

**ITEM 1
COVER PAGE**

PART 2A OF FORM ADV: FIRM BROCHURE

STIEVEN CAPITAL ADVISORS, L.P.

March 2012

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This brochure (this "Brochure") provides information about the qualifications and business practices of Stieven Capital Advisors, L.P. (the "Investment Adviser"). If you have any questions about the contents of this Brochure, please contact us at (314) 779-2420 or dan.e@stievencapital.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

The Investment Adviser is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about the Investment Adviser also is available on the SEC's website at www.adviserinfo.sec.gov

ITEM 2
MATERIAL CHANGES

There are no material changes since the Investment Adviser's prior Brochure dated March 23, 2011.

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ITEM 4

ADVISORY BUSINESS

General Description of Advisory Firm.

Stieven Capital Advisors, L.P., a Delaware limited partnership, commenced operations on June 7, 2005 and has an office in 12412 Powerscourt Drive, Suite 250, St. Louis, MO 63131. Joseph A. Stieven, as a limited partner of the Investment Adviser and as the managing member of the general partner of the Investment Adviser, Stieven Capital Advisors GP, LLC, a Delaware limited liability company (the "Investment Adviser General Partner"), is the principal owner of the Investment Adviser and controls the Investment Adviser. The Investment Adviser General Partner has ultimate responsibility for the management, operations and the investment decisions made by the Investment Adviser.

The Investment Adviser serves as the management company with discretionary trading authority to private pooled investment vehicles (each, a "Fund" and, collectively, the "Funds"). The Funds include (1) Stieven Financial Investors, L.P., a Delaware limited liability partnership (the "U.S. Fund"), and (2) Stieven Financial Offshore Investors, Ltd., a Cayman Islands exempted company (the "Offshore Fund"). Stieven Capital GP, LLC, a limited liability company organized under the laws of the State of Delaware and affiliated with the Investment Adviser serves as the general partner of the U.S. Fund (the "Fund General Partner"). The interests in the U.S. Fund are offered on a private placement basis, pursuant to Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "1940 Act"), to persons who are "accredited investors" as defined under the Securities Act of 1933, as amended (the "Securities Act") and "qualified purchasers" as defined under the 1940 Act, and subject to certain other conditions, which are fully set forth in the offering documents for the U.S. Fund. Shares in the Offshore Fund are offered on a private placement basis to persons who are not "U.S. Persons", as defined under Regulation S of the Securities Act and U.S. tax-exempt entities (or substantially composed of U.S. tax-exempt entities), and subject to certain other conditions, which are fully set forth in the offering documents for the Offshore Fund.

This Brochure generally includes information about the Investment Adviser and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.

Description of Advisory Services.

Please see Item 8.

Availability of Customized Services for Individual Clients.

The Investment Adviser's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

Assets Under Management.

The Investment Adviser manages approximately \$131,152,877 (calculated on a net basis) as of January 31, 2012 on a discretionary basis. As of January 31, 2012, the Investment Adviser does not manage any assets on a non-discretionary basis.

ITEM 5

FEES AND COMPENSATION

Advisory Fees and Compensation.

The fees applicable to each Fund are set forth in detail in each Fund's offering documents. A brief summary of such fees is provided below.

U.S. Fund

Management Fee.

With respect to the U.S. Fund, the U.S. Fund pays a management fee, as of the beginning of each quarter to the Investment Adviser equal to 0.25% (1.0% annualized) of the balance of each capital account of each limited partner admitted to the U.S. Fund (including for these purposes, the fair value of certain illiquid investments in which such limited partner has an interest ("Special Investments")). The Fund General Partner's capital account will not be debited with any management fee.

In addition, a pro rata portion of the management fee will be paid out of any capital contributions made by new or existing limited partners on any date that does not fall on the first day of a fiscal quarter, based on the number of months remaining in such partial fiscal quarter following such capital contribution. A pro rata portion of the management fee will be reimbursed to a limited partner that withdraws from the U.S. Fund, in whole or in part, on any date that does not fall on the last day of a fiscal quarter, based on the number of months remaining in such partial fiscal quarter following such withdrawal.

If the Investment Adviser receives any closing fees, director's fees, options or break-up fees in connection with Special Investments (net of certain expenses of transactions not completed), 50% of such fees will be applied as an offset to the management fee of those partners having an interest in the Special Investment.

If a limited partner has completely withdrawn from the U.S. Fund except for its interest in one or more Special Investment accounts, the Investment Adviser will send an annual statement to the withdrawn limited partner providing for the payment of the management fee with respect to its interest in such Special Investment accounts. The Management Fee payable by such withdrawn Limited Partner will be due within 15 days of receiving such notice.

The Investment Adviser may, in its discretion, elect to reduce or waive the management fee with respect to any limited partner, including, but not limited to, any principal, employee or affiliate of the Fund General Partner or the Investment Adviser, or any family member of such person.

Incentive Allocation.

Generally, at the end of each fiscal year of the U.S. Fund, 20% of the net capital appreciation (taking into account appreciation or depreciation with respect to realized or deemed realized Special Investments) allocated to each capital account of each limited partner for such fiscal year over the management fee debited to such capital account will be

reallocated to the capital account of the Fund General Partner (the "Incentive Allocation"), subject to a loss carryforward mechanism.

The Incentive Allocation will be calculated separately with respect to each capital contribution made by a limited partner. Accordingly, it is possible that an Incentive Allocation may be made with respect to a limited partner even though the capital accounts of the limited partner, in the aggregate, did not achieve profits during a year.

In the event that a limited partner's partial or complete withdrawal of a capital account occurs other than at a fiscal year-end, the Incentive Allocation, if any, will be determined through the withdrawal date.

The Fund General Partner may, in its discretion, elect to reduce or waive the Incentive Allocation with respect to any limited partner, including, but not limited to, any principal, employee or affiliate of the Fund General Partner or the Investment Adviser, or any family member of such person.

Offshore Fund

Management Fee.

With respect to the Offshore Fund, the Offshore Fund pays to the Investment Adviser a quarterly fixed management fee, in advance, equal to 0.25% (1.0% on an annualized basis) of the net asset value of each Series of Class A Shares ("Class A Shares"), Class B Shares ("Class B Shares" and together with Class A Shares, the "Shares") and Class S Shares ("Class S Shares"), as of the beginning of each quarter. Any portion of the management fee attributable to a shareholder's Class S Shares in the Offshore Fund (which holds Special Investments) will be debited against the net asset value of the corresponding Series of Shares from which such Class S Shares had been issued. In calculating the management fee, Special Investments are valued at their fair value.

In addition, a pro rata portion of the management fee will be paid if a series of Shares is created on any date that does not fall on the first day of a fiscal quarter, based on the number of months remaining in such partial fiscal quarter following the creation of such series of Shares. A pro rata portion of the management fee will be reimbursed to a redeeming shareholder that redeems its Shares, in whole or in part, on any date that does not fall on the last day of a fiscal quarter, based on the number of months remaining in such partial fiscal quarter following such redemption.

If the Investment Adviser receives any closing fees, director's fees, options or break-up fees in connection with a Special Investment (net of certain expenses of transactions not completed), 50% of such fees will be applied as an offset to the management fee of those shareholders holding Class S Shares related to such Special Investment.

If a shareholder owns Class S Shares, but no longer owns Class A Shares or Class B Shares, the Investment Adviser will send an annual statement to such shareholder providing for the payment of the management fee with respect to such Class S Shares. The management fee payable by such shareholder will be due within 15 days of receiving such notice.

In the sole discretion of the Investment Adviser, the management fee may be reduced or waived with respect to any shareholder, including, but not limited to, any principal, employee or affiliate of the Investment Adviser, or any family member of such person.

Incentive Fee.

The Offshore Fund also pays to the Investment Adviser an incentive fee (the "Incentive Fee"), generally on an annual basis on the last day of each fiscal year of the Offshore Fund, equal to 20% of the net realized and unrealized appreciation in the net asset value of each series of Shares, including appreciation or depreciation from realized (or deemed realized) Special Investments, during the respective year (adjusted for any redemptions and accruals of the Incentive Fee made during the year (the "Adjusted Net Asset Value")); provided, however, that an Incentive Fee is only paid with respect to the net realized and unrealized appreciation in the Adjusted Net Asset Value of a series of Shares in excess of the Prior High NAV (as defined below) of such series of Shares.

The "Prior High NAV" for each series of Shares is the prevailing net asset value ("NAV") of that series of Shares as of the first business day immediately following the date the last Incentive Fee with respect to such series of Shares was determined (or if no Incentive Fee has been determined with respect to such series of Shares, the NAV of such series of Shares immediately following its initial offering). If Shares of a particular series are redeemed during a year, the Prior High NAV of such series of Shares will be reduced in the same proportion as the reduction in the NAV of that series of Shares caused by such redemption.

In the event of a redemption by a shareholder other than as of the end of a fiscal year, an Incentive Fee will be determined and paid as of the redemption date with respect to the realized and unrealized appreciation, if any, in the Adjusted Net Asset Value of the redeemed Shares through the redemption date.

In the sole discretion of the Investment Adviser, the Incentive Fee may be reduced or waived with respect to any shareholder, including, but not limited to, any principal, employee or affiliate of the Investment Adviser, or any family member of such person.

Payment of Fees.

Fees and compensation paid to the Investment Adviser or its affiliates by the Funds are generally deducted from the assets of such clients. As discussed above, management fees are generally deducted on a quarterly basis and performance compensation is generally deducted on an annual basis.

Additional Fees and Expenses.

Each client bears its own operating expenses, including, but not limited to, investment expenses (e.g., brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, interest expenses, research expenses), professional fees (including, without limitation, expenses of consultants and experts' fees relating to particular investments), expenses related to the purchase and sale of illiquid securities and Special Investments, travel expenses related to investments, legal expenses, fees and

expenses of the administrator, the management fees, incentive fees, internal and external accounting, audit and tax preparation expenses, fees of the board of directors, professional liability insurance (including costs relating to directors' and officers' liability insurance and errors and omissions insurance), costs of printing and mailing reports and notices, entity-level taxes, corporate licensing, regulatory expenses (including filing fees), organizational expenses, expenses relating to the offer and sale of interests or shares, and extraordinary expenses.

Prepayment of Fees.

Please see "Payments of Fees" discussed above.

Additional Compensation and Conflicts of Interest.

Not applicable.

ITEM 6
PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Investment Adviser and its affiliates accept performance-based fees from every client. As a result, the Investment Adviser and its affiliates do not face the conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

ITEM 7
TYPES OF CLIENTS

The Investment Adviser generally provides investment advice to Funds, as described above in Item 4.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies.

The Investment Adviser's investment objective is to achieve superior total returns with lower price volatility than the broad equity market (defined as the "S&P 500 Index"). The majority of the total return is expected to be composed of capital appreciation from equity and fixed-income investments; however, dividend and interest income could play a meaningful role in certain market environments. Investments are concentrated in U.S. financial institutions, primarily bank holding companies, financial holding companies, thrift holding companies and institutions, finance real estate investment trusts ("REITs") and other financial-related companies. While the Investment Adviser focuses on U.S. financial institutions, the long-term consolidation in the financial industry could lead to a portfolio holding of the Funds being acquired by a non-U.S. financial institution. In such a case, and if a stock-for-stock exchange is offered, the Investment Adviser will evaluate the investment merits of maintaining a position in the acquiring foreign institution.

The Investment Adviser primarily seeks long positions in the securities of companies with solid management teams and healthy long-term earnings growth potential. The Investment Adviser also seeks positions in the undervalued securities of turnaround situations, young and start-up companies, and companies having limited analyst coverage. In addition, the Investment Adviser pursues investment opportunities that allow the Funds to participate in the ongoing consolidation of the financial services industry. The financial institutions sector has seen much turmoil over the last few years, but the Investment Adviser expects that there will be significant investment opportunities available for the Funds. FDIC-assisted acquisitions, which have generally been viewed as positive for the acquiring institution, should decline somewhat in the near future from elevated levels in the previous two years. As in previous periods of economic stress, traditional (non-FDIC assisted) consolidation activity should increase as economic activity stabilizes. Due to numerous factors, including the severity of the recent recession, the Investment Adviser expects traditional acquisition activity will increase sharply over the next several years as larger and/or stronger institutions expand their franchises. Macroeconomic conditions, market forces and individual corporate events may occasionally also present opportunities for shorting securities in the Funds' portfolios. At any point in the business cycle, the portfolio weightings of long positions versus short positions may vary widely based on numerous factors. However, the Funds' long positions typically exceed their short positions by a substantial margin. Investments by the Investment Adviser are typically concentrated in the securities of companies with common equity market capitalizations of \$50 million to \$5 billion. However, the Investment Adviser, on behalf of the Funds, may invest a portion of the Funds' assets in securities of companies with larger market capitalizations when relative valuations appear attractive.

A special investment focus of the Investment Adviser is regional bank and thrift companies (defined as institutions typically with assets between \$500 million and \$25 billion and market capitalizations of \$50 million to \$5 billion). In the Investment Adviser's view, this segment of the financial services sector should provide attractive investment opportunities over the next several years for the following reasons: first, many regional financial institutions are trading at historically low valuations on several measures; second,

while there are fundamental challenges that nearly all financial institutions are facing, the Investment Adviser believes economic activity should continue to improve somewhat over the near term, helping an earnings recovery for many financial institutions; third, many regional institutions are gaining market share at a higher rate than larger institutions; fourth, regional institutions can effectively target specific niche areas which could produce higher internal growth; fifth, insider ownership of many regional institutions is relatively high, which helps align the interests of management and investors; and sixth, as seen in previous cycles, the Investment Adviser expects consolidation activity will increase and many regional institutions could become takeover targets at premium valuations.

The Investment Adviser focuses on five key fundamental areas when valuing the stocks of financial institutions. In the Investment Adviser's view, in-depth knowledge of companies, their management teams, and how the securities of these types of companies performed in previous cycles should benefit the investment decision process. The five key fundamental areas are listed below:

1. **Earnings per share.** The Investment Adviser believes that earnings per share are the most important driver of financial stock performance. The Investment Adviser examines the growth rate, consistency and predictability of earnings per share as well as the subsequent impact of earnings on the company's book value per share. To further differentiate between companies with similar earnings growth rates, the Investment Adviser identifies, analyzes, and ranks, in order of importance, the following factors: revenues, expense controls and capital management. The market typically assigns higher valuations to the stocks of companies with superior revenue growth rates. Furthermore, investors typically favor companies with a higher percentage of fee-based revenues, which are viewed as more predictable.

2. **Asset quality and the control of risk.** In the Investment Adviser's opinion, asset quality and risk management are key to assessing an institution's financial health and its earnings outlook. Asset quality control encompasses both origination and monitoring of loans and investment securities. Numerous other areas requiring sound risk management controls include: interest rates, liquidity and fraud. High performing institutions generally have well diversified loan portfolios with top-quartile loan quality ratios and high quality, liquid investment portfolios.

3. **Balance sheet strength.** Companies with the best long-term track records typically exhibit strong balance sheets, which provides stability in periods of economic weakness and allows for opportunistic expansion.

4. **Management's track record.** This is typically a function of corporate culture, which is set by senior management's example. In the Investment Adviser's view, the corporate culture is a key determinant in the long-term success of a financial institution.

5. **Franchise value.** While this term is overused in the merger and acquisition arena, it remains an important component of the valuation process. A company's franchise value includes its customer base, lines of business, and management's ability to execute its business plan. This is a very important aspect of the consolidation process for financial institutions.

In most situations, the Investment Adviser places an emphasis on maintaining open dialogue with members of the senior management teams of the companies in which the Funds are invested. Many of these professional relationships have been developed by the Investment Adviser's key officers over long periods of time. Consistent dialogue may aid the Investment Adviser's understanding of the company's strategy and benefit the investment decision-making process.

The Investment Adviser looks to take advantage of short-term trading opportunities created by factors including illiquidity, forced sales by distressed holders, and misperceptions or erroneous information related to companies in the financial sector. An example of this kind of opportunity would be the purchase of debt securities of financial institutions which have recently been downgraded to non-investment grade by the rating agencies and which caused forced selling by existing holders who are required to own investment-grade securities exclusively. Furthermore, the Investment Adviser expects to participate in the ongoing consolidation of the financial services industry. While merger activity within the financial sector often attracts headlines, it is important to note that when making most investment decisions the Investment Adviser prefers to focus on company fundamentals. Takeovers may provide for significant upside to a company's share price in the short term, but well-run financial institutions attract greater attention from industry participants seeking expansion through acquisitions.

The Investment Adviser primarily concentrates on long investment positions. Macroeconomic conditions, market forces, and individual corporate events may also present opportunities for shorting securities in the Funds' portfolios. At any point in the business cycle, the portfolio weightings of long positions versus short positions may vary widely based on numerous factors. However, the Funds' long positions typically exceed their short positions by a substantial margin. When shorting an individual stock, the Investment Adviser typically looks for a catalyst that may negatively impact valuation. The catalyst may include fundamental factors, such as earnings and asset quality trends, or adverse market perceptions.

The Investment Adviser analyzes bank and thrift institutions based on a sizable array of metrics. In addition to its financial analysis, the Investment Adviser maintains communication with management teams, which provide deeper insight into the company's business focus and execution strategy. The Investment Adviser believes that its dual-pronged research methodology aids its understanding of trends within the regional bank and thrift industries and should play a key role in the Funds' performances.

The Investment Adviser applies a similar research methodology to the finance REIT universe. The turmoil in the financial markets during the last few years has resulted in significant changes in the real estate lending and investing arena. Rapid declines in asset values temporarily caused the secondary markets for real estate-related loans and investments to no longer operate effectively. This volatility, relative illiquidity in the secondary markets and a relatively steep yield curve has created numerous opportunities for well-run, highly capitalized finance REITs. The Investment Adviser is focused on finding management teams with specific expertise in areas with attractive investment and growth opportunities. This may include finance REITs investing in agency and non-agency residential mortgage backed securities ("MBS"), commercial MBS, commercial real estate, or whole loans. Accurately identifying and evaluating the specific strategic differences and risks involved in finance REITs is important to the Funds' investment results.

Investments may include long and short positions in equity and equity-related securities, fixed income securities, exchange traded funds and other financial instruments, including derivative instruments such as options (including bank index options) and, for hedging purposes, forward agreements. The Funds have the power to borrow and may do so when deemed appropriate by the Investment Adviser. Portfolio leverage may be used to enhance the Funds' returns, make investments or meet withdrawal requests that would otherwise result in the premature liquidation of investments. Each Fund's maximum gross exposure through leverage will not exceed 200% of such Fund's net assets. The decision to use leverage will be based upon numerous factors. Key factors may include the valuations of financial stocks relative to the broad market and valuation disparities between the different asset sizes of financial institutions.

As part of its investment program, the Investment Adviser may pursue opportunities in more illiquid investments and may acquire assets or securities that the Investment Adviser believes either lack a readily assessable market value or should be held until the resolution of a special event or circumstance.

The descriptions set forth in this Brochure of specific advisory services that the Investment Adviser offers to clients, and investment strategies pursued and investments made by the Investment Adviser on behalf of its clients, should not be understood to limit in any way the Investment Adviser's investment activities. The Investment Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Investment Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Investment Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

Material, Significant or Unusual Risks Relating to Investment Strategies.

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by the Investment Adviser. These risk factors include only those risks the Investment Adviser believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Investment Adviser.

Banking Supervision and Regulation. Banks and thrifts and their holding companies (collectively, "banking organizations") are subject to an extensive framework of federal and/or state laws and regulations and pervasive supervision by one or more federal and/or state regulators. Pursuant to this framework, the federal and/or state banking agencies have broad investigatory powers over banking organizations, including the authority to require detailed periodic reports and to conduct extensive periodic examinations, as well as broad enforcement powers, including the power to impose substantial fines and other significant penalties (up to, and including, seizure of a depository institution) for violations of law or unsafe and unsound practices.

The impact of this regulatory environment often puts banks and thrifts at a competitive disadvantage compared to less regulated competitors such as finance companies, mortgage banking companies and leasing companies. Moreover, the supervision and regulation of banking organizations is intended primarily for the protection of depositors, the

deposit insurance fund of the Federal Deposit Insurance Corporation and the banking system as a whole, but not for the protection of the financial institution's shareholders. Accordingly, the regulatory environment to which banking organizations are subject may negatively impact the value of a shareholder's investment in several ways, including, but not limited to, those set forth below:

Activity Restrictions. Banking organizations are subject to significant activity and investment restrictions. Most banking organizations are not permitted to engage in, directly or indirectly, any activity that is not "closely related" or "incidental" to banking, as defined by applicable law. Banking organizations that qualify as "financial holding companies" under the regulations of the Federal Reserve Board are permitted to engage in additional activities, defined as "financial in nature", under applicable law. However, even this broader category is significantly limited compared to the range of activities in which a non-banking entity may engage.

Even within the areas in which banking organizations may act, their actions are often subject to prior approval by the applicable banking regulator.

Dividend Restrictions. The ability of a banking organization to pay dividends or make capital distributions is limited by federal and/or state laws, by regulations of applicable bank regulatory agencies, and by principles of prudent bank management. As a result, banking organizations have less latitude to issue dividends than non-banking entities.

Capital Requirements. Banking organizations are subject to strict regulatory capital requirements, which require the organization to maintain certain core capital and risk-based capital ratios and limit the type of assets that qualify as capital. While these regulatory capital requirements protect the financial security of banking organizations, they may also cause organizations to forgo growth and potentially profitable opportunities because of the impact (real or potential) on their capital ratios.

Reserve and Liquidity Requirements. In addition to the capital requirements, banking organizations that are depository institutions are required to comply with (i) reserve requirements that require an institution to maintain cash reserves at least equal to a certain percentage of the total value of all its transactional accounts and non-personal time deposits, and (ii) liquidity requirements that require an institution to maintain cash and other liquid assets at least equal to a certain percentage of the total value of its net withdrawable deposit accounts and borrowings payable in one year or less. As with the capital requirements, the reserve and liquidity requirements could also cause depository institutions to forgo potentially profitable opportunities because of the impact (real or potential) on their reserve or liquidity ratios.

Community Reinvestment Act. Federal law requires all banking organizations that are depository institutions to demonstrate that they are meeting the credit needs of low- and moderate-income borrowers in their communities, as well as investing in, and providing services to, low and moderate income level neighborhoods. Institutions that are deemed by an applicable banking regulator to have failed to satisfy these requirements may face significant difficulty in securing approval for new activities or acquisitions. Thus, depository institutions are subject to community service requirements that are not applicable to other businesses.

Potential Regulation of the Fund Itself. The Investment Adviser, on behalf of a Fund, plan to restrict its investments to less than 10 percent of any class of voting securities and less than 25 percent of the total equity of any banking organization. If, however, the Funds were to acquire a greater interest, or were to end up with such greater ownership through actions beyond its control, the Funds may become subject to certain federal and/or state banking laws and regulations, including, but not limited to, the restrictions and requirements set forth above. Moreover, in the event that either Fund becomes subject to such laws and regulation, it is possible that any investor which holds 10 percent or more of the voting interests of such Fund or 25 percent or more of the total equity of such Fund may also become subject to the same laws and regulation.

Potential Changes in the Law. The laws, regulations and regulatory practices affecting banking organizations undergo continuous change and may undergo significant changes in light of recent events in the financial services industry. It is impossible to predict either what changes will occur or what effect such changes could have on any of the foregoing regulatory issues or on an organization's profitability or financial condition. Thus, the potential for changes in the regulatory system governing banking organizations may impair the ability of a shareholder to predict the future value of an investment.

Banking Organizations' Market Conditions. Beginning in 2007 and continuing through 2009, the market for securities related to banking organizations experienced a period of unprecedented volatility and extreme devaluation coinciding with numerous failures by financial institutions. Although the industry's fundamentals appear to be recovering, the markets for such securities have changed dramatically. As a result, many of the risks facing the Funds' investments in securities of banking organizations are unusually difficult to predict.

Potential Impact of Interest Rates. The net income of financial related companies (including banks, thrifts and finance REITs) depends to a large extent upon the level of net interest income. Changes in interest rates can increase or decrease net interest income and net income. Net interest income is the difference between the interest income earned on loans, investments and other interest-earning assets, and the interest these companies pay on interest-bearing liabilities (including deposits and other borrowings). Net interest income is affected by changes in market interest rates, primarily because different types of assets and liabilities may react differently, and at different times, to market interest rate changes. When interest-bearing liabilities mature or reprice more quickly than interest-earning assets, an increase in market interest rates could reduce net interest income. At the same time, when interest-earning assets mature or reprice more quickly than interest-bearing liabilities, falling interest rates could reduce net interest income. Additionally, changes in market interest rates are affected by many factors beyond these companies' control, including: inflation, unemployment, money supply, international events and events in world financial markets. These companies attempt to manage these risks from changes in market interest rates by adjusting the rates, maturity, repricing and balances of the different types of interest-earning assets and interest-bearing liabilities. Furthermore, companies may choose to use many different types of asset-liability management and hedging techniques, which could include the use of derivative securities. However, interest rate risk management techniques are not exact and may have an adverse financial impact if rates move in an unanticipated way.

Equity Securities. The Funds' investment portfolios primarily include long and short positions in equity securities of U.S. listed financial institutions. Equity securities fluctuate in value in response to many factors, including, among others, the activities and financial condition of individual companies, geographic markets, industry market conditions, interest rates and general economic environments. In addition, events such as the domestic and international political environments, terrorism and natural disasters, may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by the Funds.

Short Selling. The Investment Adviser, on behalf of the Funds, engages in short selling as a fundamental component of its investment program. Short selling involves selling securities which are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the seller to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Small and Medium Capitalization Companies. The Investment Adviser, on behalf of the Funds, may take long and short positions in the equity securities of financial institutions with small- to medium-sized market capitalizations. These stocks, particularly small-capitalization stocks, may involve higher risks in some respects than do investments in securities of larger companies. For example, prices of small-capitalization and even medium-capitalization securities are often more volatile than prices of large-capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors in the case of long positions) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be less liquid.

Illiquid Investments. The Investment Adviser, on behalf of the Funds, may invest in illiquid investments and may acquire assets or securities that the Investment Adviser believes either lack a readily assessable market value or should be held until the resolution of a special event or circumstance. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and the Investment Adviser may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Investment Adviser, on behalf of the Funds, may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. In addition, the limited liquidity of these investments may subject them to more

extensive fluctuations in value and may impair the ability of the Investment Adviser to exit such investments in times of adversity. Furthermore, there may be limited information available about the assets of the issuers of the illiquid investments, which may make valuation of such illiquid investments difficult or uncertain. It also should be noted that, even those markets which the Investment Adviser expects to be liquid can experience periods, possibly extended periods, of illiquidity. An investment in the Funds is suitable only for certain sophisticated investors who do not require immediate liquidity for their investments.

Real Estate-Related Securities. The Investment Adviser, on behalf of the Funds, may invest in securities issued by entities which invest in real estate such as REITs. Real estate investments generally will be subject to the risks incident to the ownership and operation of commercial real estate and/or risks incident to the making of nonrecourse mortgage loans secured by real estate. Such risks include, without limitation, the risks associated with both the domestic and international general economic climates; local real estate conditions; risks due to dependence on cash flow; risks and operating problems arising out of the absence of certain construction materials; changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building); the financial condition of tenants, buyers and sellers of properties; changes in availability of debt financing; energy and supply shortages; changes in the tax, real estate, environmental, and zoning laws and regulations; various uninsured or uninsurable risks; natural disasters; and the ability of the Funds or third-party borrowers to manage the real properties. In addition, the Funds may incur the burdens of ownership of real property, which include the paying of expenses and taxes, maintaining such property and any improvements thereon, and ultimately disposing of such property.

Leverage; Interest Rates; Margin. The Investment Adviser, on behalf of the Funds, may leverage its investment positions by borrowing funds from securities broker-dealers, banks or others and may also invest in derivatives and other financial instruments that are inherently leveraged. From time to time, the Investment Adviser, on behalf of the Funds, may leverage its investment positions to take advantage of perceived opportunities. The amount of the Funds' borrowings and the interest rates on those borrowings, which will fluctuate, may have a significant adverse effect on the Funds' profitability. To the extent that gains derived by the Funds from investments purchased with borrowed funds is greater than the cost of borrowing, the Funds' gains will be greater than if borrowing had not been used. Conversely, if the gains from investments purchased with borrowed funds are not sufficient to cover the cost of borrowing, the gains of the Funds will be less than if borrowing had not been used, and the amount available for ultimate distribution to the shareholders will be reduced. The extent to which the gains and losses associated with leveraged investing are increased will generally depend on the degree of leverage employed. Each Fund's maximum gross exposure through leverage will not exceed 200% of such Fund's net assets.

While leverage presents opportunities for increasing the Funds' total returns, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment would be magnified to the extent the Funds are leveraged. The cumulative effect of the use of leverage by the Funds in a market that moves adversely to the Funds' investments could result in substantial losses to the Funds, which would be greater than if the Funds were not leveraged. Leverage will increase the exposure of the Funds to adverse economic factors such as significantly rising interest rates, severe economic downturns or deterioration in the condition of the Funds' investments or their corresponding markets.

In transactions involving margin borrowings and derivative instruments, counterparties and lenders will likely require the Funds to post investments and assets as collateral to support its obligations. Should the instruments and other assets pledged as collateral decline in value, or should brokers increase their maintenance margin requirements (i.e., reduce the percentage of a position that can be financed), the Funds could be subject to a "margin call", pursuant to which it must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged assets to compensate for the decline in value. The Funds might not be able to liquidate assets quickly enough to pay off the margin debt or provide additional collateral and may suffer mandatory liquidation of positions in a declining market at relatively low prices, thereby incurring substantial losses.

Furthermore, secured counterparties and lenders generally will have the right to sell, pledge, rehypothecate, assign, use or otherwise dispose of collateral posted by the Funds. This could increase exposure to the risk of a counterparty default since, under such circumstances, the Funds may be unable to recover the posted collateral promptly or may be unable to recover all of the posted collateral. The occurrence of defaults may trigger cross-defaults under the Funds' agreements with other brokers, lenders, clearing firms or other counterparties, creating or increasing a material adverse effect on the performance of the Funds.

When the Funds purchase an option in the United States, there is no margin requirement because the option premium is paid for in full. The premiums for certain options traded on non-U.S. exchanges may be paid for on margin. Whether any margin deposit will be required for over-the-counter ("OTC") options and other OTC instruments, will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

Necessity for Counterparty Trading Relationships; Counterparty Risk. The Investment Adviser, on behalf of the Funds, has established relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Investment Adviser, on behalf of the Funds, to trade in any variety of markets or asset classes over time; however, there can be no assurance that the Investment Adviser, on behalf of the Funds, will be able to maintain such relationships or establish such relationships. An inability to establish or maintain such relationships would limit the Investment Adviser's trading activities, could create losses, preclude the Investment Adviser from engaging in certain transactions, financing, derivative intermediation and prime brokerage services and prevent the Investment Adviser from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships before the Investment Adviser establishes additional relationships could have a significant impact on the Funds' business due to the Funds' reliance on such counterparties.

Some of the markets in which the Investment Adviser, on behalf of the Funds, may effect transactions are not "exchange-based", including over-the-counter or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, might not be available in connection with such over-the-counter transactions. The lack of evaluation and oversight of over-the-counter markets exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over

the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Investment Adviser, on behalf of the Funds, has concentrated its transactions with a single or small group of counterparties. Generally, the Investment Adviser, on behalf of the Funds, will not be restricted from dealing with any particular counterparties or from concentrating any or all of the Investment Adviser's transactions with one counterparty. The Investment Adviser's evaluation of the creditworthiness of the Funds' counterparties may not prove sufficient. The lack of a complete and "foolproof" evaluation of the financial capabilities of the Funds' counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

Counterparty Default. The stability and liquidity of financing agreements, swap transactions, forward transactions and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transaction. The Investment Adviser, on behalf of the Funds, monitors on an on-going basis the creditworthiness of firms with which it has such arrangements. If there is a default by the counterparty to such a transaction, the Funds will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the NAV of the Funds being less than if the Funds had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of the Funds' counterparties were to become insolvent or the subject of insolvency proceedings in the United States (either under the Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of the Funds' securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

Swap Agreements. The Investment Adviser, on behalf of the Funds, may enter into swap agreements and options on swap agreements ("swaptions"). These agreements can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. The Investment Adviser, on behalf of the Funds, for instance, may enter into swap agreements with respect to interest rates, credit defaults, currencies, securities, indexes of securities and other assets or other measures of risk or return. Depending on their structure, swap agreements may increase or decrease the Funds' exposure to, for example, equity securities, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. The Funds are not limited to any particular form of swap agreement if consistent with the Funds' investment objectives.

Whether the Funds' use of swap agreements or swaptions will be successful will depend on the Investment Adviser's ability to select appropriate transactions for the Funds. Swap agreements can shift the Funds' investment exposure from one type of investment to another (for example, a currency swap in which payments in a foreign currency are exchanged for payments in U.S. dollars), or can be utilized to obtain exposure to the performance of an investment on a leveraged basis (for example, a total return swap in which payments at a fixed or floating rate are exchanged for the total return, positive or negative, of a specified investment). The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity or index values or other

factors that determine the amounts of payments due to and from the Funds. If the Funds default under a swap agreement that calls for payments by the Funds in connection with such default, the Funds must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Funds. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Funds' portfolio. Moreover, the Funds bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Funds will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Funds to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Funds' ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

Other Derivative Instruments. The Investment Adviser, on behalf of the Funds, may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objectives of the Funds and legally permissible. Special risks may apply to instruments that are invested in by the Investment Adviser, on behalf of the Funds, in the future that cannot be determined at this time or until such instruments are developed or invested in by the Funds. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

Call Options. The Funds may incur risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (i.e., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option. The Funds currently do not intend to sell uncovered call options.

Put Options. The Funds may incur risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (i.e., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of

losing its entire investment in the put option. The Funds currently do not intend to sell uncovered put options.

Futures Contracts. The Investment Adviser, on behalf of the Funds, may trade in futures contracts (and options on futures). The value of futures depends upon the price of the financial instruments, such as commodities, underlying them. The prices of futures are highly volatile, and price movements of futures contracts can be 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. In addition, investments in futures are also subject to the risk of the failure of any of the exchanges on which the Funds' positions trade or of their clearing houses or counterparties.

Futures positions may be illiquid because, for example, most U.S. commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Investment Adviser, on behalf of the Funds, from promptly liquidating unfavorable positions and subject the Funds to substantial losses. In addition, the Investment Adviser, on behalf of the Funds, may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator (such as the SEC or the Commodity Futures Trading Commission ("CFTC")) may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.

Non-U.S. Investments. The Investment Adviser, on behalf of the Funds, may take long and short positions in securities of non-U.S. financial institutions which are traded in non-U.S. markets. Such investments involve certain considerations not usually associated with investing in securities of U.S. companies or U.S. markets, including: political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain or other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the portfolio's investment opportunities. In addition, accounting and financial reporting standards that prevail in such countries generally are not equivalent to U.S. standards and, consequently, less information is available to investors in companies

located in such countries than is available to investors in companies located in the U.S. There is also less regulation, generally, of the securities markets in such countries than there is in the U.S.

Diversification. Since the Funds' portfolios will be concentrated in the financial services industry and the portfolio may not be widely diversified among issuers, the investment portfolio of the Funds may be subject to more rapid change in value than would be the case if the Funds were required to maintain a wide diversification among companies or industry groups.

Fixed Income Securities. The Investment Adviser, on behalf of the Funds, may invest in bonds or other fixed income securities, including, without limitation, bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. Government or one of its agencies or instrumentalities; and commercial paper. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Funds invest will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

Hedging Transactions. The Investment Adviser, on behalf of the Funds, may utilize financial instruments, both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of the Funds' investment portfolios resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the Funds' unrealized gains in the value of the Funds' investment portfolios; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Funds' portfolios; (v) hedge against a directional trade, interest rate, credit or currency exchange rate on any of the Funds' liabilities or assets; (vi) protect against any increase in the price of any securities the Investment Adviser, on behalf of the Funds, anticipates purchasing at a later date; or (vii) for any other reason that the Investment Adviser deems appropriate.

The success of the Investment Adviser's hedging strategy will depend, in part, upon the Investment Adviser's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Funds' hedging strategies will also be subject to the Investment Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Investment Adviser, on behalf of the Funds, may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if it had not engaged in such hedging transactions. For a variety of reasons, the Investment Adviser may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Funds from achieving the intended hedge or expose the Funds to risk of loss. The Investment Adviser may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the

occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Funds' portfolio holdings.

ITEM 9
DISCIPLINARY INFORMATION

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Investment Adviser's advisory business or the integrity of the Investment Adviser's management.

ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Broker-Dealer Registration Status.

The Investment Adviser and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status.

The Investment Adviser and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

Material Relationships or Arrangements with Industry Participants.

Please see below in this Item 10. Also, please see Item 5 regarding closing fees, director's fees, options or break-up fees to be paid to the Investment Adviser in connection with Special Investments made by the Funds.

Material Conflicts of Interest Relating to Other Investment Advisers.

Joseph A. Stieven, the control person of the Investment Adviser, is an equity interest holder in Stifel Financial Corp., a publicly traded holding company. Stifel, Nicolaus & Company, Inc., a subsidiary of Stifel Financial Corp., is a broker-dealer and a member of the New York Stock Exchange, Chicago Stock Exchange and American Stock Exchange. Subject to best execution, the Investment Adviser and/or the Fund General Partner, may effect portfolio transactions through Stifel, Nicolaus & Company, Inc. See Item 12.

ITEM 11
CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS
AND PERSONAL TRADING

Code of Ethics.

The Investment Adviser strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, the Investment Adviser has adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of clients first; all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions; information concerning the identity of securities and financial circumstances of the Funds, including the Funds' investors, must be kept confidential; and independence in the investment decision-making process must be maintained at all times. *Investors in the Funds may request a copy of the Code by contacting the Investment Adviser at the address or telephone number listed on the first page of this document.*

The Investment Adviser also maintains insider trading policies and procedures (the "Insider Trading Policies") that are designed to prevent the misuse of material, non-public information. The Investment Adviser's Insider Trading Policies prohibit the Investment Adviser and its personnel from trading for the Funds or themselves, or recommend trading, in securities of a company while in possession of material, non-public information ("Inside Information") about the company, and from disclosing such information to any person not entitled to receive it. By reason of its various activities, the Investment Adviser may have access to Inside Information or be restricted from effecting transactions in certain investments that might otherwise have been initiated. The Investment Adviser has designed and implemented policies and procedures reasonably designed to shield its investment professionals in most cases from access to Inside Information so that investment decisions may be made on the basis of public information only. Among other things, such policies seek to control and monitor the flow of Inside Information to and within the Investment Adviser, as well as prevent trading based on Inside Information. Accordingly, the Investment Adviser may not have access to Inside Information that other market participants or counterparties are eligible to receive.

Notwithstanding such policies and procedures, there may be certain cases where the Investment Adviser either may receive Inside Information due to its various activities on behalf of itself or the Funds or may be restricted in acting for the Funds, resulting in limited liquidity or using such information for the benefit of certain clients in specific securities. The Investment Adviser seeks to minimize those cases whenever possible, consistent with applicable law and its Insider Trading Policies, but there can be no assurance that such efforts will be successful and that such restrictions will not occur.

The Investment Adviser's personnel are required to certify to their compliance with the Code, including the Insider Trading Policies, on a periodic basis.

Securities that the Investment Adviser or a Related Person Has a Material Financial Interest.

Cross Trades

The Investment Adviser may determine that it would be in the best interests of a Fund to transfer a security from one Fund to another (each such transfer, a "Cross Trade") for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the Funds, or to reduce transaction costs that may arise in an open market transaction. If the Investment Adviser decides to engage in a Cross Trade, the Investment Adviser will determine that the trade is in the best interests of each client involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those clients.

The Investment Adviser generally executes Cross Trades with the assistance of a broker-dealer who executes and books the transaction at the close of the market on the day of the transaction. Alternatively, a Cross Trade between two Funds may occur as an "internal cross", where the Investment Adviser instructs the custodian for the Funds to book the transaction at the price determined in accordance with the Investment Adviser's valuation policy. If the Investment Adviser effects an internal cross, the Investment Adviser will not receive any fee in connection with the completion of the transaction.

Principal Transactions

To the extent that Cross Trades may be viewed as principal transactions due to the ownership interest in a Fund by the Investment Adviser or its personnel, the Investment Adviser will comply with the requirements of Section 206(3) of the Advisers Act. Accordingly, the head trader must identify any potential principal transaction, including any cross trade between the Funds, prior to effecting the transaction and must contact the Chief Compliance Officer of the Investment Adviser (the "Compliance Officer"). The Compliance Officer, in consultation with outside counsel, will determine whether or not the trade would constitute a principal transaction, and if so, that all required notice and consent requirements are satisfied. The Compliance Officer will then inform the head trader whether or not to proceed with the trade.

Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients.

The Code also addresses personal trading by the employees of the Investment Adviser. In particular, the Code requires the Investment Adviser's "Access Persons" to: (1) submit to the Compliance Officer, or a designee, initial and annual reports disclosing all personal securities holdings and (2) obtain pre-approval before making any personal investments in any covered security. "Access Persons" include all of the Investment Adviser's employees who have access to nonpublic information regarding any Fund's purchases or sales of securities or nonpublic information regarding the portfolio holdings of any SEC registered investment company that the Investment Adviser or any of its affiliates manage; or are involved in making securities recommendations to the Funds, or have access to such recommendations that are nonpublic. All of the Investment Adviser's directors, officers and partners are presumed to be access persons. The Code also contains specific restrictions on short term trading in mutual funds. Employees of the Investment Adviser will

be required to acknowledge that they have received the Code and each subsequent amendment, that they comprehend the Code, and that they have complied and will comply with the Code.

Investment holdings or transactions in publicly-traded covered securities issued by business entities whose primary operations are in the bank, thrift or financial REIT industries are not permitted in the personal accounts of the Investment Adviser's Access Persons, except in cases in which these holdings were initiated through a previous private or subscription offering.

Access Persons with prohibited security holdings in the financial sectors named above will have 60 calendar days after becoming Access Persons to liquidate such holdings, subject to prior trading approval from the Compliance Officer.

ITEM 12

BROKERAGE PRACTICES

Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.

As noted previously, the Investment Adviser has full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. The Investment Adviser's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

Portfolio transactions for each Fund will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to the Investment Adviser and/or certain Funds, but not beneficial to all Funds. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, the Investment Adviser may consider, among other things, the following: the ability of the brokers or dealers to effect the transactions, their facilities, reliability and financial responsibility, and the provision or payment (or the rebate to the Funds for payment) of the costs of brokerage or research products or services which the Investment Adviser considers to be of benefit to the Funds, the Investment Adviser and other accounts.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. The Investment Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither the Investment Adviser nor the Funds separately compensate any broker or dealer for any of these other services.

If the Investment Adviser decides, based on the factors set forth above, to execute OTC transactions on an agency basis through Electronic Communications Networks ("ECNs"), it will also consider the following factors when choosing to use one ECN over another: the ease of use, the flexibility of the ECN compared to other ECNs, and the level of care and attention that will be given to smaller orders.

The Investment Adviser maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

Research and Other Soft Dollar Benefits.

From time to time, the Investment Adviser may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting Fund transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. The Investment Adviser will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934.

The Investment Adviser believes it is important to its investment decision-making processes to have access to independent research.

Also, consistent with Section 28(e), research products or services obtained with "soft dollars" generated by one or more Funds may be used by the Investment Adviser to service one or more other Funds, including clients that may not have paid for the soft dollar benefits. The Investment Adviser does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the client accounts generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Investment Adviser (i.e., a "mixed use" item), the Investment Adviser will make a reasonable allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of the Investment Adviser's allocation of the costs of such benefits and services between those that primarily benefit the Investment Adviser and those that primarily benefit the Funds.

When the Investment Adviser uses Fund brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Investment Adviser receives a benefit because it does not have to produce or pay for such products or services. The Investment Adviser may have an incentive to select or recommend a broker-dealer based on the Investment Adviser's interest in receiving research or other products or services, rather than on its Fund's interest in receiving most favorable execution.

Within the last fiscal year of the Investment Adviser, the Investment Adviser or its related persons acquired the following types of products and services with client brokerage commissions (or markups or markdowns): research services provided by broker-dealers may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, quantitative analytics relevant to stock selection and risk control, and other products and services providing lawful and appropriate assistance to the Investment Adviser in the performance of its investment decision-making responsibilities. Such research services are received primarily in the form of written reports, telephone contacts and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, and meetings arranged with corporate and industry spokespersons, economists, academicians and government representatives. In some cases, research services are generated by third parties but are provided to the Investment Adviser by or through broker-dealers.

At least annually, the Investment Adviser considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its clients on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will the Investment Adviser make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, neither will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

Brokerage for Client Referrals.

From time to time, brokers (including Goldman, Sachs & Co., the Funds' Prime Broker) may assist the Funds in raising additional funds from investors, and representatives of the Investment Adviser may speak at conferences and programs sponsored by prime brokers for investors interested in investing in hedge funds. Through such "capital introduction" events, prospective investors in the Funds would have the opportunity to meet with the Investment Adviser. Neither the Investment Adviser, an affiliate nor the Funds will compensate any broker for organizing such events or for any investments ultimately made by prospective investors attending such events. While such services provided by a broker may influence the Investment Adviser in deciding whether to use such broker in connection with brokerage, financing and other activities of the Funds, the Investment Adviser will not commit to allocate a particular amount of brokerage to a broker in any such situation.

Directed Brokerage.

The Investment Adviser does not recommend, request or require that a client direct the Investment Adviser to execute transactions through a specified broker-dealer.

Order Aggregation.

In managing the Funds' portfolios, the Investment Adviser will generally aggregate trades, subject to best execution. Aggregation, or "bunching," describes a procedure whereby the Investment Adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for the Investment Adviser generally arise when more than one Fund is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. The Investment Adviser is not required to aggregate trades. However, the Investment Adviser may aggregate client orders when doing so will result in a better overall price for Fund trades.

In addition, when the Investment Adviser encounters investment opportunities that are appropriate for more than one Fund or when an aggregated order is only partially filled, the Investment Adviser will allocate the investment opportunity or a partially filled order on a fair and equitable basis.

It is the policy of the Investment Adviser to allocate investment opportunities for the Funds fairly and equitably, to the extent possible, over a period of time. The Investment Adviser, however, will have no obligation to purchase, sell or exchange any security or financial instrument for one Fund which the Investment Adviser may purchase, sell or exchange for another Fund if the Investment Adviser believes in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for a particular Fund.

If it is determined by the Investment Adviser that it would be appropriate for both of the Funds (or either Fund and one or more other investment accounts managed by the Investment Adviser or the Fund General Partner) to participate in an investment opportunity, the Investment Adviser or the Fund General Partner will seek to execute orders on an equitable basis for all of the participating investment accounts, including the Funds, taking into account such factors as the relative amounts of capital available for new investments and

the investment programs and portfolio positions of the Funds and the clients for which participation is appropriate and applicable tax and regulatory considerations. Orders may be combined for all such accounts, and if any order is not filled at the same price, they may be allocated on an average price basis. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, securities may be allocated among the different accounts on a basis which the Investment Adviser or the Fund General Partner considers equitable.

ITEM 13

REVIEW OF ACCOUNTS

Frequency and Nature of Review of Client Accounts or Financial Plans.

The Investment Adviser performs various daily, weekly, monthly, quarterly and periodic reviews of the Funds' portfolios. Such reviews are conducted by the chief executive officer, a managing director and the senior trader.

Factors Prompting Review of Client Accounts Other than a Periodic Review.

A review of a client account may be triggered by any unusual activity or special circumstances.

Content and Frequency of Account Reports to Clients.

Investors in the Funds receive a monthly statement from the administrator and a quarterly letter from the Investment Adviser documenting the performance of their Fund, although the Investment Adviser may provide certain investors with information on a more frequent basis if agreed to by the Investment Adviser. In addition, the Investment Adviser issues investors tax reports and audited financial statements concerning their respective Funds within 120 days of the end of each of the Fund's fiscal year.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

Economic Benefits for Providing Services to Clients.

The Investment Adviser does not receive economic benefits from non-clients for providing investment advice and other advisory services.

Compensation to Non-Supervised Persons for Client Referrals.

Neither the Investment Adviser nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals.

ITEM 15 CUSTODY

The Investment Adviser is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to the Investment Adviser. The Investment Advisor is responsible for reviewing these account statements.

The Investment Adviser is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

ITEM 16
INVESTMENT DISCRETION

The Investment Adviser serves as the management company with discretionary trading authority to each Fund.

The Investment Adviser's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

The Investment Adviser or an affiliate of the Investment Adviser entered into an investment management agreement, or similar agreement, with each Fund, pursuant to which the Investment Adviser or an affiliate of the Investment Adviser was granted discretionary trading authority.

ITEM 17

VOTING CLIENT SECURITIES

Policies and Procedures Relating to Voting Client Securities.

As a fiduciary, an investment adviser with proxy voting authority has a duty to monitor corporate events and to vote proxies, as well as a duty to cast votes in the best interest of the Funds and not subrogate the Funds' interests to its own interests. Rule 206(4)-6 under the Advisers Act (the "Proxy Voting Rule") places specific requirements on registered investment advisers with proxy voting authority. Because the Investment Adviser has discretionary authority over the securities held by the Funds, the Investment Adviser is viewed as having proxy voting authority. Accordingly, the Investment Adviser is subject to the Proxy Voting Rule. To meet obligations under this rule, the Investment Adviser has adopted written Proxy Voting Policies and Procedures, which are as follows: The Investment Adviser has retained the services of Institutional Shareholder Services, Inc. ("ISS") to vote proxies for the Funds. The Chief Investment Officer of the Investment Adviser may override any vote intended to be cast by ISS for the Funds when it deems such an act to be in the best interest of the Funds. The Chief Investment Officer will periodically review the proxy votes cast by ISS on behalf of the Funds. These policies and procedures are reasonably designed to ensure that the Investment Adviser votes proxies in the best interest of the Funds and addresses how the Investment Adviser will resolve any conflict of interest that may arise when voting proxies.

The Compliance Officer is responsible for ensuring that the Investment Adviser provides investors with (i) a description of proxy voting policies and procedures and how investors may, upon request, obtain a copy of proxy voting policies and procedures; and (ii) instructions about how investors may obtain information from the Investment Adviser on how the Investment Adviser voted with respect to their Fund's securities. The Compliance Officer is responsible for responding to requests from investors regarding how the Investment Adviser voted proxies.

Clients and investors in the Funds may request a copy of the Policies, as well as the proxy voting record for their account or respective Fund by contacting the Investment Adviser at the address or telephone number listed on the first page of this document.

ITEM 18
FINANCIAL INFORMATION

The Investment Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.