



Ranger Fund Management, L.P.

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This Brochure provides information about the qualifications and business practices of Ranger Fund Management, L.P. (“Ranger” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at (214) 871-5200. 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.

Ranger registered with the United States Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940 in March, 2005. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Ranger Fund Management, L.P. (CRD # 132276) also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about persons who are both affiliated with Ranger Fund Management, L.P. and registered as investment advisors with the SEC.

## Item 2 – Material Changes

SEC rules require Ranger, and other registered investment advisors, to provide its Clients with a copy of its Form ADV 2 within 120 days of the close of its fiscal year, as well as on an ongoing basis when material changes make such disclosures necessary. Ranger's Form ADV 2 is intended to provide its Clients with a clearly written and meaningful disclosure, in plain English, about Ranger's business practices, conflicts of interest and advisory personnel.

Ranger's Form ADV 2 is divided into two parts, *Part 2A* and *Part 2B*. *Part 2A* of the Form ADV 2 (the "Brochure") provides information about a variety of topics relating to an Ranger's business practices and conflicts of interest. *Part 2B* of the Form ADV 2 (the "Brochure Supplement") provides information about certain Ranger advisory personnel.

Item 2 of this Brochure discusses only specific material changes made to the Brochure from the most recent prior filing date and provides clients with a summary of such changes.

The effective date of this Brochure is March 31, 2013, and updates the Brochure filed on March 31, 2012. There are no material changes in this Brochure from the version last filed.

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## Item 4 – Advisory Business

Ranger Fund Management, L.P. (“Ranger” or the “Firm”) is an investment adviser that commenced operations in 2004 and registered with the United States Securities and Exchange Commission (the “SEC”) in March, 2005 in accordance with the Investment Advisers Act of 1940. Ranger was organized as a Texas limited partnership by Ranger Fund Management (GP), L.L.C., a Texas limited liability company which serves as its general partner. Ranger Fund Management (GP), L.L.C. is controlled by Ranger Capital Group Holdings, L.P., a Texas limited partnership which serves as its managing member.

As of March 31, 2013, Ranger managed approximately \$4.376 million of client assets.

### Investment Advisory Services

Ranger provides continuous investment management services to a number of pooled investment vehicles (hereinafter, “Family Fund”) and to separate accounts (collectively, the Family Fund and the separate accounts are referred to herein as the “Clients”). The Family Fund relies on registration exemptions available pursuant to Section 3(c)-7 of the Investment Company Act of 1940, and has been established for investment by both legal entities and qualified individuals.

Investment supervisory services include: (1) establishing a client entity’s investment objectives within a fund of funds commingled fund which invest in other Ranger affiliated advisers’ investment strategies; (2) buying or selling portfolio securities on behalf of each client entity; and (3) periodically reporting to each client entity’s investors the applicable client entity’s current investment holdings, valuations, transactions, capital gains or losses, investment income and performance.

### Investment Program Summary

The Firm manages fund of fund portfolios which were created on behalf of employees, family members and friends of the Firm to facilitate investment in a variety of strategies advised by other Ranger affiliated investment advisers. Current Ranger affiliated investment advisers and a brief description of the strategies they manage include:

- Ranger Investment Management, L.P. manages investment portfolios which consist of the U.S. exchange traded equity securities of small and/or mid capitalization growth oriented companies.
- Ranger International Management (TX), LP manages long-only (i) global equity, (ii) international equity and (iii) global income and growth oriented portfolios.
- Ranger Alternative Management, L.P. serves as a sub advisor to Ad and manages the day-to-day portfolio management activities of the Active Bear ETF (HDGE). Generally, the Ranger Alternatives’ investment team invests, on a short basis only, in the U.S. exchange traded securities of mid to large capitalization companies.

- Ranger Advisors, L.P. manages fund of hedge funds.

The Ranger investment advisers and strategies mentioned above may be subject to change at the sole discretion of the Firm without prior notice to current or prospective investors. Additional information regarding any Ranger adviser or strategy may be obtained by contacting the Firm at (214) 871-5200.

### Ranger Family Fund

The Firm serves as a General Partner to the following client, which is a pooled investment vehicle:

- Ranger Family Fund (QP), L.P. (the “Family Fund”) is a fund of funds which invests in a variety of investment strategies advised by investment advisers affiliated (through ownership, profits interest, or capital investment) with Ranger Capital Group, L.L.C.

The Firm solicits investors for the Family Fund mentioned above. In accordance with Rule 506 of Regulation D, the Family Fund is available to a limited number of qualified investors who are knowledgeable and experienced in financial and business matters. In addition, current and prospective investors should be capable of evaluating the merits and risks of an investment in the Family Fund.

## Item 5 – Fees and Compensation

The Firm charges Clients administration fees which are a fixed percentage of assets under management (“Administrative Fees”). Administrative Fees are generally charged in accordance with the schedule set forth in this Brochure, and in the case of the Family Fund, the offering documents of the Family Fund.

Ranger reserves the right to negotiate Administrative Fees with Clients which differ from the standard schedule, based on specific circumstances and on a case by case basis. Examples of these circumstances include, without limitation: the relative size of a Client account, a Client’s affiliation to Ranger, and/or a Client’s status as a seed investor. Accordingly, Administrative Fees incurred by Clients may vary substantially. In addition, with respect to Separate Accounts, all other terms of such investment, including terms relating to expenses and redemption terms, may also be negotiable on a case by case basis. As such, client investments in Separate Accounts may provide flexibility with respect to investment terms which are not afforded to investors in the Family Funds.

Administrative Fees are generally referenced at an annual rate, but are generally calculated and charged in advance on a quarterly basis. To the extent that a Client redeems its investment, the Firm will promptly refund all fees paid in advance for periods after such applicable redemption date.

### Standard Fee Schedule for the Family Fund

<b>Commingled Fund</b>	<b>Annual Administrative Fee</b>
Ranger Family Fund (QP), L.P.	Twenty Five Basis Points (0.25%)

Additional information with respect to fees and other materials terms and conditions is further detailed in the Family Fund's private placement memorandum, which may be obtained by contacting the Firm at (214) 871-5200.

### Multiple Layers of Fees and Expense

An investment in the Family Fund is subject to multiple layers of fees and expenses. In addition to the administrative fee charged by the Firm, the investment managers of the pooled investment vehicles or separate accounts in which the Firm's Family Fund invests are generally entitled to a management fee which typically, but not exclusively, ranges from an annual rate of eighty basis points (0.80%) to one percent (1%) annually. Currently, one of the Family Fund's underlying investment advisers is also entitled to a performance fee or allocation which typically, but not exclusively, ranges from five percent (5.00%) to ten percent (10.00%) of net profits. In addition, with respect to underlying investments which are fund of hedge funds, there are additional fees and expenses associated with investments made by the Family Fund. Private placement memorandums and brochures are available for each of the Firm's portfolio investments by contacting the Firm at (214) 871-5200.

### Enhanced Interests or Shares

Certain limited partnership interests or shares in the underlying investments of the Family Fund is designated as "enhanced" limited partnership interests or shares. These enhanced interests and shares employ leverage. Management and performance fees are charged on assets under management attributable to such leverage. When leverage is employed on behalf of the enhanced interests and shares, assets under management attributable to the enhanced interests and shares increase, thereby increasing the management and performance fees to which an investor is subject in direct proportion to the amount of leverage employed. For example, the Firm's use of 100% leverage on a \$1,000 investment increases the assets under management to \$2,000. Accordingly, management and performance fees are charged on the \$2,000 leveraged capital amount instead of the original \$1,000 investment. A portion of the assets the Firm manages is subject to the use of leverage.

### Investment Objectives and Conflict of Interest

The investment objectives of the Family Fund involve investing all, or the majority of, its assets in the limited partnerships and separate accounts managed by Ranger affiliated investment advisers. In accordance with these guidelines, the Firm invests in investment products or services in which Ranger affiliates and/or related persons will receive direct and indirect benefit, creating an inherent conflict of interest. For example, such a conflict may influence investment allocations that favor Ranger products or services that incur the highest fees.

## Management Fees Exclusive of Expenses

Management Fees are exclusive of expenses associated with investments in the Separate Accounts and/or Family Fund. Although, the Firm is responsible for its general overhead expenses, Clients bear the cost attributable to their investment activities and operations, including without limitation, expenses associated with trading and operations. Such expenses may include: (i) expenses incurred in connection with the evaluation, acquisition or disposition of a Portfolio investment, including brokerage fees, due diligence expense, travel costs, taxes, and legal, accounting, consulting, information services and professional fees; (ii) expenses incurred in connection with the carrying or management of investments, including custodial, trustee, record keeping and other administration fees; (iii) fees relating to the administration of a Separate Account or the Family Fund, including fees of a third party administrator, (iv) fees and expenses associated with and/or paid to Portfolio investments and their investment advisors, including management and performance fees; (v) expenses incurred in connection with the Family Fund's financial statements and/or tax returns; (vi) attorneys' and accountants' fees and disbursements; (vii) taxes and other governmental charges or fees levied against the Family Fund, including registration or filing fees; and (viii) insurance (including with respect to errors or omissions of the Firm, its Affiliates and related entities, and any other persons acting on behalf of the Family Fund), regulatory or litigation expenses (and damages), including regulatory expenses of the investment Manager.

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

In rare circumstances, the Firm may enter into performance fee arrangements with qualified clients. Performance based fee arrangements may create an incentive for the Firm to invest in securities which may be riskier or more speculative than the securities it would invest in under a different fee arrangement. In addition, performance fee arrangements may create an incentive for the Firm to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Ranger employs procedures designed to ensure all clients are treated fairly and equally, and to prevent this potential conflict from influencing the allocation of investment opportunities among clients.

## Item 7 – Types of Clients

The Firm engages in portfolio management for Investment Companies exempt from registration under the Investment Company Act of 1940. Investors in the Firm's limited partnerships generally include insurance companies, other business entities and high net-worth individuals. Typically, these investors must be "accredited investors", as defined in the Securities Act of 1933 and/or "qualified purchasers" as defined in the Investment Company Act of 1940, and must satisfy other eligibility requirements.

Generally, the minimum investment required is one million dollars (\$1,000,000.00) for an interest or share in a Ranger limited partnership. However, the Firm may accept lesser amounts at its sole discretion.

## Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

The Firm manages fund of funds portfolios which were created on behalf of employees, family and friends to facilitate investment in a variety of strategies advised by other Ranger affiliated investment advisers. Current Ranger affiliated investment advisers and a brief description of the strategies they manage include:

- Ranger Investment Management, L.P. manages investment portfolios which consist of the U.S. exchange traded equity securities of small and/or mid capitalization growth oriented companies.
- Ranger International Management (TX), L.P. manages long-only (i) global equity, (ii) international equity and (iii) global income and growth oriented portfolios.
- Ranger Alternative Management, L.P. serves as a sub advisor to AdvisorShares Investments, LLC and manages the day-to-day portfolio management activities of the Ranger Equity Bear ETF (HDGE). Generally, the Ranger Alternatives' investment team invests, on a short basis only, in the U.S. exchange traded securities of middle to large capitalization companies.
- Ranger Advisors, L.P. manages fund of hedge funds which invest a majority, if not all, of the Firm's assets in pooled investment vehicles and separate accounts.

The Ranger investment advisers and strategies listed above may be subject to change at the sole discretion of the Firm without prior notice to current or prospective investors. Additional information about any Ranger adviser or strategy may be obtained by contacting the Firm at (214) 871-5200.

### **RISK FACTORS**

**AN INVESTMENT IN THE FAMILY FUND ENTAILS A SIGNIFICANT DEGREE OF RISK, INCLUDING THE POTENTIAL FOR LOSS OF ALL OR PART OF AN INVESTMENT IN A RANGER ACCOUNT. THEREFORE, ONLY INVESTORS CAPABLE OF EVALUATING AND BEARING SUCH RISKS SHOULD UNDERTAKE AN INVESTMENT IN A RANGER ACCOUNT. THERE CAN BE NO ASSURANCE THAT AN INVESTMENT IN THE FAMILY FUND WILL BE ABLE TO ACHIEVE ITS OBJECTIVE, REALIZE A POSITIVE RETURN OR AVOID LOSSES. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS IN CONNECTION WITH OPENING AN INVESTMENT IN THE FAMILY FUND. PLEASE NOTE THAT THE FOLLOWING LIST IS NOT A COMPLETE LIST OF ALL RISKS INVOLVED IN CONNECTION WITH AN INVESTMENT IN THE FAMILY FUND. ADDITIONAL RISK DISCLOSURES, TERMS AND CONDITIONS MAY BE FOUND IN ITS PRIVATE PLACEMENT MEMORANDUM, A COPY OF WHICH WILL BE PROVIDED TO THE CLIENT PRIOR TO THE FIRM'S ACCEPTANCE OF THE CLIENT'S INVESTMENT.**



## Investment and Trading Risks

### *An Underlying Manager's Trading Strategies may not be Successful-*

There can be no assurance that the trading strategies employed by the underlying manager of a Portfolio Investment (an “Underlying Manager”) will be successful. For example, the proprietary models used by an Underlying Manager may not function as anticipated during unusual market conditions. While each Underlying Manager who will invest on behalf of the Family Fund has a performance record reflecting his or her prior experience in using the strategies that will be applied to trading for the Portfolios, this performance cannot be used to predict future profitability. While the Firm will devote its best efforts to the management of the Family Fund, there can be no assurance that an investment in the Family Fund will not incur losses.

### *Use of Multiple Underlying Managers is No Assurance of Success-*

No assurance is given that the Portfolio Investments' Underlying Managers' collective performance will result in profitable returns for the Portfolios as a whole under all or any conditions. The possibility exists that good performance achieved by one or more Underlying Managers may be neutralized by poor performance experienced by other Underlying Managers.

### *Concentration of Investments-*

Ranger has broad discretion over investment program and may choose to allocate substantial portions of the Family Fund's assets to a particular Portfolio Investment or security. It is the intention of Ranger to allocate the capital of the Portfolios in a manner that will provide for diversification among investment strategies, Underlying Managers and securities. There can be no assurance, however, that the Underlying Managers of selected Portfolio Investments will not take substantial positions in the same security at the same time. Such an occurrence may tend to result in more rapid changes in the Family Fund portfolio, upward or downward, than would be the case with greater diversification, with the result that a loss in any such position could have a material adverse impact on the Family Fund's capital. Such Underlying Managers may also make similar market timing decisions and asset allocation decisions between equity securities and cash equivalents or some combination of these and other strategies.

### *Risk Management Strategy-*

Ranger attempts to reduce the probability of loss of the Family Fund's capital by implementing a systematic risk management process. Risk management encompasses: (a) analyzing and forecasting the risks inherent in individual Portfolio Investments to which Ranger may allocate Family Fund capital, (b) seeking to allocate Family Fund capital to Underlying Managers who have (in the judgment of Ranger) demonstrated skill in managing risk, and (c) constructing the Family Fund's portfolios with low forecast volatility based on, among other things, historical performance of the individual Portfolio Investments and other subjective judgments.

There can be no assurance, however, that Ranger's risk management process will be effective in controlling or mitigating the risks inherent in the Portfolio Investments or the Portfolios. Categorically, past returns may not forecast future performance, and there can be no assurances regarding the reliability of Ranger's attempts to construct portfolios with low forecast risk, since the technique relies on historical data and subjective evaluations by Ranger.

In addition, the Portfolios' returns are potentially subject to rare and unforeseen economic events or shocks that are inherently unpredictable and outside Ranger's and the Underlying Managers' control. Therefore, the Portfolios are exposed to risk of loss of capital arising from the unpredictable nature of economics and capital markets.

#### *Short Sales-*

Certain Portfolio Investments may engage in short selling. Short selling involves selling securities which may or may not be owned and, at times, borrowing the same securities for delivery to the purchaser, with an obligation to replace any such borrowed securities at a later date. Short selling may allow the Family Fund and Portfolio Investments to profit from declines in market prices to the extent such declines exceed the transaction costs and any costs of borrowing the securities. Securities sold short may be recalled by the lender with little or no notice. If the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities above its basis would result in a loss. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. In addition, there are rules prohibiting short sales at prices below the last sale price, which may prevent the Family Fund or the Portfolio Investments from executing short sales at the most desirable time. Losses attributable to short selling are theoretically limitless.

#### *Options-*

Certain Portfolio Investments may invest in options. The purchase or sale of an option involves the payment or receipt of a premium payment by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security or other instrument for a specific price at a certain time or during a certain period.

Purchasing options involves the risk that the underlying instrument does not change price in the manner expected, so that the option expires worthless and the investor loses its premium. Selling options when the seller does not own the respective underlying security, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security in excess of the premium payment received.

Certain Portfolio Investments may purchase or sell customized options and other derivatives in the over-the-counter market that may have different features than traditional exchange-traded options though they also share the same risks. These options and derivative instruments may also subject the Portfolio Investments to risk of default by the counterparty. Investments in these financial instruments may also be subject to additional risks such as interest rate and other risks.

The Portfolio Investments may purchase call options, write covered and uncovered call options and purchase options to close out options previously written. In return for the premium received upon the writing of a call option, the writer of the option will give up the opportunity to benefit from a price increase in the underlying security above the exercise price, but conversely retains the risk of loss should the price of the security decline offset the amount of premium collected. If a Portfolio Investment writes American style call options, within a given period it will have no control over when it may be required to unwind such position.

If a Portfolio Investments desire to sell a particular security from their portfolio on which they have written a call option, or purchased a put option, they may seek to effect a closing transaction prior to, or concurrently with, the sale of the security. There is no assurance that the Portfolio Investments will be able to effect such closing transactions at a favorable price. If a Portfolio Investment cannot enter into such a transaction, it may be required to hold a security that it might otherwise have sold, in which case it would continue to be at risk with respect to the security.

A Portfolio Investment's ability to close out their position as purchasers of an exchange listed option would be dependent upon the existence of a liquid secondary market on an exchange. Among the possible reasons for the absence of a liquid secondary market on an exchange are: (i) insufficient trading interest in certain options; (ii) restrictions on transactions imposed by an exchange; (iii) trading halts, suspensions or other restrictions imposed with respect to particular classes or series of options or underlying securities; (iv) interruption of the normal operations on an exchange; (v) inadequacy of the facilities of an exchange to handle current trading volume; or (vi) a decision by one or more exchanges to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that exchange (or in that class or series of options) would cease to exist, although outstanding options on that exchange would generally continue to be exercisable in accordance with their terms.

#### *Foreign Investment-*

Certain Portfolio Investments may invest in securities of issuers organized or based outside the United States. These investments may be subject to a variety of risks and other special considerations not affecting securities of domestic issuers. Many foreign securities markets are not as developed or efficient as those in the United States. Securities of some foreign issuers are less liquid and more volatile than securities of comparable U.S. issuers. Similarly, volume and liquidity in many foreign securities markets are less than in the United States and at times, volatility of price can be greater than in the United States. The issuers may be subject to less stringent financial reporting and informational disclosure standards, practices and requirements than those applicable to U.S. issuers.

Since foreign securities transactions often are denominated in currencies of foreign countries, a Portfolio Investment may incur currency exchange costs when effecting these transactions and the value of these securities as measured in U.S. dollars may be affected favorably or unfavorably by subsequent changes in currency rates and exchange control regulations. Currency exchange rates may fluctuate significantly over short periods of time.

### *Futures-*

Certain Portfolio Investments may, invest in futures. Futures markets are highly volatile and investments in futures may materially affect the profitability of the Family Fund and a Portfolio Investment. To the extent a Portfolio Investment engages in transactions in futures contracts and options on futures contracts, the profitability of the Portfolio Investment and the Portfolios will depend to some degree on the ability of the Underlying Manager to analyze correctly the futures markets, which are influenced by, among other things, changing supply and demand relationships, governmental policies, commercial and trade programs, world political and economic events, and changes in interest rates.

Moreover, investments in commodities futures and options contracts involve additional risks including, without limitation, leverage (margin is usually only five percent (5%) to fifteen percent (15%) of the face value of the contract and exposure on some such contracts is unlimited) and credit risk vis-a-vis the contract counterparty.

Finally, the Commodity Futures Trading Commission and futures exchanges have established limits referred to as “speculative position limits” on the maximum net long or net short position which any person may hold or control in particular commodity contracts. All of the positions held by all accounts owned or controlled by an Underlying Manager including the Family Fund account, will be aggregated for the purposes of determining compliance with position limits. It is possible that the trading instructions for a Portfolio Investment may have to be modified and that positions held by a Portfolio Investment may have to be liquidated in order to avoid exceeding such limits. Such modification or liquidation, if required, could adversely affect the operations and profitability of the Portfolio Investment and the Family Fund.

### *Index Contracts-*

Certain Portfolio Investments may, but are not required to, utilize various other instruments to seek a hedge against the risk of changes in the level of prices of broad market averages or indices, as well as narrower indices or baskets of securities. These hedging strategies may be executed through the use of exchange-traded equity index options or futures contracts or options thereon, standardized or individually negotiated over-the-counter contracts or other forms of derivative contracts (collectively, “Index Contracts”).

Index contracts have risks associated with them including possible default by the other party to the transaction, illiquidity and, to the extent a Portfolio Investment’s Underlying Manager’s view as to certain market movements is incorrect, the risk that the use of such index contracts could result in losses greater than if they had not been used.

Moreover, the lack of complete correlation between price movements of index contracts and price movements in the portfolio position of a Portfolio Investment creates the possibility that losses in the value of the Portfolio Investment’s position may be greater than the gain on the hedging instrument (or that a gain in the Portfolio Investment’s portfolio position may be less

than the loss on the hedging instrument). In addition, futures and options markets may not be liquid in all circumstances and certain over-the-counter index contracts may have no markets.

As a result, in certain markets, a Portfolio Investment might not be able to close out a transaction without incurring substantial losses, if at all. Although the successful use of index contracts for hedging should tend to reduce the risk of loss due to a decline in the value of the hedged position, at the same time such transactions would tend to limit any potential gain which might result from an increase in value of such position.

#### *Turnover-*

The Family Fund's activities will include the allocation of the Family Fund's assets to Portfolio Investments which may invest on the basis of short-term market considerations. The portfolio turnover rate of those Portfolio Investments may be significant, potentially involving substantial brokerage commissions and fees.

#### *Compensation of Underlying Managers of Portfolio Investments-*

An investment in the Family Fund is subject to a management or administrative fee. The affiliated Underlying Managers selected by Ranger and/or the Underlying Managers selected by a Portfolio Investment will normally be entitled to two forms of compensation: a fee based on net assets under management (typically, but not exclusively, ranging from one percent (1.0%) to two percent (2%) annually) and a performance fee or allocation (typically, but not exclusively, twenty percent (20%) of net profits).

The Firm is not entitled to receive a performance allocation from the Family. A performance allocation made to an affiliated Underlying Managers may create an incentive for such Underlying Managers to make investments that are riskier or more speculative than would be the case in the absence of such performance allocation.

#### *Absence of Regulation Concerning Portfolio Investments-*

Portfolio Investments and their respective Underlying Managers will be subject to varying levels of regulation. Hedge funds are not registered as investment companies under the Investment Company Act of 1940, as amended (the "Company Act"), and their Underlying Managers often are not registered as investment advisers under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), with the consequence that many of the protections afforded to investors by those laws will not be applicable. Similarly, certain investments in funds and accounts formed and operated outside the United States may not be subject to comprehensive government regulation. The Underlying Managers of such Portfolio Investments may not be covered by insurance or by fidelity bonding.

Moreover, the Portfolios generally will have no control over the selection of the custodians of the assets of such Portfolio Investments, which also may be subject to a lesser degree of government

supervision or regulation than commercial banks, trust companies or securities dealers conducting business within the United States.

#### *Illiquidity of Investments-*

Certain investments made by the Portfolios and the Portfolio Investments may be very illiquid, and consequently the Portfolios may not be able to sell such investments at prices that reflect the Firm's assessment of their value or the amount paid for such investments by the Portfolios. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by the Portfolios and other factors. Furthermore, the nature of the Portfolios' investments, especially those in financially distressed companies, may require a long holding period prior to profitability.

The Portfolios' Memorandum and Articles of Association authorize the Board of Directors to make distributions in-kind of securities in lieu of or in addition to cash. In the event the Board of Directors makes distributions of securities in-kind, such securities could be illiquid or subject to legal, contractual and other restrictions on transfer.

#### *Counterparty Creditworthiness-*

In addition to the exchange-traded options contracts, the Portfolios or a Portfolio Investment may also invest in the over-the-counter market in contracts which involve dealing with counterparties and their ability to meet the terms of the contracts. In particular, the Portfolios or a Portfolio Investment may enter into repurchase agreements, forward contracts and swap arrangements, each of which expose the Portfolios or such Portfolio Investment to credit risk to the extent that the counterparty defaults on its obligations to perform under the relevant contract.

#### *Strategy Changes and Transparency; Fraud*

While Ranger generally reviews a prospective Portfolio Investment for consistent adherence to a defined investment and risk management strategy, there can be no assurances that a Portfolio Investment or its Underlying Manager will continue to adhere to such investment and risk management strategy. Ranger has differing levels of transparency with respect to the investment program of individual Portfolio Investments, and no assurances can be given that Ranger will detect changes in a Portfolio Investment's investment or risk management strategy.

The Portfolios may not have any recourse or an opportunity to withdraw from a Portfolio Investment prior to incurring losses due to shifts in investment or risk management strategy, the sum of which may be substantial. Moreover, while Ranger makes efforts to substantiate information received during the due diligence of a prospective Portfolio Investment, the possibility exists that such information may be negligently or fraudulently conveyed. In such event, the Portfolios may be unknowingly exposed to substantial risk while investing with an unsuitable Portfolio Investment.



## Portfolio Risks

### *Possible Effect of Substantial Withdrawals-*

Substantial Redemption of investment capital could require a Portfolio to redeem or liquidate its investments in Portfolio Investments or securities more rapidly than otherwise desired in order to raise the cash necessary to fund the redemptions or withdrawals. Illiquidity in certain markets could make it difficult for the Portfolio Investment Underlying Managers to liquidate positions on favorable terms, which could result in losses or a decrease in the net asset value of the Portfolios.

In addition, restrictions on the Portfolios' ability to redeem their investments in Portfolio Investments may be a factor in the Portfolios' ability to fund redemptions of shares or withdrawals of Limited Partnership Interests. However, it is anticipated that most of the Portfolios' capital will be invested pursuant to agreements containing withdrawal provisions similar to those contained in the memorandum and articles of association or limited partnership agreements of the Portfolios (the "Portfolios Agreements").

### *Market Disruption and Lack of Liquidity-*

The Portfolios' ability to withdraw capital from Portfolio Investments may be subject to suspension, in whole or in part, based upon the inability of the Portfolio Investments to value their investments. Significant market events or circumstances attributable to single securities, generally outside of the control of Underlying Managers and Ranger, could cause the Portfolios to be required to maintain their investments in Portfolio Investments. In such events, shareholders will be unable to withdraw their capital from the Portfolios.

### *Non-Transferability of Shares and Restrictions on Redemptions-*

Except upon the death or bankruptcy of a shareholder, investments in the Ranger Private Funds will not be transferable without the prior written consent of Ranger, which consent may be withheld in its sole discretion. There are also significant restrictions on redemptions of Shares (which may be settled in securities rather than cash). Consequently, shareholders may not be able to liquidate their investment readily in the event of emergency or for any other reason.

### *Dependence on Key Personnel-*

The Portfolios' portfolios will be managed through an investment committee of key personnel. The Portfolios will be substantially dependent on the services of such key personnel. In the event of the death, disability or departure of the investment committee personnel, the business of the Portfolios may be adversely affected. Key personnel will devote such time and effort as they deem necessary for the management and administration of the Portfolios' business. However, key personnel will continue to engage in various other business activities in addition to managing the Portfolios, and consequently, they will not devote their complete time to the Portfolios' business.

### *No Participation by Investors-*

Substantially all decisions with respect to the management of the Portfolios are made exclusively by the Firm. Investors have no right or power to take part in the management of the Portfolios. The Firm makes all of the trading and investment decisions of the Portfolios. In the event of the withdrawal or bankruptcy of the Firm, generally the Portfolios will be liquidated.

### Risks Relating to Cross-Liability Between Classes

The Private Funds have the power to issue interests and/or shares in separate classes and series. The operative documents provide for the manner in which the liabilities are to be attributed across the various classes and series (liabilities are generally to be attributed to the specific class and series in respect of which the liability was incurred). However, each Private Fund is a single legal entity. Investors in one or more classes or series of shares or interests may be compelled to bear the liabilities incurred in respect of other classes or series which such investors do not themselves own if there are insufficient assets in that other class or series to satisfy those liabilities. Accordingly, there is a risk that liabilities of one class or series may not be limited to that particular class or series and may be required to be paid out of one or more other class or series.

### Risks Relating to the Leverage Used on Portfolio Investments

The following risk factors apply to the extent that the Portfolio Investments employ the Leverage Feature.

### *Management Fees-*

Management Fees paid by the Private Fund are based on assets under management attributable to the Classes of interests or shares. The use of leverage, derivatives, or structured products increases the assets under management by the Portfolio Investment in approximate ratio to the amount of leverage and the notional amount of derivatives or structured products being employed. Therefore, the greater the leverage and notional amount of derivatives or structured products being employed, the greater the Management Fee to which the Portfolio Investment are subject.

For example, if a Portfolio Investment subscribes for a leveraged class of an interest for one hundred dollars (\$100) and one hundred percent leverage is being employed, the assets under management by the Portfolio Investment attributable to such subscription will, subject to appreciation, depreciation, fees and expenses, equal two hundred dollars (\$200). As such, the Management Fee collected by the Portfolio Investment would equal one dollar (\$1.00) per annum as opposed to the one half dollar (\$0.50) per annum to which the Portfolio Investment would be subject in the absence of leverage.



### *Risk of Loss-*

The use of leverage entails a high degree of financial risk which could result in the entire loss of the net asset value of the Portfolio Investment. There is no guarantee that the Portfolios will profit from the investments made in the Portfolio Investment. For example, if either at any time during the term of the applicable leverage feature any applicable “knock-out” provision is triggered and utilized, then there will be a loss on the investment by the Portfolio Investments.

### *High Leverage and Volatility-*

The use of leverage increases the volatility of the Portfolio Investments. As a result, a relatively small movement in the market prices of the investment by the Portfolio Investments can result in immediate and substantial losses. The Portfolios may also borrow funds from time to time for liquidity purposes or otherwise as Ranger deems appropriate.

### *Interest Rate Risk-*

The use of leverage is subject to interest rate risk, which may add to interest rate risk present in the Portfolio Investments themselves. In particular, leverage will be subject to LIBOR based interest rates plus a spread. Higher interest rates will therefore have a direct negative effect on the expenses to which Portfolio Investment are subject.

### *Additional Layers of Expenses-*

A Portfolio Investment use of the Leverage Feature will increase the fees and expenses such Portfolio Investment would incur than if the Private Fund it were to invest in Portfolio Investments without the use of leverage. Because of the additional layers of expenses, a higher gross return will be required to be earned on the individual investment strategies being employed, than an investor would need to realize if such allocations were undertaken on one’s own, to achieve an equivalent return. There is no guarantee that the Portfolio Investments will effectively generate any return, and the additional costs of leverage may reduce that likelihood.

### *Early Termination-*

Termination of leverage by a financial intermediary before scheduled expiration may occur under the terms of the leverage agreements. Such termination may result in a taxable event, lost investment opportunities and/or monetary losses for a Portfolio Investment. If the leverage is terminated early, the Portfolio Investment will incur additional costs. Those costs may have an additional negative effect on the return generated by the Portfolio Investment. In addition, an early termination of the leverage may either result from or cause the loss of the entire investment in the Portfolio Investments by the Private Funds.

## Potential Conflicts of Interest

### *Other Client Accounts; Affiliated Activities*

Certain Portfolio Investment managers may engage in other forms of related and unrelated activities in addition to advising a Family Fund. The Firm may manage other client accounts, some of which have objectives similar to those of the Family Fund, including other collective investment vehicles which may be managed by the Firm or any of its affiliates and in which the Firm or any of its affiliates may have an equity interest.

### *Personal Trading Policy-*

The principals of the Firm, as well as the employees and officers thereof and of organizations affiliated with the Firm, may in limited circumstances and only upon approval by the Firm's compliance officer, buy and sell equity securities for their own account or the account of others, but may not buy securities from or sell securities to the Family Fund.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Firm or the integrity of its management. The Firm has no legal or disciplinary events to disclose.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Ranger Fund Management, L.P. is affiliated with the following four investment advisers by virtue of common control and ownership by Ranger Capital Group Holdings, L.P.

- Ranger Investment Management, L.P. manages investment portfolios which consist of the U.S. exchange traded equity securities of small and/or mid capitalization growth oriented companies.
- Ranger International Management, LP manages long-only: (i) global equity, (ii) international equity and (iii) global income and growth oriented portfolios.
- Ranger International Management (TX), LP manages long-only: (i) global equity, (ii) international equity and (iii) global income and growth oriented portfolios.
- Ranger Alternative Management, L.P. serves as a sub advisor to and has day-to-day portfolio management responsibilities with respect to a short only actively managed exchange traded fund. Portfolio investments generally include short sales of domestically traded mid- and large-cap U.S. exchange-traded equity securities.

- Ranger Advisors, L.P. manages fund of hedge funds which invest a majority, if not all, of the Firm's assets in pooled investment vehicles and separate accounts.

All Ranger investment advisers are registered with the U.S. Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940. Registration as an investment adviser does not imply any level of skill or training.

## Item 11 – Code of Ethics, Participation/Interest in Client Transactions and Personal Trading

As a fiduciary, the Firm has an affirmative duty to act in the best interests of its investors and to make full and fair disclosure of all material facts, particularly where the Firm's interests may conflict with those of its investors. The Firm's Code of Conduct and Code of Ethics (the "Codes") serve as behavior benchmarks from which the Firm's compliance program is built. Briefly, the Codes requires each Ranger employee to act with integrity, competence, diligence, respect, and in an ethical manner when dealing with current and prospective clients, the Firm, other employees, colleagues in the investment profession, and other participants in the global capital markets.

Employees are expected to place the interests of clients and the Firm above their own personal interest and to avoid any actual or potential conflicts of interest. In addition, the Firm's Code of Ethics requires, among other things, that all employees to comply with applicable provisions of the federal securities laws and to promptly report any potential violations of the Firm's compliance policies and procedures to the Chief Compliance Officer.

### Personal Trading Policy

The Firm has implemented a personal trading policy which prohibits employees from purchasing individual securities which the Firm may invest in for the benefit of its clients. Employees may continue to hold investments initiated prior to the adoption of the policy or their employment with the firm, and may sell such securities only after all anticipated clients' purchases or sales of such securities are completed, if any.

In addition, the Firm requires that all employees receive pre-clearance from the Chief Compliance Officer by submitting a written request prior to the sale of individual securities transactions. Employees may invest in pooled investment vehicles, ETFs, Closed End Mutual Funds and SEC non-restricted securities, such as open-end mutual funds, certain U.S. government securities and cash equivalents. Preclearance and reporting requirements vary for a number of these investments. The Firm's personal trading policy require employees to provide the Chief Compliance Officer with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

In addition to personal trading activities, other policies and procedures found in the Code of Ethics provide guidelines the Firm and/or employees follow with respect to:

- Insider Trading
- Outside Business Activities
- Political Contributions
- Gifts and Entertainment

A copy of the Firm's Code of Ethics is available to current or prospective clients upon written request.

### Alignment of Interests

In addition, the Firm, as indirect Firm of certain private limited partnerships, may hold an interest in the same securities invested in by such investment funds for the benefit of its investors. The Firm does not deem that any conflict of interest arises from holding an indirect interest in such limited partnerships. Rather, the interest of the Firm, as indirect Firm, and investors, as limited partners, are aligned.

### Item 12 – Brokerage Practices

Subject to the individual terms of the private placement memorandum, the Firm generally retains complete investment and brokerage discretion. While infrequent if not rare, the Firm selects brokers for direct securities transactions based on a number of factors, including, but not limited to, 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; other services considered by the Firm to be of value; and, the competitiveness of commission rates in comparison with other brokers satisfying the Firm's other selection criteria. In good faith, however, the Firm may pay a broker commissions that are higher than another broker might have charged for the same transaction, in recognition of the Firm's assessment of the value of services provided to the Firm by the broker. However, the Firm must believe that commission costs borne by client accounts are reasonable in relation to the overall services provided.

### Item 13 – Review of Accounts

Each account will be reviewed and valued on a monthly basis or more frequently if triggered by market or economic conditions. As of March 31, 2013, there is one account requiring review. The investment team reviews each account in a manner consistent with the investment goals of each client entity or separately managed account. The Firm's Chief Financial Officer reviews account valuations, including net asset value calculations, securities positions and pricing information, interest accrual calculations, and cash balance reports from the managers of the pooled investment vehicles in which the Firm's clients invest, the Firm's accounting system, prime brokers, custodians, administrators and brokerage firms on a monthly basis. The Firm's independent public accountants perform an annual audit of the books and records of the Firm's clients.

The Firm typically remits quarterly and annual reports to its clients which set forth various financial data and information. The Chief Financial Officer will review account valuations, including net asset value calculations, securities positions and pricing information, interest accrual calculations, and cash balance reports from the managers of the pooled investment vehicles in which the Firm's clients invest, the Firm's accounting system, prime brokers, custodians, administrators and/or brokerage firms. An investor in a client of the Firm receives the client's audited annual financial report and the information necessary for the investor to complete its annual federal income tax return.

#### Item 14 – Client Referrals and Other Compensation

The Firm does not and will not enter into client referral agreements with affiliated or non-affiliated marketing groups or persons.

#### Item 15 – Custody

The Firm does not take possession of investor funds or securities. However, the Firm serves as a General Partner and/or attorney in fact with full discretion over the portfolios of pooled investment vehicles it advises. As a result, the Firm is deemed to have indirect access to the funds and securities of its limited partnerships. Pursuant to Rule 206(4)-2 of the Investment Advisers Act of 1940, the Firm is deemed to have custody of these assets. Accordingly, the Firm has implemented certain policies and procedures to safeguard investor assets on behalf of all its limited partnerships. The Firm must also comply with additional bookkeeping, auditing and disclosure requirements.

***All investors are encouraged to closely monitor the account statements, audited financial statements and any other important investment related materials they may receive from the Firm. Any potential discrepancies should be promptly brought to the Firm's attention by contacting (214) 871-5200.***

#### Item 16 – Investment Discretion

Generally, the Firm has complete discretion over the selection and amount of securities to be bought or sold for investor accounts without obtaining their consent or approval within the parameters established by the private placement memorandum. Discretionary authority will only be authorized upon full disclosure to the client and by that client specifically authorizing said authority through the execution of a private placement memorandum or investment management agreement. All trades made by Ranger on behalf of its discretionary accounts will be in accordance with that client's investment objectives and goals.

#### Item 17 – Voting Client Securities

Generally, the Firm invests in private pooled investment vehicles and does not have the right to vote proxies for investment partnerships it advises.

## Item 18 – Financial Information

Ranger Fund Management, L.P. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. In addition, the Firm has never been the subject of a bankruptcy petition.