

Part 2A of Form ADV Firm Brochure

**SSR Capital Partners, LP**

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September 30, 2012

This brochure provides information about the qualifications and business practices of SSR Capital Partners, LP. If you have any questions about the contents of this brochure, please contact us at the numbers listed above or email either Steve Helland at [shelland@ssrcm.com](mailto:shelland@ssrcm.com) or Tim Law at [tlaw@ssrcm.com](mailto:tlaw@ssrcm.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 SSR Capital Partners, LP is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

SSR Capital Partners, LP is a registered investment adviser. Registration does not imply a certain level of skill or training.

## Material Changes

The address for SSR Capital Partners has changed. Our new address is 4514 Cole Avenue, Suite 250, Dallas, Texas 75205. Part 2 of SSR Capital Partners, LP Form ADV was last updated March 25, 2012. Beginning in 2012, SSR Capital Partners, LP no longer provides advisory services to separately managed accounts. In 2011, all assets of SSR Finance Fund, Ltd. were distributed in-kind to their beneficial owners. We have updated this brochure to more accurately reflect that our Fund Clients are in wind-down and thus the nature of our ongoing advisory services relate to managing that process in an effort to preserve value. We note in Section 6 certain disciplinary events relating to our firm. We encourage everyone to read this Form ADV Part 2A in its entirety.

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## **1. Advisory Business**

SSR Capital Partners, LP, established in 2003 as a Delaware limited liability partnership, is an investment adviser that provides investment advisory services on a discretionary basis to two private investment vehicles (funds of hedge funds): Strategic Stable Return Fund (ID), LP and Strategic Stable Return Fund II, LP (the "Fund Clients"). Each of these Fund Clients is in wind-down with full redemption requests having been submitted to all underlying fund investments. SSR Capital Partners, LP is owned 33% by Steven A. Helland; 33% by Timothy H. Law; 33% by Founding Partners Hybrid Value Fund, L.P. (formerly known as Founding Partners Equity Fund, LP); and 1% by SSR Capital Management, LLC (which is owned 50% by Steven A. Helland and 50% by Timothy H. Law). Founding Partners Capital Management Company is the general partner of Founding Partners Hybrid Value Fund, L.P. As a result of a civil complaint filed by the Securities and Exchange Commission, in part, against Founding Partners Capital Management Company, a receiver has been appointed over Founding Partners Capital Management Company with full and exclusive power, duty and authority to, among other things, administer its business affairs.

Given that our Fund Clients are in wind down, have made full redemption requests from the underlying fund investments, and are not making any new investments, our current advisory services consist of monitoring redemptions and working to preserve value on the remaining assets in the portfolio. Each of our Fund Clients is invested in a limited number of private investment partnerships, separate accounts or other investment structures (the "Underlying Funds") managed by a select group of non-traditional, performance-oriented money managers. Most of the Underlying Funds that our Fund Clients are invested in engage in asset-based lending transactions. In these transactions the money manager loans money to an obligor (usually a private or small public company) on a fully secured basis. The Underlying Funds in which our Fund Clients are invested are all in suspension, gated, or are otherwise delaying payment of redemption proceeds to our Fund Clients.

As of December 31, 2011, we have net assets under management of approximately \$25.9 million (gross assets under management of approximately \$97.7 million).

We do not participate in any wrap fee programs. We do not manage any client assets on a non-discretionary basis.

## **2. Fees and Compensation**

Our firm typically is entitled to receive compensation from each of our Fund Clients based on both the percentage of assets under management and on performance earned for each

Fund Client account. Generally, each year, we charge our Fund Clients an asset-based management fee of 1.0% of each Fund Client's assets that we manage and performance-based compensation of 10% of each Fund Client's profits.

Our fees are generally not negotiable. We have the general discretion to waive all or a portion of the asset-based management fee and/or the performance-based compensation, but typically only exercise this discretion for investors that are our affiliates or employees. We do not anticipate that any performance compensation will be payable by our Fund Clients for the remaining life of those funds; but if any were payable, we will waive any such future performance compensation.

### **Asset-Based Management Fees**

For both of our Fund Clients, Strategic Stable Return Fund (ID), LP and Strategic Stable Return Fund II, LP, we charge 1.0% annually of each investor's capital account balance (including an investor's share of monies borrowed by the fund for making investments).

### **Performance-Based Compensation**

As noted above, while we are entitled to certain performance-based compensation from our Fund Clients, we will waive any future performance compensation for the remaining life of the Fund Clients.

Our asset-based management fee is deducted from our Fund Clients' accounts at the beginning of each month. The investors in our Fund Clients can normally only withdraw money from the Fund Clients on the last day of the quarter, so they are not likely to pay an asset-based management fee in excess of what they owe. Our Fund Clients have placed full redemption requests with all of their underlying investments, but redemption rights have been suspended or delayed.

In addition to the management fee and the performance-based compensation to which our firm is entitled, the money managers to which we allocate our Fund Clients' assets typically are entitled to two forms of compensation: (i) a fee based on net assets under management (typically ranging from 1% to 2% annually) and (ii) performance-based compensation based on the appreciation (usually including unrealized appreciation) in the value of our Fund Client's account with the manager (typically ranging from 20% to 25% of net profits). Any of these fees charged to our Fund Clients are charged against the capital account balances of the investors in our Fund Clients on a pro rata basis.

Both Fund Clients may incur the following expenses:

- fees related to the custody of their assets,
- brokerage and related transaction fees,
- fees and expenses related to portfolio investments or prospective investments of the Fund Clients,
- interest payments,
- certain taxes,
- accounting, audit and legal expenses,
- costs of any litigation or investigation that may arise, and
- costs in connection with providing reports and information to Fund Clients and investors.

Investors in our Fund Clients may also incur costs related to the offering of interests and placement of interests with new investors.

For more information on brokerage transactions and costs, please see Section 9: Brokerage Practices.

Neither our firm nor any of our principals or employees receives any transaction-based compensation for the sale of securities or other investment products.

### **3. Performance-Based Fees**

Our firm is entitled to performance-based compensation in the form of a performance allocation or fee from our Fund Clients, but we will waive any future performance-based compensation from these Fund Clients. Because the Fund Clients are in wind down and we will waive any future performance-based compensation, we do not believe there is any conflict of interest in respect of our efforts to wind down these funds. Our firm's investment in our Fund Clients also aids in aligning our interests with the interests of investors in our Fund Clients.

### **4. Types of Clients**

Our clients are private-pooled investment vehicles (funds of hedge funds). We are not currently seeking or accepting any new investors in the Fund Clients.

### Investment Requirements

Our Fund Clients have minimum investment requirements of \$500,000 for Strategic Stable Return Fund (ID), LP and \$500,000 for Strategic Stable Return Fund II, LP; however, the Fund Clients have accepted lesser amounts on occasion in our discretion.

This firm brochure is not an offer to invest in our Fund Clients.

## **5. Methods of Analysis, Investment Strategies and Risk of Loss**

We are not currently making any new investments on behalf of our Fund Clients. Our Fund Clients followed a “multi-manager” investment approach by allocating assets between and among a limited number of private investment partnerships, separate accounts or other investment structures managed by a select group of non-traditional, performance-oriented money managers, with an emphasis on those pursuing structured finance/asset-based lending strategies.

Because we are winding down our Fund Clients, our primary activities relate to preserving value of the remaining assets in their portfolios for the benefit of their investors and managing the wind down process.

Investing in securities involves significant risk of loss that our Fund Clients, and any investors in our Fund Clients, should be prepared to bear.

Certain risks associated with any investments on behalf of our advisory clients include:

- *Investment Judgment and Market Risk:* The success of our investment programs depends, in large part, on the money managers we select correctly evaluating future price movements of potential investments. We cannot guarantee that we or the money managers we select will be able to accurately predict these price movements and that our investment programs or the money managers’ investment programs will be successful.
- *Investment and Trading Risk Generally:* Investments in securities and other financial instruments involve a degree of risk that the entire investment may be lost. The use of short sales and option trading can, in certain circumstances, substantially increase the impact of unfavorable price movements on our Fund Clients’ investments. Also, changes in the general level of interest rates may negatively affect our Fund Clients’ results.
- *Dependence on our Firm and the Money Managers.* The success of our Fund Clients is largely dependent upon our firm and the money managers we select. There is no guarantee that our firm and the money managers we select, or the individuals employed by our firm and the money managers we select, will

remain willing or able to provide advice to our Fund Clients' accounts or that trading on this advice by our firm and the money managers we select will be profitable in the future. The performance of our firm and the money managers we select depends upon certain key personnel. If any of these personnel become incapacitated, the performance of our Fund Clients may be adversely affected.

- *Lack of Transparency and Control With Respect to Underlying Investment Vehicles.* Although we receive information from underlying managers regarding their investment performance and investment strategy, we may have little or no means of independently verifying this information. An underlying manager may use proprietary investment strategies that are not fully disclosed to us, which may involve risks under some market conditions that we do not anticipate.

We may not have access to information about the underlying portfolio positions of our Fund Clients' investments with the underlying managers on a regular basis. Investors in underlying investment vehicles typically have no right to demand this type of information of the underlying managers. Accordingly, we may not be in a position to analyze or respond to developments within any particular underlying investment vehicle unless and until information relating thereto is disseminated by underlying manager to its investors, including our Fund Clients. This information may not necessarily be timely or complete.

- *Financial Markets and Regulatory Change:* The instability pervading global financial markets has heightened the risks associated with the investment activities and operations of private investment funds, including those resulting from a reduction in the availability of credit and the increased cost of short-term credit, a decrease in market liquidity and an increased risk of bankruptcy of third parties with which we work. Market disruptions over the recent years and the increase in capital being allocated to hedge funds and other alternative investment vehicles have led to increased scrutiny and regulation over the private investment fund and asset management industry. In addition, the laws and regulations affecting business continue to evolve unpredictably. Laws and regulations applicable to our Fund Clients, especially those involving taxation, investment and trade, can change quickly and unpredictably in a manner adverse to our Fund Clients' interests.

The following is a description of the various strategies that we use or may use in advising our Fund Clients and some important risks associated with each strategy. The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in our investment strategies.

- *Loans.* The money managers to which we allocate our Fund Clients' funds may make investments in bridge loans, whole loans and distressed debt on behalf of our Fund Clients. These investments are subject to various risks including, but not limited to (i) creditworthiness of the borrower, (ii) fair market value of the

real estate or other collateral securing the loan, (iii) lien position of the loan, (iv) any potential borrower claims or counterclaims arising as a result of the money manager enforcing its rights as lender, (v) environmental liabilities that are not covered by standard property insurance policies, and (vi) various other risks associated with being a property owner, including borrower bankruptcy, property tax issues and regulatory compliance matters.

- *Asset-backed Securities.* The money managers to which we allocate our Fund Clients' funds may make investments in asset-backed securities on behalf of our Fund Clients. Investments in asset-backed securities are subject to various risks including, but not limited to, (i) financial viability of the issuer and its ability to effectively service and manage the underlying assets, (ii) quality of the underlying collateral securing the securities, (iii) underwriting standards, (iv) environmental liabilities that may arise with respect to certain collateral securing the obligations, (v) legal and regulatory issues including the ability of the money managers to perfect and enforce its management and ownership rights associated with the underlying collateral of the securities, and (vi) creditworthiness of the borrower.
- *Fixed-Income Securities:* The money managers to which we allocate our Fund Clients' funds may make investments in bonds or other fixed-income securities on behalf of our Fund Clients. Fixed-income securities provide periodic returns and the eventual return of the principal at the end of the term. The value of fixed-income securities changes in response to interest rate fluctuations and market perception of the issuer's ability to pay off its obligations. Fixed-income securities are also subject to the risk that their issuer may be unable to make interest or principal payments on its obligations.
- *Options:* The money managers to which we allocate our Fund Clients' funds may make investments in call and/or put options on behalf of our Fund Clients. There are risks associated with the sale and purchase of options. Call options are the right to buy a security at a certain price within a defined time period. Put options are the right to sell a security at a certain price within a defined time period. A buyer of either type of option assumes the risk of losing its entire investment in the option. A buyer of a call option risks losing its investment if the particular security never reaches the designated the price within the set time period. A buyer of a put option risks losing its investment if the particular security does not decline enough to reach the designated price within the set time period.
- *Short Selling:* The money managers to which we allocate our Fund Clients' funds may sell short securities on behalf of our Fund Clients. Short selling of securities occurs when the money manger borrow securities, promising to buy them at a later date. If the price drops, the money manager can buy the securities at the lower price and make a profit on the difference. If the price of the securities rises, the money manger must buy them back at the higher price, and the



investment loses money. Furthermore, whereas when the money manager buys securities long our Fund Clients' risk of loss is limited to the cost of the securities, there is no limit to losses in a short sale because there is no cap on the price our Fund Clients may have to pay to buy the borrowed securities. Buying the securities can itself cause the price of the securities to rise further which would exacerbate the potential for loss.

- *Distressed Securities:* The money managers to which we allocate our Fund Clients' funds may make investments in distressed securities on behalf of our Fund Clients. Distressed securities refer to securities and other obligations issued by a company that is undergoing significant distress, such as bankruptcy or reorganization, or is likely to do so in the near future. The securities of distressed corporations are often overly discounted by the market, as risk adverse investors tend to sell securities due to an actual or potential bankruptcy filing. These situations can create attractive buying opportunities for investors specializing in valuing distressed securities. The money managers purchase these instruments on behalf of our Fund Clients with the anticipation that the company will emerge from its financial difficulties and become profitable again. In the interim, the purchase of the debt allows the new shareholders or bondholders to actively participate in the process of reorganizing the company as it attempts to position itself for a return to profitability. Because these companies' securities remain unpaid unless and until the companies reorganize or emerge from bankruptcy proceedings, our Fund Clients, through the investments made by the money managers, may have to hold these securities for long periods of time. A variety of scenarios could complicate the reorganization, liquidation or bankruptcy process, such as litigation between participants in the process or requirements to obtain mandatory or discretionary consents from governmental authorities. The most significant risk of investing in distressed debt and securities is that the subject company's projected performance never takes place. The money managers we select may not always correctly identify and evaluate the nature and magnitude of the many factors that affect the probability of a successful reorganization. When this is the case, the stocks and bonds that the money managers bought on behalf of our Fund Clients likely will become worth less than the amount initially paid for them, resulting in a loss. In some instances, however, particularly in the case of senior debt and other preferred claims, the ability to realize upon claims successfully during a liquidation may also turn out to be profitable investment opportunities.
- *Derivatives.* The money managers to which we allocate our Fund Clients' funds may make investments in derivative instruments, or "derivatives," on behalf of our Fund Clients which 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. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. 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 the underlying asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are “leveraged,” a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose our Fund Clients to the possibility of a loss exceeding the original amount invested. Derivatives may also expose our Fund Clients to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. Derivatives may also expose our Fund Clients to counterparty risk. The counterparty risk lies with each party with whom the money managers contract on behalf of our Fund Clients for the purpose of making derivative investments. In the event of the counterparty’s default, our Fund Clients, through their investments with the money managers we select, will only rank as unsecured creditors and risks the loss of all or a portion of the amounts they are contractually entitled to receive.

- *Foreign Securities:* The money managers to which we allocate our Fund Clients’ funds may make investments in foreign securities on behalf of our Fund Clients. Investing in foreign securities involves certain risk factors not typically associated with investing in U.S. securities, such as fluctuation between exchange rates and the costs of converting from one currency to another. In addition, there may not be much information available regarding foreign securities because foreign companies and governments may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those of the U.S. There also might be a greater risk of political, social or economic instability and the possibility that foreign taxes may be imposed on our Fund Clients’ income. Finally, when investing in foreign bonds, there is always a risk that their issuer will default and be unable to pay the interest and/or principal payments due on the bonds, as the financial stability of foreign issuers may be more precarious than that of U.S. issuers.
- *Leverage/Borrowing.* Our firm or the money managers to which we allocate our Fund Clients’ funds may borrow funds in order to make additional investments. Borrowing involves risk to our Fund Clients because the interest on the borrowed amount may be greater than the income from or increase in the value of the securities purchased with the borrowed amount. Also, the value of the securities purchased with the borrowed amount can decline below the amount borrowed.

Any investment profits made with the proceeds from borrowings in excess of interest paid on the borrowings will cause the income and value of a Fund Client to be greater than would otherwise be the case. On the other hand, if the value of the additional securities purchased with the borrowed money does not increase enough to cover the interest paid on the borrowings, then the income and value of a Fund Client will be less than would otherwise be the case.

Generally, borrowing-type techniques used to increase potential returns are all forms of leverage.

- *Margin Transactions:* The money managers to which we allocate our Fund Clients' funds may engage in margin transactions on behalf of our Fund Clients. Trading on margin is a form of leverage. Specifically, when our Fund Clients trade on margin, they are borrowing from a broker to purchase more securities than they otherwise would be able to with their initial cash investment. The securities purchased on margin serve as collateral for the broker's loan. Trading on margin is risky because it not only can increase gains, but also can amplify losses to the point where a Fund Client may lose more than its initial investment.

The money managers we select may employ short-term margin borrowing on behalf of some of our Fund Clients, which can be especially risky. For example, should the collateralized securities decline in value, the money manager could be subject to a "margin call," under which it must either deposit additional funds or securities with the broker or sell the pledged securities to compensate for the decline in value. If the value of our Fund Clients' assets invested with a money manager suddenly drops, the money manager might not be able to liquidate assets quickly enough to satisfy its margin requirements.

- *Illiquid Investments:* The money managers to which we allocate our Fund Clients' funds may make illiquid investments on behalf of our Fund Clients. Illiquid investments are (1) investments that are not heavily traded and cannot easily be converted to cash or (2) investments that the money managers believe must be held for several years to reach their potential value. If our Fund Clients require cash and the money managers are forced to sell illiquid investments at an inopportune time, the money managers might not be able to sell illiquid investments at prices that reflect their assessment of the investment's value or the amount paid for the investment.

## **6. Disciplinary Information**

Neither our firm, nor any of our directors, officers or principals has been involved in any criminal actions in a domestic, foreign or military court. Our firm and its affiliates, including our principals, along with our Fund Client, Strategic Stable Return Fund (ID), LP, have been named in a lawsuit brought by Capistrano Investments Limited. The plaintiff, a policyholder of an insurance company fund investor, alleges securities violations, conversion, and breach of fiduciary duty. The case (DC-11-14737) was filed November 22, 2011 in Dallas County, Texas. We believe the suit lacks merit and will vigorously defend our position.

Neither our firm, nor any of our directors, officers or principals has been involved in any administrative proceedings before the Securities and Exchange Commission, any other

federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority. Although we have not been subject of any proceedings, our firm has cooperated in providing information to the Securities and Exchange Commission in connection with their investigation of our firm arising out of a routine examination (and our relationship with Founding Partners Founding Partners Capital Management, LLC). The results of that investigation are pending.

Neither our firm, nor any of our directors, officers or principals has been involved in any self-regulatory organization proceedings.

## **7. Other Financial Industry Activities and Affiliations**

Neither our firm nor any of our principals is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither our firm nor any of our principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

We serve as the general partner and investment manager to our Fund Clients, Strategic Stable Return Fund (ID), LP and Strategic Stable Return Fund II, LP. Because we control our Fund Clients as their general partner, there was no independent negotiation of our fees or other terms of our Fund Clients' operating agreements. Although this arrangement may give us heightened control and discretion over our Fund Clients, we manage any potential conflicts of interest by strictly adhering to the investment strategy discussed in our Fund Clients' offering documents.

Founding Partners Hybrid-Value Fund, L.P. (formerly known as Founding Partners Equity Fund, LP) is a limited partner of our firm with a profits interest, but has no ability to direct or control the management or policies of our firm. Its general partner is Founding Partners Capital Management Company. Our Fund Clients invested in an investment fund managed by Founding Partners Capital Management Company: Founding Partners Stable-Value Fund, L.P. Thus, Founding Partners Capital Management Company benefits from Founding Partners Hybrid-Value Fund, L.P.'s share of the performance fees or allocations payable to our firm from our Fund Clients. It also benefits from management fees and performance allocations payable by our Fund Clients to Founding Partners Stable-Value Fund, L.P. This potential conflict of interest is and has been disclosed to investors in our Fund Clients. As a result of a civil complaint filed by the Securities and Exchange Commission, in part, against Founding Partners Capital Management Company, a receiver

has been appointed over Founding Partners Capital Management Company with full and exclusive power, duty and authority to, among other things, administer its business affairs.

We do not recommend or select other investment advisers for our Fund Clients.

## **8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

We have adopted a Code of Ethics in accordance with the Securities and Exchange Commission requirements. Our Code of Ethics works to ensure that our employees' securities transactions are consistent with our firm's fiduciary duty to our Fund Clients and to ensure compliance with legal and regulatory requirements. It focuses on specific areas where employee conduct has the potential to affect Fund Clients' or investors' interests adversely, such as personal securities trading, outside activities, gifts, borrowing and lending, the influence of personal relationships and charitable contributions. Our Code of Ethics requires employees to submit quarterly statements to our Compliance Officer for any account holding securities in which an employee or certain of their family members have an interest. Certain employee trades in which an employee or certain of their family members have an interest must be reviewed and pre-approved by our Compliance Officer. We provide a copy of our Code of Ethics to any investor in our Fund Clients that requests one.

Principals and employees of our firm do not recommend to Fund Clients, nor do they buy or sell for Fund Client accounts, securities in which they have a material financial interest.

Our firm and its partners have committed their own capital directly to our Fund Clients. Thus, although our Fund Clients do, at times, buy or sell securities in which we or our affiliates have a financial interest, the interest that we, our principals personally have in our Fund Clients helps to eliminate any potential conflict that might exist.

## **9. Brokerage Practices**

We have complete investment and brokerage discretion over our Fund Clients' accounts.

Our Fund Clients' capital is primarily invested in other private investment vehicles. However, to provide a liquidity event to investors, some investment vehicles have recently contributed all or a portion of their assets to business development companies in exchange for publicly-traded shares. To the limited extent we may engage in direct securities transactions relating to the disposition of these shares, we would select brokers based on a number of factors, including the following:

- the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);
- the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker;
- the broker's risk in positioning a block of securities; and
- the competitiveness of commission rates in comparison with other brokers satisfying our other selection criteria.

We do not use broker research services and do not participate in any soft dollar arrangements.

To the extent we engage in any direct securities transactions, our firm would not recommend, request or require that our Fund Clients or any investor in our Fund Clients, direct us to execute transactions through a specified broker-dealer. We would not permit our Fund Clients or any investor in our Fund Clients to direct us to execute transactions through a specified broker-dealer.

To the extent we engage in any direct securities transactions and we decide our Fund Clients should participate in the same investment opportunity, our firm would aggregate the purchase or sale of securities for the various Fund Client accounts. We would then allocate the securities purchased (or sold) among our participating Fund Clients so that each client receives the same terms. We would also seek to execute orders for all participating clients on an equitable basis. If we decided to invest at the same time for more than one of our Fund Clients, we would place combined orders for all participating accounts simultaneously, and, if all these orders were not filled at the same price, we would average the prices paid. Similarly, if an order on behalf of more than one account could not be fully executed under then-current market conditions, we would allocate the trade among the different accounts on a basis that we considered equitable. Ultimately, Fund Clients could benefit when we aggregate trades because they would get volume discounts on execution costs. On the other hand, situations could occur where one Fund Client could be disadvantaged because of the investment activities we conducted for other Fund Clients.

## **10. Review of Accounts**

The portfolio managers, Steve Helland and Tim Law, review all Fund Client accounts on at least a monthly basis or as triggered by economic and market conditions.

We provide investors in our Fund Clients with written monthly statements that contain all account activity, such as contributions, distributions, investment appreciation and

depreciation, operating expenses, management fees, and performance-based compensation. We also provide necessary tax information through a Form K-1 that is prepared by an independent accounting firm. Because our Fund Clients are not currently receiving timely audited financial statements from all Underlying Funds, we currently are unable to assure that timely audited financial statements will be provided to our Fund Clients' investors.

## **11. Client Referrals and Other Compensation**

Our firm does not, nor do, any principals or employees of our firm, receive any economic benefit from non-clients for providing advisory services to our Fund Clients.

Our firm may share and has shared a percentage of its management and performance-based compensation with registered representatives of certain broker-dealers for the referral of investors to our Fund Clients. These referral fees are paid to the broker-dealer of the registered representative in accordance with Chapter 116 of the Texas Administrative Code and, if applicable, Rule 206(4)(3) of the Investment Adviser's Act of 1940.

## **12. Custody**

While it is our firm's practice not to accept or maintain physical possession of our Fund Client's assets, we are deemed to have custody of our Fund Clients' assets under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, because we have the authority to access our Fund Clients' funds and deduct fees and expenses from their accounts. Our Fund Clients have entered into an agreement with their leverage provider, KBC Financial Products ("KBC"), to have the Underlying Funds custodied with a qualified custodian, Citco Banking Corporation NV. The custodian maintains these funds in an account that contains only our Fund Clients' funds in each of their respective names. However, the custodian has declined our request to provide (and has not provided) account statements directly to the investors in our Fund Clients and is not expected to do so in the future. In addition due to loan restrictions and our inability to retitle interests in Underlying Funds with a new custodian, we are unable to engage other qualified custodians to provide custodial services.

We engaged Rothstein, Kass & Company, PLLC to perform a surprise custody examination pursuant to Rule 206-4(2) as of October 31, 2010. Due to non-responses from a number of the Underlying Fund investment partnerships with which our Fund Clients invested, and some of the assets not being maintained by a qualified custodian, no opinion was rendered on the exam. Because the custodian is not providing account statements to our investors in

our Fund Clients and we do not expect a surprise examination to result in the rendering of an opinion (due to the lack of responses from the Underlying Funds), we do not anticipate that we will be able to meet the requirements of Rule 206(4)-2 in the foreseeable future. However, in order to comply with the spirit of the rule, our firm provides account statements relating to the custodied assets to our Fund Client investors.

### **13. Investment Discretion**

#### Scope of Authority

Our firm accepts discretionary authority to manage our Fund Clients' securities accounts. Essentially, this means that we have the authority to determine, without obtaining specific consent from our Fund Clients or their investors, which securities to buy or sell and the amount of securities to buy or sell. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in each of our Fund Client's Private Placement Memorandum. We are currently not making any new investments and are focused on the wind down of our Fund Clients.

#### Procedures for Assuming Authority

We are not currently seeking or accepting any new advisory clients or investors in the Fund Clients. Before accepting their subscriptions for interests in our Fund Clients, we provided all potential investors with a Private Placement Memorandum that sets forth, in detail, our investment strategy and program. By completing our subscription documents to acquire an interest in one of our Fund Clients, investors gave us complete authority to manage their investments in accordance with the Private Placement Memorandum they received.

### **14. Voting Client Securities**

Since our Fund Clients' capital is primarily invested in other private investment vehicles, we do not have the opportunity to vote proxies for publicly traded securities. However, as a result of our interests in these private investment vehicles, we may sometimes be asked to vote on such matters as amendments to documents and approving certain actions of those investment vehicles and their management. Subject to the powers of the Fund Clients' lender, KBC, we will vote in the best interest of our Fund Clients typically with the goal of maximizing the long-term value of our Fund Clients after reviewing, discussing, and researching the issue at vote. No individual investor in our Fund Clients will direct management how to vote a proxy. Upon request, an individual investor can request information on how management voted a particular proxy.



We do not believe there are any conflicts of interest between our firm, our Fund Clients and the Underlying Funds. Except as disclosed in Section 7, we are not involved on a personal or business relationship with any Underlying Fund and do not currently provide any services to any of these investment vehicles. Our Fund Clients do not have any side letter agreements with the Underlying Funds to provide more favorable terms.

## **15. Financial Information**

We do not require nor do we accept prepayment of more than \$1,200 in fees per investor, six months or more in advance.

Full redemption requests have been placed with all Underlying Funds in which our Fund Clients invest. After our Fund Clients have paid down the principal and interest on their respective leverage facilities, they will make distributions to their investors.

Our firm has never been the subject of a bankruptcy petition.