vehicles, provides its clients with additional services and products beyond mere custodial services. CrossCap receives additional benefits from its prime broker including invitations to conferences, capital introduction services, etc., not all of which fall within the "safe harbor" for soft dollars.

Brokerage for Client Referrals

Broker-dealers that CrossCap selects to execute transactions may from time to time refer clients to CrossCap. CrossCap will not make commitments to any broker-dealer to compensate that broker-dealer through brokerage or dealer transactions for client referrals; however, a potential conflict of interest may arise between the client's interest in obtaining best price and execution and CrossCap's interest in receiving future referrals. This is mitigated by CrossCap's fiduciary duty to act in the best interest of the client.

Directed Brokerage

CrossCap allows each client to choose his/her own custodian. CrossCap will work with that custodian to get the best commission structure and services possible. CrossCap will also make suggestions of custodians based on the history of obtaining best execution and competitive prices for current clients. CrossCap reserves the right to decline acceptance of any client account that it believes would adversely affect CrossCap's duty to obtain best execution and commission structure.

In directing the use of a particular broker-dealer, it should be understood that while CrossCap will make every effort to ensure that clients are receiving the lowest possible commission rates, best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to other clients.

Order Aggregation

CrossCap will “block” trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading allows CrossCap to execute equity trades in a more timely, equitable manner and to reduce overall commission charges to clients. All participants in a block trade receive the same execution price. If a block is partially filled, CrossCap has procedures for assigning the received shares on as fair and equitable basis as possible.

REVIEW OF ACCOUNTS

Brady Crosswell, President, and Mark Crosswell, Vice President, review each portfolio at least monthly for asset allocation, cash positions and securities holdings. Client meetings are held at least annually (according to a client's availability), in which asset allocations, account holdings, performance and the client's financial profile are reviewed. Additional reviews may be triggered by events such as a client meeting, change in a client's risk tolerance, financial position or investment objective, change in a company or fund's management, major market moves, or other unforeseen events.

Clients of separately managed accounts receive written statements directly from their custodians on a monthly basis. CrossCap sends written quarterly reports to clients with separately managed accounts. These reports show portfolio holdings, performance, quarterly trades, realized gains and losses, etc. for the reporting period. Additionally, investors in the Funds receive written audited financial statements, Schedule K-1s and written performance reports annually.

CLIENT REFERRALS AND OTHER COMPENSATION

CrossCap has engaged outside consultants to assist with obtaining investors in any of its pooled investment vehicles. These consultants receive compensation for referring investors to CrossCap. All such fee payments comply with federal and state disclosure and registration requirements.

The Firm's use of a prime broker may yield increased administrative ease and, therefore, increased profitability for the Firm. A prime broker may introduce investors to the Funds. Because an increase in the size of the Funds would likely result in additional compensation to the prime broker, the prime broker may receive a benefit from introducing investors to the Fund.

CUSTODY

Custody is defined as having any access to client funds or securities. CrossCap's separately managed accounts are held by qualified custodians, which send account statements directly to clients on at least a quarterly basis. Since the Firm has the authority to direct the custodian to deduct its management fees directly from these accounts, it has a form of custody for these accounts. However, clients must give prior

permission for these deductions and see proof of them on each quarterly statement the client receives from the custodian. Otherwise, the Firm does not have custody of the assets in these client accounts.

When clients receive their statements from the account custodian, clients should carefully review those statements and take the time to compare them with those they receive from CrossCap. If the client finds significant discrepancies, the custodian and the Firm should be notified.

The general partners, CrossCap Enhanced GP, L.P. and CrossCap General Partners, L.P., which are also owned by the Brady E. and H. Mark Crosswell, have the authority to withdraw assets from the Funds. Therefore, the Investment Manager is deemed to have custody of the Funds' assets. As of 2011, the Funds are audited on an annual basis by a PCAOB registered and inspected firm as required, with copies of the audited statements sent to the investors within 120 day of the Funds' fiscal year end.

INVESTMENT DISCRETION

CrossCap trades on behalf of its clients through a limited power of attorney, which is included in the investment advisory agreement. This limited power grants CrossCap the authority to place trades with full discretion, not requiring receipt of a client's permission prior to placing each trade. Clients may notify the Firm at any time in the relationship as to restrictions for investments in their portfolio. The Limited Partnership Agreement for each Fund grants CrossCap investment discretion as well. The discretion granted CrossCap enables the Firm to determine what securities are traded, in what amounts, when and where the trades are enacted.

VOTING CLIENT SECURITIES

CrossCap acknowledges its fiduciary responsibility to vote proxies for securities held in client accounts. The Firm votes in a manner that ensures the exclusive benefit of the underlying participants and beneficiaries, while using care, skill and due diligence that a prudent person acting in a like capacity and familiar with such matters would use under those circumstances. The Firm votes all proxies to, in its opinion, maximize shareholder value, usually voting with management except on matters concerning executive compensation and extraordinary benefits. CrossCap will provide to clients, upon request, its proxy voting policy as well as its historical records regarding proxy voting. Proxy material for client accounts is sent to CrossCap rather than to clients, so the likelihood of a client directing CrossCap how to vote is small. However, should a client direct CrossCap how to vote on its behalf in writing, and voting has not yet closed, CrossCap would vote as instructed by the client.

FINANCIAL INFORMATION

There is no financial condition that is reasonably likely to impair CrossCap's ability to continue to provide services to its clients

REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Please see the brochure supplements for information regarding the Firm's owners, Mr. Brady E. Crosswell and Mr. H. Markley Crosswell.

Neither the Firm nor any of its officers or principals has been involved in any arbitration claim or proceeding involving unethical practices.

Neither the Firm nor any of its officers or principals has any relationships or arrangements with any issuer of securities.