

FIRM BROCHURE

As of September 5, 2012

KAIZEN MANAGEMENT, LP

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A Registered Investment Adviser

CRD # 124699

This brochure provides information about the qualifications and business practices of Kaizen Management, LP. If you have questions about the contents of this brochure, please contact us at 713-529-3660 or by email at info@kaizencapital.com. The information in this brochure has not been approved or verified by the Securities and Exchange Commission or by any state securities authority. Registration does not imply a certain level of skill or training.

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

MATERIAL CHANGES

In this Brochure, you will find information discussing the following changes since our firm last updated our brochure on March 31, 2011. The summary below only includes material changes that have taken place since the firm's last annual brochure update on March 31, 2011.

Material Changes:

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ADVISORY BUSINESS

Firm Description and Ownership

Kaizen Management, LP ("Kaizen") is an investment advisory firm providing investment advice and money management services to investment limited partnerships. Kaizen Capital, LLC is a holding company, and is the sole owner of Kaizen Management, LP. Kaizen Capital, LLC is wholly owned by David W. Berry. David Berry serves as the firm's President. Kaizen Management, LP was formed in 2002. It was originally registered as an investment adviser in 2005.

Advisory Services and Client Accounts

Kaizen provides investment advisory services designed to provide clients the ability to achieve their investment objectives. Kaizen manages two separate investment vehicles:

Select Contrarian Value Partnership; and
Kaizen Fundamental Value Fund

Each fund is only available to qualified and accredited investors, and may only be sold via the applicable fund's offering documents. Subscriptions and redemptions in each fund are restricted. A copy of a fund's offering documents will be provided upon request to qualified purchasers.

Shares of the Kaizen Fundamental Value Fund are not to be sold in Texas or any other jurisdiction within the United States.

Kaizen provides a continuous investment program for each fund- In accordance with the terms agreed to in each fund offering documents, Kaizen is authorized:

- (a) to effect purchases, sales (including short sales) and other transactions using the assets of the Fund;
- (b) to make all decisions relating to the manner, method and timing of investment transactions, and to select brokers and dealers for the execution, clearance and settlement of any transactions;
- (c) to trade on margin, to borrow from banks, brokers or other financial institutions and to pledge assets of the Fund in connection therewith;
- (d) to direct custodians to deliver funds or securities for the purpose of effecting transactions, and to instruct custodians to exercise or abstain from exercising any privilege or right attaching to such assets;
- (e) to analyze the performance of all investments of the Fund's assets and provide monthly (or more frequently if the Board shall so reasonably require) reports in writing thereon;
- (f) to realize investments for the purpose of funding redemptions;
- (g) to prepare material for the inclusion in monthly or other reports of the fund whenever the Board shall reasonably require such material and to prepare (and if requested, present) reports to the Board on the activities of the Fund;
- (h) to assist the fund's auditor and administrator in the performance of all accounting and administrative services which may be required by the Fund's Operation; and
- (i) to make and execute, in the name and on behalf of the fund, all such documents (including, without limitation, customer agreements and other documents in connection with the establishment and maintenance of brokerage accounts) and to take all such other actions which the Investment Manager considers necessary or advisable to carry out its investment management duties hereunder. With regard to any documents or agreements

executed in the Fund's names, copies will be promptly provided to the Fund so as to advise the Fund of the existence of such documents and agreements and apprise it of any obligations thereunder.

In providing investment management to each fund, Kaizen is guided by and subject to the investment strategies and restrictions contained in each fund's offering documents. Kaizen's investment management business is currently limited exclusively to serving as the investment manager for each fund.

Wrap Fee Programs

Kaizen does not sponsor or participate in wrap fee programs.

Assets Under Management

As of August 31, 2012, Kaizen managed approximately \$44,170,000 in assets, held by 2 accounts. All of Kaizen's accounts are discretionary accounts. Kaizen does not accept non-discretionary client accounts.

FEES AND COMPENSATION

For our services, we are paid a fee as set forth in each fund's offering document.

Fees are generally paid quarterly in advance. Some clients may prepay one quarter in advance. Kaizen bills clients for its services, and does not directly deduct fees from its clients accounts. In addition to advisory fees, clients will incur brokerage and other transactions costs associated with the management of their accounts. See "Brokerage Practices" on page 5 of this brochure.

Kaizen's fee schedule is as follows:

- (a) Management fee. Kaizen is paid a fixed fee equivalent to 1.5% per annum of the aggregate net asset value ("Net Asset Value") of the shares ("Shares") in the Fund at the end of each calendar month during the term of this Agreement. The fixed fee shall be calculated after deduction of all fees and expenses other than the fixed fee itself and the performance fee referred to in clause (b) below. The fixed fee shall accrue on a monthly basis and shall be payable in arrears within five (5) days following the end of each calendar quarter.
- (b) Performance Fee. Kaizen receives an annual performance fee (the "Performance Fee") from the Fund equal to 20% of the increase in the Net Asset Value of each Share over the Share's Peak Net Asset Value (as described herein) per Share. The increase in value represents the profits earned by each Share during a year from the trading and investment of the assets of the Fund and related income and expenses, less the cost of operating the Fund, including the Management Fee. Profits include both realized and unrealized gains. A Share will only be charged a Performance Fee if its Net Asset Value per Share on the valuation date is greater than its Net Asset Value Per Share at the time of its initial subscription price or its Net Asset Value per Share at the time the Last Performance Fee was charged against the Share, whichever is higher.

PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Kaizen does charge performance based fees on its funds. The nature of the fees and the manner in which they are charged are set forth in each fund's offering documents and in the Section directly preceding this Section. Kaizen does not engage in the practice of side-by-side management. *Any registered investment adviser who wishes to charge a fee based on a share of the capital gains or the capital appreciation of the funds or any portion of the funds of a client must comply with SEC Rule 205-3 (17 Code of Federal Regulations §275.205-3), which permits the use of such fee if the client is a "qualified client" as defined therein.*

Managing multiple accounts wherein an adviser may receive a performance fee can result in conflicts of interest between the adviser and a particular client. Kaizen has adopted policies and procedures to reduce the likelihood of such conflicts and to detect and prevent them whenever possible. Additionally, Kaizen has engaged the services of

an outside firm to provide compliance oversight and to manage the firm's compliance program, a significant element of which is the prevention of conflicts.

TYPES OF CLIENTS

Kaizen offers discretionary investment management services to two separate investment vehicles:

Select Contrarian Value Partnership; and
Kaizen Fundamental Value Fund

Each fund is only available to qualified and accredited investors, and may only be sold via the applicable fund's offering document. Subscriptions and redemptions in each fund are restricted. A copy of a fund's offering documents will be provided upon request to qualified purchasers. The Kaizen Fundamental Value Fund's shares may not be sold within the United States of America.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

The methods of analysis, investment strategies and risks associated with each fund are described in the applicable fund's offering documents.

Kaizen uses a private equity, fundamental-oriented, bottom-up due-diligence style and follows with ongoing due diligence for companies in which we invest. We “buy a piece of the business” with a view towards holding for the long-term, which creates more efficient tax results.

Kaizen runs a concentrated (generally invested in 12-15 companies), best ideas strategy. Diversification is necessary, but we also don't think anyone would want our “38th best idea” simply for diversification's sake.

We have a long-only bias, use little or no leverage, and our funds have liquidity as almost all of our investments are in publicly traded companies.

We embrace volatility which can create significant opportunities to buy low and later sell high. Volatility can be our friend.

As with all investment strategies, an investor can lose money investing in a fund. The funds are only available to qualified investors and have restrictions on redemptions. Such investments are not to be considered a comprehensive investment program, but should form only a part of an investor's total investment portfolio. The funds are meant to be held over the long term, and investor should not consider an investment unless the investor has a long time horizon and is financially able to accept high levels of volatility and risk.

DISCIPLINARY INFORMATION

Kaizen is not now subject to any legal or disciplinary event or action that would be material to a client or prospective client's evaluation of the firm's business or the Kaizen of the firm's management.

On March 7, 2005, the Texas State Securities Board initiated an administrative action against Kaizen Management, LP and David Berry, (Docket # IC05-SUS-22). The firm was found to be rendering service as an investment adviser while its application was pending review and prior to its formal approval as an investment adviser by the Texas State Securities Board. Kaizen Management, LP, by agreement, was suspended on September 15, 2005 from providing services as an investment adviser within Texas to any new investor or new client from September 15, 2005 through the end of the day on September 30, 2005. Additionally, Kaizen was assessed an administrative fine of \$10,000 and David Berry was also assessed an administrative fine in the amount of \$10,000. For additional information, you may go to www.ssb.state.tx.us/Enforcement/files/IC05-22.pdf.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Kaizen has no other activities or affiliations other than those described in this brochure.

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

Kaizen has adopted a Code of Ethics which governs the personal trading activities of its Supervised Persons. The Firm's Chief Compliance Officer is responsible for implementing and overseeing compliance with the Code. Kaizen will provide a copy of its Code of Ethics to any client, free of charge, upon request.

Kaizen's Code of Ethics governs the personal trading practices of its Access Persons, and provided policies, restrictions and prohibitions designed to address and avoid conflicts of interest that may arise between a employee and a client. Certain personal securities purchases and sales must be pre-approved by the Chief Compliance Officer, and all transactions must be reported on a quarterly basis.

BROKERAGE PRACTICES

All of the accounts advised by Kaizen are discretionary accounts. Generally, no specific client consent is required with respect to the securities purchased or sold, selection of brokers, or commission rates to be paid.

Kaizen has a fiduciary obligation to obtain best execution on behalf of each client, and brokers are selected with a view to obtaining best execution of transactions. Kaizen believes that best execution is typically achieved not by negotiating the lowest commission but by seeking to obtain the best overall result (including price, commission rate and other relevant factors) for the client. To this end, Kaizen conducts regular reviews of all of our executing brokers.

In accordance with the terms of the investment advisory agreements with clients, Kaizen places and executes orders for the purchase and sale of portfolio securities. In general, investment decisions for each client are made independently from those of other client accounts and are made with specific reference to the individual needs and objectives of each account (or group of accounts).

Kaizen does not currently participate in any commission dollar or soft dollar arrangements.

Kaizen currently utilizes the services of M.S. Howells & Co. (CRD # 104100) as its Prime Broker, and recommends M.S. Howells & Co. to its clients as a custodial and executing broker.

REVIEW OF ACCOUNTS

Kaizen reviews all cash and security positions on a daily basis. Security and sector weightings are typically reviewed on a weekly basis. Triggering factors for review include contributions, withdrawals and changes in client objectives or economic conditions.

Kaizen provides quarterly performance reports to the shareholders in the funds. These reports include a breakdown of the types of investments held, the performance of the funds over certain time periods, and other relevant information. Kaizen also causes an annual audit to be performed each year on the funds by an independent auditing firm, and the audited financial statements are provided to each shareholder.

CLIENT REFERRALS AND OTHER COMPENSATION

Kaizen does participate in client referral compensation agreements with third parties. Such arrangements must be in writing and must be fully disclosed to potential clients. Payments made to third parties for client referrals do not

result in the client paying an additional fee.

CUSTODY

Kaizen is deemed to be a custodian of its client accounts, due to its status as the general managing partner of each fund. Each fund undergoes an annual audit by an independent registered public accounting firm, and the audit report is delivered to all fund subscribers, in accordance with applicable rules and law.

INVESTMENT DISCRETION

Kaizen only accepts client accounts wherein it has full discretionary authority to manage the account.

VOTING CLIENT SECURITIES

Kaizen generally votes the proxies of securities held in the Firm's client accounts. Kaizen has adopted a Policy that provides guidance in the voting of proxies for securities held on behalf of the Firm's clients in compliance with Rule 206(4)-6 under the Investment Advisers Act. Kaizen will provide a copy of these policies to any client, free of charge, upon request. Additionally, Kaizen will also provide, free of charge, a copy of the actual proxy votes cast for a client, upon request.

On occasion, a conflict of interest may arise between the Firm and a particular client account. In such instances, the proxy will be voted in favor of the client's interest. Kaizen has adopted a Policy that provides guidance in the voting of proxies for securities held on behalf of the Firm's clients. Kaizen will provide a copy of these policies to any client, free of charge, upon request. Additionally, Kaizen will also provide, free of charge, a copy of the actual proxy votes cast for a client, upon request.

FINANCIAL INFORMATION

Kaizen does not require or solicit prepayment of more than \$500 in fees per client six months or more in advance. The firm has no financial condition that is reasonably likely to impair its ability to meet any contractual requirements relating to any aspect of its business. The firm has never been the subject of a bankruptcy petition.

REQUIREMENTS FOR STATE REGISTERED ADVISERS

As disclosed in the "Fees and Compensation" Section above, Kaizen is eligible to receive performance-based compensation. You should be aware that performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

As disclosed above, Kaizen and Mr. Berry have been involved in an administrative proceeding. All material facts relating to the administrative proceedings are described in the "Disciplinary Information" Section above.

Neither Kaizen nor any of its management persons have any relationship with any issuer of securities other than as disclosed in this brochure.