

FORM ADV BROCHURE

March 29, 2012

FORM 2A

Item 1				
Name of Investment Adviser: DAFNA Capital Management, LLC				
Address: (Number and Street)	(City)	(State)	(Zip Code)	Telephone Number:
10990 Wilshire Boulevard, Suite 1400	Los Angeles	CA	90024	(310) 954-3200
E-mail Address:		Website:		
NFISCHEL@DAFNACaptial.com		www.dafnacapital.com		

This brochure provides information about the qualifications and business practices of DAFNA Capital Management, LLC (“Adviser”). If you have any questions about the content of this brochure, please contact us at (310) 954-3200 or at nfischel@dafnacapital.com. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about Adviser also is available on the SEC’s website at www.adviserinfo.sec.gov.

Adviser refers to itself as a “registered investment adviser” in materials distributed to current and prospective clients. As a registered investment adviser with the SEC, Adviser is subject to the rules and regulation adopted by the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration as an investment adviser is not an indication that Adviser or its directors, officers, employees or representatives have attained a particular level of skill or ability.

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<p>Item 2 Material Changes</p>	<p>Since the last annual update to Advisor’s Form ADV Brochure as filed with the SEC on March 29, 2011, there have been no material changes made to the information provided in this Brochure.</p> <p>In the future, when Advisor amends its Form ADV Brochure for its annual update and the amended version contains material changes from the last annual update, Advisor will identify and discuss those changes either on this page or as a separate document accompanying the Brochure. For documentation purposes, Advisor will provide the date of the last annual update of its Brochure.</p>
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<p>Item 4 Advisory Business</p>	<p>A. Advisory Firm</p> <p>Adviser is a Delaware limited liability company that commenced operation in December 13, 1999, and is owned and controlled by Dr. Nathan Fischel and Dr. Fariba Ghodsian.</p> <p>B. Specialization</p> <p>Adviser has long experience and a strong background in providing investment advisory services with respect to the analysis of companies in the life science field.</p> <p>C. Advisory Services</p> <p>Adviser provides investment advisory services with respect to one or more private investment funds (each, a “Fund”).</p> <p>D. Wrap Fee Programs</p> <p>Not applicable.</p> <p>E. Regulatory Assets Under Management (as of February 29, 2012)</p> <p><i>Discretionary:</i> \$99,981,754</p> <p><i>Non-Discretionary:</i> \$0</p>
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<p>Item 5 Fees and Compensation</p>	<p>Private Investment Funds</p> <p>A. Types of Fees</p> <p>Under Adviser’s investment management agreement with each Fund, Adviser will receive an annual management fee based on the account balance of each Fund investor. Adviser, in its discretion, may waive or reduce the management fee as to all or any of the investors in the Fund or agree with an investor to waive or alter the management fee as to that investor.</p> <p>Under Adviser’s investment management agreement with each Fund or the Fund’s charter documents, as applicable, Adviser will also receive annual performance-based fee or allocation in arrears based on the net capital appreciation (i.e., capital appreciation less capital depreciation) of each investor’s account in the Fund. The performance-based fee or allocation is payable only if, and to the extent that, the net capital appreciation of the investor’s account exceeds any net capital depreciation accumulated in prior years (as adjusted for withdrawals of capital). Adviser, in its discretion, may waive or reduce the performance-based fee or allocation as to all or any of the investors in the Fund or agree with an investor to waive or alter the performance-based fee or allocation as to that investor.</p> <p>B. Payment Method. The management fee will be paid by each Fund monthly in arrears by deduction from each investor’s account in the Fund on the last business day of the calendar</p>
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<p>Item 5 (cont.)</p>	<p>month. The performance-based fee or allocation is also paid by deduction from each investor's account in the Fund on December 31 of each year in which a performance-based fee or allocation is earned. If an investor withdraws all or a portion of its account in a Fund on a date other than December 31, a performance-based fee or allocation will be made on the amount withdrawn for the period from the prior January 1 to the date of withdrawal.</p> <p>C. <i>Costs and Expenses.</i> Each Fund bears all expenses of its organization and operation, expenses incurred in the purchase and sale of investments, and accounting fees, as determined by Adviser. Such expenses include but are not limited to: (i) brokerage and execution charges, commissions, custodial charges, and fees for quotation and other data services; (ii) fees related to accounting, trading, portfolio management and risk management systems; (iii) research subscriptions and expenses; (iv) broker trade and broker deal fees; (v) expenses to register securities and transfer taxes; (vi) costs and expenses incurred for the purpose of protecting and enhancing the value of the Fund's investments (including the costs of instituting and defending litigation); (vii) taxes, filing and registration fees of the Fund; (viii) all costs, fees and expenses relating to investor communications, relations, accounting and the preparation and mailing of financial, tax and performance information to investors, including an allocable share of the Adviser's costs, fees and expense relating to internal accounting and tax preparation function; (ix) fees, costs and expenses incurred in connection with borrowings; (x) administration fees, costs and expenses; and (xi) fees for attorneys, accountants, consultants and other professionals or experts. For additional information regarding brokerage and execution fees, see Item 12 below.</p> <p>D. <i>Refunds.</i> Not applicable.</p> <p>E. <i>Sales Compensation.</i> Adviser will not receive sales commissions in connection with sales of interests in a Fund.</p>
<p>Item 6</p> <p>Performance-Based Fees and Compensation</p>	<p>Adviser receives performance-based compensation from each Fund that it manages. Fees based on performance will only be charged in accordance with the provisions of Rule 205-3 under the Investment Advisers Act of 1940, as amended. Performance-based compensation may create an incentive for Adviser to cause a Fund to make investments that are riskier than it would otherwise make. In addition, since Adviser's performance-based compensation is calculated on a basis which includes unrealized appreciation of the assets held by the Fund, it may be greater than if such compensation were based solely on realized gains.</p> <p>In the event that some client accounts to which Adviser provides investment advisory services are charged a performance-based compensation but not others, a conflict may arise where Adviser has an incentive to treat some client accounts preferentially as compared to others because those client accounts pay a performance-based compensation or because Adviser or one of its portfolio managers or affiliates has an interest in the client account. Adviser has adopted a policy to allocate portfolio transactions and investment opportunities across multiple client accounts on a fair and equitable basis over time. All eligible accounts that can participate in a transaction share the same price on a pro rata allocation basis in an attempt to mitigate any conflict of interest. Investment opportunities are allocated among similarly managed accounts to maintain consistency of portfolio strategy, taking into account cash availability, investment restrictions and guidelines, and portfolio composition.</p> <p>Since management fees and performance-based compensation paid to Adviser are based on the net asset value of a Fund, a conflict may also arise when Adviser or a related person is valuing the assets held by the Fund. Assets will generally be valued at fair value by Adviser or its related person in accordance with U.S. generally accepted accounting practices.</p>
<p>Item 7</p> <p>Types of Clients</p>	<p>Private Investment Funds</p> <p>Adviser organized and serves as general partner and/or discretionary investment adviser to</p>

<p>Item 7 (cont.)</p>	<p>several private investment funds, including DAFNA Fund, L.P., a Delaware limited partnership (the “Onshore Fund”), DAFNA International Fund, Ltd., a Cayman Islands exempted company (the “Offshore Fund”), DAFNA LifeScience Ltd., a Cayman Islands exempted company, DAFNA LifeScience Market Neutral Ltd., a Cayman Islands exempted company and DAFNA LifeScience Select Ltd., a Cayman Islands exempted company. Adviser may decide in the future to sponsor or manage additional private investment funds.</p> <p>Adviser generally requires investors in a Fund to make a minimum initial investment of at least \$1,000,000 and to maintain a minimum account balance of \$1,000,000 in the Fund. Investors generally must be “accredited investors” under Regulation D who are also “qualified purchasers” under Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended. Adviser generally requires Fund investors to make representations concerning their financial sophistication and ability to bear the risk of loss of their entire investment in the Fund. The minimum contribution and investor requirements may be waived by Adviser in its sole discretion.</p>
<p>Item 8</p> <p>Methods of Analysis, Investment Strategies and Risk of Loss</p>	<p>A. Methods of Analysis and Investment Strategies</p> <p><i>Investment Analysis.</i> Investments for each Fund are identified and selected by the Adviser. Adviser evaluates investments by identifying significant events that will likely affect a company’s stock price upwards or downwards. Such significant events include, but are no limited to: clinical trial results, regulatory decisions, unexpected side effects, market trends, additional indications for a drug or device, sales numbers, significant partnerships or joint ventures. The probability of positive or negative outcomes of these events, as well as their timing, will be analyzed in detail. Following an investment by the Fund, Adviser will continue to monitor the progress and suitability of portfolio investments as well as market and economic outlook.</p> <p>To help develop its investment recommendations, Adviser may use commercially available information services and financial publications dealing with investment research, securities law and taxation. Such information may be obtainable in print, via the internet or by some other means. Issuer-prepared materials (particularly prospectuses), private placement due diligence materials, and research releases prepared by third parties are also utilized. Adviser also may use research materials prepared by various investment product vendors or custodians as well as in-house analysts. Adviser may also obtain information by meeting with issuer’s management, customers or competitors, attending industry conferences and consulting with experts in the appropriate field.</p> <p><i>Investment in securities involves risk of loss that investors in a Fund must be prepared to bear.</i></p> <p><i>Investment Strategies.</i> The investment strategies of the Funds are below:</p> <ol style="list-style-type: none"> (1) DAFNA Fund, L.P. has issued three series of partnership interests: Series A, Series B and Series C. DAFNA Fund, L.P. Series A invests substantially all of its assets through a master-feeder structure in DAFNA LifeScience Ltd. DAFNA Fund, L.P. Series B invests substantially all of its assets through a master-feeder structure in DAFNA LifeScience Market Neutral Ltd. DAFNA Fund Series C invests substantially all of its assets through a master-feeder structure in DAFNA LifeScience Select Ltd. (2) DAFNA International Fund Ltd. has issued three classes of shares: Class A, Class B and Class C. DAFNA International Fund Ltd. Class A invests substantially all of its assets through a master-feeder structure in DAFNA LifeScience Ltd. DAFNA International Fund Ltd. Class B invests substantially all of its assets through a master-feeder structure in DAFNA LifeScience Market Neutral Ltd. DAFNA International Fund Class C invests substantially all of its assets through a master-feeder structure in

<p>Item 8 (cont.)</p>	<p>DAFNA LifeScience Select Ltd.</p> <p>(3) DAFNA LifeScience Ltd.’s strategy involves making event-driven long and short investments in public life science companies, primarily in the biotechnology field and the medical device field. It attempts to capitalize on the Advisor’s ability to exploit market inefficiencies that result from the complexity of these companies’ technologies and the clinical regulatory environment and marketplace. It is long-biased and sector concentrated.</p> <p>(4) DAFNA LifeScience Market Neutral Ltd.’s strategy involves making event-driven long and short investments in public life science companies, primarily in the biotechnology field and the medical device field. Those long and short investments will be balanced to create a portfolio that attempts to be market neutral and matches the long and short positions across a variety of clinical, technical, financial, and trading parameters. It attempts to capitalize on the Advisor’s ability to exploit market inefficiencies that result from the complexity of these companies’ technologies and the clinical regulatory environment and marketplace. It is sector concentrated.</p> <p>(5) DAFNA LifeScience Select Ltd.’s strategy involves making event-driven long and short investments in public life science companies, primarily in the biotechnology field and the medical device field. It generally will be exposed to greater volatility than DAFNA LifeScience Ltd. It attempts to capitalize on the Advisor’s ability to exploit market inefficiencies that result from the complexity of these companies’ technologies and the clinical regulatory environment and marketplace. It is long-biased and sector concentrated.</p> <p>While Adviser intends to manage each Fund pursuant to the investment strategy described in the confidential offering memorandum of the Fund (the “Memorandum”), under the investment management agreement with each Fund, Adviser has wide latitude to act upon any investment strategy or to change any investment strategy to achieve the investment objective of the Fund, all without obtaining the consent of Fund investors. Prospective investors should carefully read the Fund’s Memorandum and consult with their own counsel and advisers as to all matters concerning an investment in the Fund.</p> <p>B. Investment Strategy Risks</p> <p>Acquiring interests in the Fund is intended for sophisticated investors who can accept a high degree of risk in their portfolio, do not need regular current income from their investment with Adviser and can accept a potential loss of their entire investment. Investment risks specific to the investment strategy of each Fund are described in the Memorandum of the Fund. Such risks may include (but are not limited to):</p> <ul style="list-style-type: none"> • <i>Concentration.</i> Client accounts may hold a relatively small number of securities. Losses incurred in such securities could have a disproportionate effect on the account’s overall financial condition. • <i>Portfolio Management.</i> The performance of a client account depends on the skill of Adviser and its portfolio manager(s) in making appropriate investment decisions. • <i>Leverage.</i> The use of leverage by buying securities on margin or use of certain derivatives is a speculative technique that involves special risk considerations. Interest costs on borrowings may fluctuate with changing market rates of interest and may partially offset or exceed the return earned on borrowed funds. Interest on borrowings will be an expense of a client account and will affect the investment performance of the account. To the extent a client account is leveraged, the value of its assets will tend to increase more when its portfolio securities increase in value, and to decrease more when
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Item 8 (cont.)

its portfolio securities decrease in value, than if its assets were not leveraged.

- *Short Selling.* Short sales that are not part of a hedging strategy are speculative and involve special risk considerations. Since a short seller in effect profits from a decline in the price of the securities sold short without the need to invest the full purchase price of the securities on the date of the short sale, returns will tend to increase more when the securities sold short decrease in value, and to decrease more when the securities sold short increase in value, than would otherwise be the case if the short seller had not engaged in such short sales. Short sales theoretically involve unlimited loss potential as the market price of securities sold short may continuously increase.
- *Portfolio Turnover.* Buying and selling securities generally involves some expense to a client account, such as commissions and other transaction costs. Generally, the higher an account's portfolio turnover, the greater its brokerage costs and the greater the likelihood that it will realize taxable capital gains. Increased brokerage costs may adversely affect an account's performance. The advisory activities of each Fund will involve a high level of trading, and the portfolio turnover is expected to generate substantial transaction costs.
- *Equity Securities.* By investing in stocks, Adviser may expose a client account to a sudden decline in the share price or to an overall decline in the stock market. The value of investments held in a client account will fluctuate daily and cyclically based on changes in the issuer's financial condition and prospects and on overall market and economic conditions.
- *Fixed Income Securities.* The prices of fixed income securities respond to economic developments, particularly interest rate changes, as well as to perceptions of an issuer's creditworthiness. Generally, fixed income securities decrease in value if interest rates rise and increase in value if interest rates fall, with lower rated securities more volatile than higher rated securities. The duration of these securities affects risk as well, with longer term securities generally more volatile than shorter term securities.
- *Highly Volatile Markets.* The prices of investments held by a client account can be highly volatile. Price movements of forward contracts, futures contracts and other derivative contracts in which Adviser may invest client assets are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies.
- *Small-Cap Companies.* Investments in small-cap companies may involve greater risks than investments in larger, more established companies, such as limited product lines, distribution channels and financial and managerial resources. The securities of small-cap companies may have greater price volatility and less liquidity than the securities of larger capitalized companies, and may be more difficult to value.
- *Foreign Securities.* Foreign investments tend to be more volatile than U.S. securities, and are subject to risks that are not typically associated with U.S. securities. For example, such investments may be adversely affected by changes in currency rates and exchange control regulations, unfavorable political, social and economic developments and the possibility of seizure or nationalization of companies or imposition of withholding taxes on income. Moreover, less information may be publicly available concerning certain foreign issuers than is available concerning U.S. companies. Foreign markets tend to be more volatile than the U.S. market due to economic and political instability, social unrest and regulatory conditions in some countries.
- *High Yield Bonds.* Fixed income securities that are below investment grade or unrated

<p>Item 8 (cont.)</p>	<p>involve greater risks of default and are more volatile than investment grade securities. High yield bonds involve a greater risk of price declines than investment grade securities due to actual or perceived changes in an issuer's creditworthiness. In addition, issuers of high yield bonds may be more susceptible than other issuers to economic downturns, which may result in a weakened capacity of the issuer to make principal or interest payments. High yield bonds are subject to a greater risk that the issuer may not be able to pay interest or dividends and ultimately to repay principal upon maturity.</p> <ul style="list-style-type: none"> • <i>Derivatives.</i> Derivatives involve the risks separate from the risks of the underlying instrument, including improper valuation and ambiguous documentation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying instrument. Derivatives are also subject to other risks, such as the risk of an illiquid secondary market which may result in significant, rapid, and unpredictable changes in the prices for such derivatives, risks relating to the financial soundness and credit worthiness of the counterparty, and the risk of the failure of any of the exchanges on which a client account's positions trade or of their clearinghouses. The use of a derivative is speculative if Adviser is primarily seeking to enhance returns, rather than offset the risk of other positions. When Adviser invests client assets in derivatives for speculative purposes, the client account will be fully exposed to the risks of loss of that derivative, which may sometimes be greater than the cost of the derivative. <p>C. Portfolio Investment Risks</p> <p>The Funds invest primarily in public life science companies. Not only is this a limited market sector, but it is also highly volatile. This lack of diversification can be expected to result in materially increased risk and volatility. Also life science companies are particularly subject to the risk of adverse clinical trial outcomes (lack of efficacy and/or toxicity), as well as regulatory delay or adverse action. The Food and Drug Administration ("FDA") must approve all new drugs, and in many cases regulates the means by which research and testing can be conducted. Delays, or failure, in obtaining the necessary FDA approvals could adversely affect many of the issuers in which the Funds invest.</p>
<p>Item 9</p> <p>Disciplinary Information</p>	<p>Not applicable</p>
<p>Item 10</p> <p>Other Financial Industry Activities or Affiliations</p>	<p>A. Registration as a Broker-Dealer or Registered Representative</p> <p>Not applicable.</p> <p>B. Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser or Associated Person</p> <p>Not applicable.</p> <p>C. Material Relationships</p> <ol style="list-style-type: none"> 1. <i>broker-dealer, municipal securities dealer, or government securities dealer or broker</i> <p>Not applicable.</p> <ol style="list-style-type: none"> 2. <i>investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)</i>

Item 10 (cont.)

See Item 7 above. Investors in a Fund must understand that each Fund was formed as an investment product to be managed by Adviser, and that Adviser does not intend to cause any Fund to terminate its investment management relationship with Adviser absent Adviser's liquidation or bankruptcy. However, Adviser has a fiduciary duty to act in the best interest of each Fund that it manages, and investors in each Fund have the right to withdraw from the Fund at any time subject to any notice requirement, lock-up period or other withdrawal limitations described in the Fund's Memorandum. Adviser may from time to time enter into a side letter agreement with one or more investors in a Fund which may, among other terms, provide for (a) withdrawal rights that are more favorable than the rights granted to all other Fund investors, (b) a reduced management fee and/or performance-based fee or allocation, or (c) greater or more frequent transparency with respect to the Fund.

In addition, neither Adviser nor its related persons are obligated to allocate any specific amount of time or investment opportunities to a particular Fund. Adviser and its related persons intend to devote as much time as they deem necessary for the conduct of each Fund's operation and portfolio management, and will allocate investment opportunities in accordance with Adviser's trade allocation policy described in Item 6 above.

3. *other investment adviser or financial planner*

Not applicable.

4. *futures commission merchant, commodity pool operator, or commodity trading adviser*

Not applicable.

5. *banking or thrift institution*

Not applicable.

6. *accountant or accounting firm*

Not applicable.

7. *lawyer or law firm*

Not applicable.

8. *insurance company or agency*

Not applicable.

9. *pension consultant*

Not applicable.

10. *real estate broker or dealer*

Not applicable.

11. *sponsor or syndicator of limited partnerships*

Adviser or a related person of Adviser is the general partner and/or management shareholder of each Fund that Adviser manages. See response (ii) above.

Item 10 (cont.)	D. Recommendation of Other Investment Advisers Not applicable.
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	<p>A. Code of Ethics</p> <p>In order to address conflicts of interest, Adviser has adopted a code of ethics (the “Code”) which is applicable to all of Adviser’s officers, manager, members, and employees (collectively, “Employees”). Adviser’s Code generally sets the standard of ethical and professional business conduct that Adviser requires of its Employees, requires Employees to comply with applicable federal securities laws and regulations, and sets forth provisions regarding personal securities transactions by Employees. Additionally, the Code sets forth Adviser’s policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary obligations that Adviser and each of its Employees owes to each advisory client. The Code is circulated at least annually to all Employees, and each Employee at least annually must certify in writing that he or she has received and followed the Code and any amendments thereto. Adviser will provide a copy of the Code to any client or prospective client upon request.</p> <p>B. Participation or Interest in Client Transactions</p> <p>Adviser may solicit qualified Account clients to invest in a Fund or other investment vehicle sponsored or managed by Adviser (each, an “Adviser-related fund”). Because of the relationship between Adviser and any Adviser-related fund, Adviser could be considered to have recommended the investment as suitable for an account client if such person should invest in the fund. Adviser will inform each account client of its relationship with an Adviser-related fund prior to the client’s investment, but does not intend to advise account clients as to the appropriateness of the investment and will not receive any compensation for doing so or for selling interests in an Adviser-related fund (except to the extent that Adviser receives management fees and performance-based fees from all fund investors). Adviser may, from time to time at its discretion, suggest that investors in the Fund invest in a co-investment vehicle sponsored by Adviser.</p> <p>Periodically, Adviser may seek to adjust or rebalance client accounts by effecting cross-trades between or among client accounts (i.e., causing one or more client accounts to sell securities to one or more other client accounts). In effecting such cross-trades, Adviser seeks to reduce the transaction costs to its clients of such account adjustments. All such cross-trades will be consistent with the investment objectives and policies of each client account involved in the trades, and will be effected at the current independent market price of the securities involved in the trades. Such cross-trades will generally be effected through a broker-dealer. The client accounts involved in such cross-trades will not pay any brokerage commissions or mark-ups in connection with the trades (to the broker-dealer or Adviser), but will reimburse the applicable broker-dealer for any customary trading costs and/or transfer fees (i.e., aggregate ticket charges) that such broker-dealer incurs and that are assessed by any other broker-dealers through which such broker-dealer effects the trades.</p> <p>C. Personal Trading</p> <p>Under Adviser’s Code, Employees are generally prohibited from trading in securities in the biotechnology, medical devices and pharmaceuticals industries, other than unwinding transactions effected prior to employment with Adviser or investing in registered open-end investment companies (i.e., mutual funds), direct obligations of the U.S. government, bankers’ acceptances, bank certificates of deposit, commercial paper, short-term high-quality debt securities, including repurchase agreements, and such other money market or investment instruments.</p>

<p>Item 11 (cont.)</p>	<p>D. Concurrent Trading Activity</p> <p>Transactions to purchase or sell the same security may be effected at the same time for numerous accounts, some of which accounts may have similar investment objectives. Adviser may (but is not obligated to) combine or “batch” such orders. When combined orders occur, Adviser will seek to allocate the execution in a manner that is deemed equitable to the accounts involved. Generally, transactions will be averaged as to price and transaction costs and thereafter will be allocated among the accounts involved in proportion to the purchase and sale orders placed for each account on any given day. If Adviser cannot obtain execution of all the combined orders at prices or for transaction costs that Adviser believes are desirable, Adviser will allocate the securities Adviser has purchased or sold as part of the combined orders by following Adviser’s trade allocation procedures.</p>
<p>Items 12</p> <p>Brokerage Practices</p>	<p>A. Selection of Broker-Dealers</p> <p><i>Execution Quality.</i> Adviser will generally seek “best execution” in light of the circumstances involved in transactions. In selecting a broker for any transactions, Adviser may consider a number of factors, including, for example, net price, reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security. Adviser will not obligate itself to obtain the lowest commission or best net price for an account on any particular transaction.</p> <p><i>Soft Dollars.</i> In addition to execution quality, Adviser may consider the value of various research services or products, beyond execution, that a broker-dealer provides to Adviser or its clients. Selecting a broker-dealer in recognition of such other services or products is known as paying for those services or products with “soft dollars.” Because many of those services could benefit Adviser, it may have a conflict of interest in allocating client brokerage business. In other words, Adviser could have an incentive to execute client transactions through a broker or dealer that provides valuable services or products and pay transaction commissions charged by that broker or dealer which may be higher than Adviser might otherwise be able to negotiate. Adviser could also have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate soft dollars with which to acquire research products and services.</p> <p>Adviser will make decisions involving “soft dollars” in a manner that satisfies the requirements of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. That is, Adviser will generally determine, considering all appropriate factors (including those described here), that commissions paid are reasonable in relation to the value of all the brokerage and research products and services provided by the broker-dealer. In making that determination, Adviser may consider not only the particular transaction, and not only the value of brokerage and research services and products to a particular client, but also the value of those services in Adviser’s performance of its overall responsibilities to all of its clients. In some cases, the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge. Additionally, in some cases, a client’s transaction may be executed by a broker in recognition of services or products that are not used in managing that client’s account. Broker-dealers are not excluded from a client’s business simply because they have not provided research services or products, although Adviser may not be willing to pay the same commission to such broker as Adviser might have been willing to pay had the broker provided research products and services.</p> <p>For these purposes, “research” means advice, analysis and reports used to provide lawful and appropriate assistance to Adviser in making investment decisions for its clients. During the last fiscal year, Adviser acquired the following types of research: reports on or other information about particular companies or industries; economic data such as unemployment reports, inflation rates or gross domestic product figures; recommendations as to specific securities;</p>

Item 12 (cont.)

financial publications relating to the value, availability or advisability of investing in securities, and issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of the accounts; and portfolio evaluation services and financial database software and services. In addition, the types of brokerage services that Adviser obtained during the last fiscal year include execution clearing and settlement service, exchange of messages among brokers, custodians and institutions; and communication services related to the execution, clearing and settlement of securities transactions and other incidental services. Where a particular service or product that a broker or dealer is willing to provide for soft dollars has not only a “research” application, but is also useful to Adviser for non-“research” purposes, Adviser will allocate the cost of the product or service between its research and non-research uses and pay only the “research” portion with soft dollars. Adviser’s interest in making such an allocation may differ from clients’ interests in that Adviser has an incentive to designate as great a portion of the cost as “research” as possible in order to permit payment with soft dollars.

During the last fiscal year, Adviser directed client transactions to particular brokers based on each broker’s reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security, and the comprehensiveness and frequency of available research services and products provided by the broker. Adviser monitors transaction results as orders are executed to evaluate the quality of execution provided by the various brokers and dealers it uses, to determine that compensation rates are competitive and otherwise to evaluate the reasonableness of the compensation paid to those brokers and dealers in light of all the factors described above.

When a broker-dealer provides research or other products or services in expectation of brokerage business, it generally suggests the level of business it would like to receive as compensation. Actual transactional business received by a particular broker or dealer during any period may be less than the suggested level, but may and typically will exceed that level. In other cases, a broker or dealer may establish “credits” based on brokerage commissions paid in the past, which may be used to pay, or reimburse Adviser, for specified expenses. In making its brokerage selections, Adviser considers those suggestions as part of its evaluation of the factors described above.

Brokerage for Client Referrals. Subject to applicable law and regulation, in selecting brokers for any securities transactions, Adviser may direct a portion of a client’s brokerage business to brokers who introduce the client to Adviser. Because referrals could benefit Adviser, selecting a broker based on client referrals may give rise to a conflict of interest in allocating client brokerage business. Adviser will not allocate client brokerage business to a referring broker unless Adviser determines in good faith that the commissions and transaction costs payable to such broker are not materially higher than those available from other non-referring brokers offering services of similar execution quality.

Directed Brokerage. Adviser’s authority may be subject to conditions imposed by a client, examples of which may include: (i) where the client restricts or prohibits transactions in a certain industry, issuer or security and/or (ii) where the client directs that some or all account transactions be effected through specific brokers or dealers. In the latter case, the client is responsible for negotiating the terms and conditions (including, but not limited to, commission rates) relating to all services to be provided by such brokers. Adviser will assume no responsibility for obtaining the best prices or any particular commission rates for transactions with or through any such broker for such client’s account. A client must recognize that it may not obtain rates as low as it might otherwise obtain if Adviser had discretion to select brokers or dealers other than those chosen by the client. Any client providing instructions to Adviser regarding direction of brokerage transactions must notify Adviser in writing if the client desires Adviser to cease executing transactions with or through any such broker or dealer.

Item 12 (cont.)	B. Aggregation of Orders See Item 11(D) above.
Item 13 Review of Accounts	A. Periodic Account Review All accounts are generally reviewed on a daily basis by Drs. Nathan Fischel and Fariba Ghodsian, Portfolio Managers. Account reviews focus on the review of all securities using fundamental and technical analysis. Particular attention is given to changes in company fundamentals, industry outlook, market situation, general economic trends, and relative/absolute valuation levels. B. Non-Periodic Account Review Not applicable. C. Client Reports Adviser and/or the qualified custodian of each client account will transmit unaudited monthly performance reports and account statements to Fund investors. Each investor in a Fund will also receive annual audited financial statements and, if necessary, annual tax information for completion of its individual tax returns. Adviser may make the reports available in hardcopy or solely via electronic transmission unless otherwise requested by a Fund investor. Adviser, in its discretion, may provide more frequent reports and/or more detailed information to all or any of the investors in the Fund.
Item 14 Client Referrals and Other Compensation	A. Compensation By Non-Clients Not applicable. B. Compensation for Client Referrals Subject to applicable law, Adviser may employ solicitors to whom it will pay either a portion of the advisory fees received from clients referred by such solicitors or cash at Adviser's own expense. In such cases, this arrangement will be disclosed in writing to the client and Adviser will comply with any other applicable requirements under Rule 206(4)-3 under the Investment Advisers Act. In particular, Adviser will ensure that each solicitor provides clients with a current copy of Adviser's Form ADV Brochure and the solicitor's written disclosure document.
Item 15 Custody	Private Investment Funds Adviser will not maintain physical possession of the funds or securities of the Fund. Custody of the assets of the Fund will be maintained with a qualified custodian selected by Adviser in its exclusive discretion, which selection may change from time to time without the consent of investors in the Fund. As described in Item 13(C) above, the qualified custodian will provide Fund investors with monthly performance reports and account statements. Fund investors should carefully read these reports and compare any reports received from Adviser against reports received from the qualified custodian.

Item 16 Investment Discretion	<p>Adviser has discretionary authority to make the following determinations without obtaining the consent of any Fund before the transactions are effected:</p> <ul style="list-style-type: none">• the securities that are to be bought or sold;• the total amount of the securities to be bought or sold;• the brokers through which securities are to be bought or sold; and• the commission rates at which securities transactions for client accounts are effected. <p>Adviser's discretionary authority is derived from an irrevocable power of attorney granted by the investors in each Fund under the Fund's charter document and the subscription agreement executed by each Fund investor.</p>
Item 17 Voting Client Securities	<p>Generally, Adviser will vote (by proxy or otherwise) in all matters for which a shareholder vote is solicited by, or with respect to, issuers of securities beneficially held by a Fund in accordance with Adviser's proxy voting policies and procedures (the "Policies").</p> <p>The Policies require Adviser to vote proxies received in a manner consistent with the best interests of its clients. The Policies also require Adviser to vote proxies in a prudent and diligent manner intended to enhance the economic value of the assets of the client that beneficially owns the voting securities. However, the Policies permit Adviser to abstain from voting proxies in the event that the client's economic interest in the matter being voted upon is limited relative to its overall portfolio or the impact of the vote will not have an effect on the outcome of the matter up for vote or on the client's economic interests.</p> <p>Certain of Adviser's proxy voting guidelines are summarized below:</p> <ul style="list-style-type: none">• Adviser votes for: uncontested director nominees recommended by management; the election of auditors recommended by management, unless a dispute exists over policies; limiting directors' liability; and eliminating preemptive rights.• Adviser votes against: proposals to entrench the board or adopt anti-takeover measures; proposals to provide cumulative voting rights; and social issues. <p>Although many proxy proposals can be voted in accordance with Adviser's proxy voting guidelines listed above, some proposals will require special consideration, and Adviser will make a decision on a case-by-case basis in these situations, including proposals to: eliminate director mandatory retirement policies; rotate annual meeting locations and dates; grant options and stock to management and directors; and indemnify directors and/or officers.</p> <p>Where a proxy proposal raises a material conflict between Adviser's interests and the interests of a client, Adviser will seek to resolve the conflict.</p> <p>Upon request to Adviser, investors in a Fund may information on how Adviser voted shares on behalf of the Fund or client account, as applicable.</p>
Item 18 Financial Information	<p>A. Prepayment of Fees</p> <p>Not applicable.</p> <p>B. Impairment of Contractual Commitments</p> <p>Not applicable.</p>

Item 18 (cont.)	C. Bankruptcy Petitions Not applicable.
Item 19 Requirements for State-Registered Advisers	A. Principal Executive Officers and Management Persons Not applicable. B. Other Business Activities of Adviser Not applicable. C. Calculation of Performance-Based Fees See Items 5 and 6 above. D. Awards and Findings Not applicable.
Anti-Money Laundering Policy	Adviser maintains policies designed to detect and report any activities that raise suspicions of money laundering activities, and may modify these policies from time to time. In that regard, Adviser requires prospective investors in each Fund to provide such information as Adviser deems necessary for Adviser to comply with applicable legal or regulatory requirements, including, without limitation, anti-money laundering requirements. Adviser may disclose information respecting investors to governmental and/or regulatory or self-regulatory authorities to the extent that Adviser deems required by applicable law or regulation and Adviser may file reports with such authorities as Adviser deems required by applicable law or regulation. If required by applicable law, regulation or interpretation thereof, Adviser may suspend all activity with respect to an investor's account in a Fund, including suspending the right to withdraw funds or assets from the Fund pending Adviser's receipt of instructions from the appropriate governmental or regulatory authority.