

PART 2A.

Item 1. Cover Page

Baochuan Capital Management, LLC

This brochure provides information about the qualifications and business practices of Baochuan Capital Management, LLC ("BaoCap"). This brochure is dated as of January 3, 2011. If you have any questions about the contents of this brochure, please contact us at (925) 930-9498 or at madams@baocap.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

BaoCap is seeking registration as an investment adviser with the SEC. The registration with the SEC simply means that BaoCap is authorized to provide investment advisory services, and does not imply or indicate the level of skills or training of BaoCap or its employees. Additional information about BaoCap is also available on the SEC's website at www.adviserinfo.sec.gov.

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Item 2. Material Changes

BaoCap is a newly registered investment adviser. At this time, BaoCap does not have any material changes.

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Item 4. Advisory Business

A. The Firm and the Principal Owners.

BaoCap is applying as an SEC registered investment adviser. BaoCap has been recently formed on December 1, 2010. BaoCap is a Delaware limited liability company with a principal place of business in Walnut Creek, California. It maintains the main office at 1515 Oakland Boulevard, Suite 280, Walnut Creek, CA 94596-8402. BaoCap is wholly owned by Baochuan Holding, LLC ("Baochuan Holding").

B. Types of Services Offered

BaoCap offers investment advisory and money management services to individuals and institutions, which may include banks and thrift institutions, foundations, endowments, investment companies, hedge funds, pension funds, trusts, and corporations. BaoCap specializes in investment strategies in equity securities and bonds. BaoCap will offer advisory services to both managed accounts and private fund accounts. BaoCap will provide advisory services to four managed accounts and three hedge funds accounts. The three hedge funds are AlphaShares Black Dragon Fund, L.P., AlphaShares Red Dragon Fund, L.P., and AlphaShares Green Dragon Fund, L.P.

C. Level of Services Provided to Clients

BaoCap tailors its advisory services to the individual needs of its clients. BaoCap will discuss and advise clients on the types of investment and investment strategies based on their financial situations and goals. The clients may impose restrictions on the types of investments or securities. Following the discussion, the clients and BaoCap will agree on a desired investment strategy and any restrictions and limitations on account transactions. BaoCap will manage its client accounts on a fully discretionary basis, but subject to the strategy that the client has approved and any limitations and/or guidelines that the client has placed.

D. Wrap Fee Programs

BaoCap does not currently participate in wrap fee programs.

E. Assets under Management

Within 60 days of the date of filing this brochure with the SEC, BaoCap expects to manage approximately \$18,355,610 of assets under management. All client assets will be managed on a discretionary basis.

Item 5. Fees and Compensation

A. Investment Advisory Fees

BaoCap calculates the fees for its investment advisory services based on the percentage of assets under management. The fees are negotiable between clients and BaoCap. Generally, BaoCap charges a quarterly management fee ranging from 0.125% to 0.25% (0.5% to 1% per annum) of the net asset value of the assets under management. BaoCap may at its sole discretion waive or reduce the fee.

For certain accounts, BaoCap may assess performance based fees. The performance based fees currently charged are equal to 10% of the profits generated in the clients' accounts. BaoCap will carry forward any losses from any previous quarters when it calculates the profits. This means that the performance based fees will be assessed only if the profit exceeds all previous losses in the client accounts.

B. Deduction of Fees from the Accounts

Generally, the fees for investment advisory services will be charged to the client accounts on the first business day of each fiscal quarter. The performance fees will be charged to the client accounts on the last business day of each fiscal quarter. Fees are debited directly from the client accounts within the next quarter following the charge to the account.

C. Additional Fees and Expenses

The quarterly fees do not include fees or expenses incurred outside of investment advisory services, such as brokerage fees and commissions. Please see Item 12 for the brokerage practices that describe services and transactions that may incur fees in addition to the quarterly investment advisory fees.

D. Advanced Fees

BaoCap bills the investment advisory fees quarterly, payable in advance on the first day of the quarter. Each quarterly billing is computed based on the market value of the client's assets under management as of the last day of the preceding quarter. Please see Item 5.A. for the schedule of fees listing the specific percentages of assets under management that will be charged quarterly for the investment advisory fees. If the advisory or investment management relationship is terminated prior to the last business day of a fiscal quarter, the fees paid in advance will be prorated to the date of termination and any unearned portion of the fees will be returned to the client.

E. Compensation for Sale of Securities or Other Investment products

BaoCap does not assess sales or service charges in connection with the purchase or sale of securities in client accounts. As discussed in Item 5.C. above, brokerage fees and commissions may be assessed with such securities transactions.

Item 6. Performance-Based Fees and Side-By-Side Management

As discussed in Item 5.A, BaoCap assesses both percentage based and performance based fees to certain client accounts. BaoCap's investor adviser representatives manage both types of accounts. BaoCap has implemented procedures and policies to avoid any action that could result in an unfair or inequitable disadvantage to any client account or unfair or inequitable advantage to any client account that is charged performance-based fees. Generally, BaoCap will follow the following standard allocation procedure to avoid such conflict of interests:

- *pro rata* among all accounts based upon the respective sizes of the participating client accounts; or
- based upon a uniform target percentage holding across all participating client accounts, unless there are limit orders.

In addition, when BaoCap believes that it can effectively obtain best execution for its accounts by aggregating trades for any accounts charged performance-based fees, it will do so for all accounts for which the trades are both suitable and consistent with the respective investment advisory contracts, investment guidelines, and other agreements and understandings relating to such accounts. Each account that participates in an aggregated security order will participate at the average share price for such order on a given business day, with transaction costs shared *pro rata* based on each account's participation, unless otherwise required by contract or applicable law. BaoCap will not favor any account over any other account.

Item 7. Types of Clients,
Account Opening and Maintenance Requirement

BaoCap generally provides investment advisory and money management services to individuals and institutions, which may include banks and thrift institutions, foundations, endowments, investment companies, hedge funds, pension funds, trusts, and corporations. BaoCap's managed accounts are open to individuals and institutions regardless of their net worth. BaoCap, however, requires \$100,000 minimum investment amount for opening a managed account. BaoCap's private funds accounts are offered only to individuals and entities who meet the eligibility requirement. In addition, the minimum subscription amount for each hedge fund varies. The investor eligibility and the minimum investment or subscription amount are summarized as follows:

Account	Investor Eligibility	Minimum Investment / Subscription Amount
Managed Accounts	No net worth requirement	\$100,000
AlphaShares Black Dragon Fund, L.P.	<ul style="list-style-type: none"> ▪ Accredited Investors (as defined in the Securities Act of 1933) ▪ Qualified Clients (as defined in the Investment Advisers Act) ▪ Knowledgeable Employees (as defined in the Investment Company Act) 	\$100,000
AlphaShares Red Dragon Fund, L.P.	<ul style="list-style-type: none"> ▪ Accredited Investors (as defined in the Securities Act of 1933) ▪ Qualified Clients (as defined in the Investment Advisers Act) ▪ Qualified Purchasers (as defined in the Investment Company Act) ▪ Knowledgeable Employees (as defined in the Investment Company Act) 	\$1,000,000
AlphaShares Green Dragon Fund, L.P.	<ul style="list-style-type: none"> ▪ Accredited Investors (as defined in the Securities Act of 1933) ▪ Qualified Clients (as defined in the Investment Advisers Act) ▪ Qualified Purchasers (as defined in the Investment Company Act) ▪ Knowledgeable Employees (as defined in the Investment Company Act) 	\$1,000,000

BaoCap may increase or decrease the minimum investment or subscription amount at its sole discretion.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

A. Method of Analysis and Investment Strategies

BaoCap uses a variety of analytical models in formulating investment strategies and managing accounts. Among others, BaoCap uses fundamental analysis, technical analysis, quantitative analysis and cyclical analysis. BaoCap analyzes the underlying value of a company that issues securities by examining financial statements, price/earnings ratio, competitiveness, management, revenue, relevant markets and competitors of the issuing company. BaoCap also examines historical price patterns and trading behavior, and monitors current market trends and sentiments as indicated by price movements.

BaoCap currently offers its clients a number of investment strategies available in different investment products. Its main strategies are outlined below.

▪ Green Dragon Strategy

The investment manager will apply a “buy-write” strategy to the Chinese equity markets. Specifically, the investment manager intends to buy a diversified portfolio of Chinese equities (the “Long Portfolio”), while managing risk by systematically selling call options on Chinese equity indices that the investment manager believes to have a high correlation with the Long Portfolio (the “Short Portfolio”).

At times, the investment manager may implement a short put and long cash strategy, which when paired, offers the same synthetic risk-profile as the long stock and short call strategy. The investment manager would initiate such a position to (i) form a liquidity pool to counter turnover in the fund due to withdrawals, (ii) synthetically invest assets more quickly, or (iii) reduce anticipated turnover based on upcoming options assignments.

Long Portfolio

The Long Portfolio will typically consist of 25-100 of the largest Chinese companies listed on major international exchanges and available to non-Chinese investors. The Long Portfolio will largely include shares of Chinese companies that trade on the Hong Kong Stock Exchange (i.e., “H-Shares” or “Red Chips”) and on the New York Stock Exchange or NASDAQ Stock Market (i.e., “N-Shares”). However, the Long Portfolio may include shares of Chinese companies that trade on other stock exchanges. At this time, the Long Portfolio will not include shares that trade on Chinese exchanges in Shanghai or Shenzhen (i.e., “A-Shares” or “B-Shares”).

The investment manager will attempt to select and weigh the Long Portfolio to provide broad diversification with respect to the Chinese equity markets and high correlation with a basket of Chinese indices that have tradable and liquid options markets. Although the investment manager seeks limited diversification, there is no guarantee that the fund will be diversified at any given time.

Short Portfolio

The Short Portfolio strategy is designed to generate income, enhance returns and reduce risk by systematically selling a succession of near-term (generally within one to three months) at-the-money or slightly out-of-the-money call options on Chinese equity indices and/or securities based on such indices. The notional value of the Short Portfolio will be equal to roughly 100% of the Long Portfolio. Because Chinese equity markets are extremely volatile, the premiums received from selling such options are higher than the premiums that might be received from selling call options on more developed markets such as those in the United States.

As the writer (seller) of a call option, the fund receives the cash premium from the purchaser of the option and has the obligation, upon exercise of the option, to deliver the underlying security upon payment of the exercise price. In writing options, the fund sells the potential appreciation in the value of the security above the exercise price during the term of the option in exchange for the premium. While the fund will receive premiums under the Short Portfolio strategy, the fund gives up any potential increase in value of the security above the exercise price specified in the written option through the expiration date of the option. The dollar value of option premium received from the sold call options and dividends paid on the portfolio stocks will generally be re-invested so as to rebalance the underlying Long Portfolio.

In implementing the Short Portfolio strategy, the investment manager will consider: (i) the risk profile of the Short Portfolio, (ii) market factors, such as current market levels and volatility, and (iii) options specific factors, such as premium/cost, exercise price and time to expiration. The investment manager will attempt to maintain for the fund written call options positions whose price movements, taken in the aggregate, are correlated with the price movements of the common stocks and other securities held in the Long Portfolio. The Short Portfolio strategy involves significant risk that the initial value and/or changes in value of the individual equity securities underlying the fund's written call options positions will not correlate closely with the initial value and/or changes in the value of securities held in the Long Portfolio. To the extent that there is a lack of correlation, movements in the indices underlying the options positions may result in losses to the fund, which may more than offset any gains received by the fund from the receipt of options premiums and may be significant.

Generally, the Short Portfolio of call options will be held to expiration. Subsequent to the expiration of the existing Short Portfolio of index call options, a new series of similar options expiring in the following one to three-month period will then be sold. This process is typically referred to as the “roll.”

- **Black Dragon Strategy**

The investment manager will seek to purchase a long portfolio of high quality Chinese companies when they are available at prices the investment manager believes are undervalued. The investment manager may also opportunistically sell short other Chinese equities it believes are overvalued.

The Portfolio

The Portfolio will typically consist of 1-20 Chinese companies listed on major international exchanges and available to non-Chinese investors. The Portfolio will largely include shares of Chinese companies that trade on the Hong Kong Exchange (i.e., “H-Shares” or “Red Chips”) and on the New York Stock Exchange or NASDAQ Stock Market (i.e., “N-Shares”). The Portfolio may include shares of Chinese companies that trade on other stock exchanges. At this time, the Portfolio will not include shares that trade on Chinese exchanges in Shanghai or Shenzhen (i.e., “A-Shares” or “B-Shares”). The Portfolio may also include non-Chinese companies that have business dealings in and with China, including but not limited to companies domiciled in Hong Kong, Macao and Taiwan.

The investment manager will seek to invest in companies that have more than one and preferably all of the following characteristics:

- Recurring revenue
- Pricing power and high margins
- High returns on equity and assets
- Revenue growth

The investment manager will seek to make such investments when it believes that the shares of such companies are undervalued. The investment manager may also opportunistically sell short companies that it believes do not have the qualities listed above and in the opinion of the investment manager are overvalued.

- Red Dragon Strategy

The investment manager will apply quantitative investment strategies to the Chinese equity markets. Specifically, the investment manager intends to buy a broadly diversified portfolio of Chinese equities while typically overweighting, relative to major China equity benchmarks, those Chinese companies that are smaller and/or less expensive using traditional valuation metrics.

The Portfolio

The Portfolio will typically consist of 100 or more Chinese companies listed on major international exchanges and available to non-Chinese investors and those foreign investors without a quota of qualified foreign institutional investors (i.e., QFII quota). The Portfolio will largely include shares of Chinese companies that trade on the Hong Kong Exchange (i.e., “H-Shares” or “Red Chips”) and on the New York Stock Exchange or NASDAQ Stock Market (i.e., “N-Shares”). The Portfolio may include shares of Chinese companies that trade on other stock exchanges. At this time, the Portfolio will not include shares that trade on Chinese exchanges in Shanghai or Shenzhen (i.e., “A-Shares” or “B-Shares”).

The investment manager will typically overweigh those stocks that have smaller market capitalizations and/or those that are less expensive when measured by traditional valuation

metrics (Price to Earnings, Price to Book Value, Price to Sales, etc.). The investment manager expects the portfolio to have lower than average turnover.

- China Century Strategy

The strategy seeks to achieve its investment objective by pursuing its strategy of investing in a diversified portfolio of securities of Chinese companies and China-linked companies. Under normal market conditions, the fund will allocate at least 50% of its investable assets to direct China investment through the fund's China Equities Strategy and China Real-Estate Strategy, both as described below, and will allocate up to 50% of its investable assets to investment to China-linked companies through the fund's China-linked U.S. Equities Strategy and China-linked International Equities Strategy, both as described below.

- Global Equities Strategy

The Global Equities Strategy consists of a combination of the China-Linked U.S. Equities Strategy and the China-Linked International Equities Strategy.

The Portfolio

China-Linked U.S. Equities Strategy will consist of equity securities of U.S. issuers selected by the investment manager from a universe of companies with significant exposure to China. The investment manager will select companies that it expects to benefit from their exposure to China.

China-Linked International Equities Strategy will consist of equity securities of non-U.S. issuers selected by the investment manager from a universe of companies with significant exposure to China. The investment manager will select companies that it expects to benefit from their exposure to China.

- Other Strategies

In addition, BaoCap in its sole discretion may invest in high quality U.S. or non-U.S. fixed-income securities, money market instruments, and money market mutual funds, or hold cash or cash equivalents. BaoCap may also invest in money market instruments issued by non-U.S. banks. Any income, including without limitation, interest earned from such investments will be reinvested in accordance with its investment program and will be allocated among the clients in the same manner as all other items of income.

- Risk of Loss

All securities investments risk the loss of capital and clients should be ready to bear any losses incurred from investing in securities. While BaoCap will put its best efforts to the management of clients' assets, there can be no assurance that it will not incur loss.

B. Material Risks Involved in the Method of Analysis or Significant Investment Strategy

▪ Information Risk.

For each method of analysis, BaoCap relies on the information and data filed by the Chinese companies with various international and domestic government agencies or made directly available to BaoCap through sources other than the Chinese companies. Although BaoCap independently analyzes all such information and data and obtains additional corroboration when deemed necessary and available, BaoCap is not able to guarantee the completeness, genuineness or accuracy of such information and data.

▪ Concentration on Securities Issued by Chinese Companies.

Certain BaoCap strategies may involve a concentrated investment in securities issued by Chinese companies. Investment in Chinese companies involves risks and special considerations that are not typically associated with investments in the United States. Please see Item 8.C. below for detailed discussions on material risks involved with investing in securities issued by Chinese companies.

▪ Short Sales.

BaoCap may use short sales to hedge the risk of declines in the market value of the long portfolio, but BaoCap cannot assure that such hedging operations will be successful. Selling securities short without owning them may be considered a speculative technique that involves special risk considerations. Short positions will lose value when the value of securities increases. Short sales theoretically involve unlimited loss potential, as the market price of securities sold short may increase continuously. BaoCap may mitigate such losses by replacing the securities sold short before the market price has increased significantly; however, under adverse market conditions, BaoCap might have difficulty purchasing securities to meet its short sale delivery obligations. BaoCap may have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

▪ Call Options.

Covered call options forgo the opportunity to profit from increase in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but retain the risk of loss should the price of the underlying security decline. If a call option purchased by BaoCap is not sold when it has remaining value, and if the market price of the underlying security remains less than or equal to the exercise price, client accounts risk losing the entire investment in the option. Also, where a call option on a particular security is purchased to hedge against price movements in a related security, the price of the option may move more or less than the price of the related security. BaoCap has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once BaoCap receives an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price. Thus,

the use of options may require BaoCap to sell portfolio securities at inopportune times or for prices other than current market values. Such sales may limit the amount of appreciation in clients' investments. If BaoCap is unable to close out an option that it has purchased on a security, it would have to exercise the option in order to realize any profit or the option may expire worthless.

C. Material Risks Involved with Primarily Recommended Securities

BaoCap will largely invest in securities of Chinese companies that trade on the Hong Kong Exchange (i.e., “H-Shares” or “Red Chips”), the New York Stock Exchange or NASDAQ Stock Market (i.e., “N-Shares”). BaoCap may include non-Chinese companies that have business dealings in and with China, including but not limited to companies domiciled in Hong Kong, Macao and Taiwan. Investments in Chinese companies or companies doing business in Chinese markets involve certain risks and special considerations not typically associated with investments in the U.S.

- Chinese Economy and Securities Market.

Since 1949, the People’s Republic of China has been a socialist state controlled by the Communist party. China has only recently opened up to foreign investment and has only begun to permit private economic activity. China has been transitioning to a market economy since the late 1970s, reaffirming its economic policy reforms through five-year programs, the latest of which (for 2006 through 2010) was approved in March 2006. Under the economic reforms implemented by the Chinese government, the Chinese economy has experienced tremendous growth, developing into one of the largest and fastest growing economies in the world. The Chinese government continues to be an active participant in many economic sectors through ownership positions and regulation. The Chinese economy is export-driven and highly reliant on trade. The performance of the Chinese economy may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payments position.

Investments in Chinese companies involve certain risks and special considerations not typically associated with investments in the United States.

- Types of Securities of Chinese Companies.

H-Shares. “H-Shares” are shares of companies incorporated in mainland China and listed on the Hong Kong Stock Exchange. Issuers of H-Shares must meet the listing and disclosure standards of the Hong Kong Stock Exchange. H-Shares are denominated and traded in Hong Kong dollars and are often the vehicle for extending a Chinese privatization transaction to foreign investors. At this time, the fund intends to invest in H-Shares.

N-Shares. Certain Chinese companies have secondary listings on U.S. stock exchanges, including the New York Stock Exchange and the NASDAQ Stock Market, typically in the form of American Depositary Receipts (ADRs) or American Depositary Shares (ADSs). Such securities are commonly referred to as “N-Shares.” N-Shares are traded in U.S. dollars and must

meet the listing requirements of the exchange on which they are traded. Depositary receipts may be issued as sponsored or unsponsored programs. In sponsored programs, an issuer makes arrangements to have its securities trade in the form of depositary receipts. In unsponsored programs, the issuer may not be directly involved in the creation of the program. Although regulatory requirements with respect to sponsored and unsponsored programs are generally similar, in some cases it may be easier to obtain financial information from an issuer that has participated in the creation of a sponsored program. Although depositary receipts are alternatives to purchasing the underlying foreign securities on foreign securities exchanges, they continue to be subject to many of the risks associated with investing directly in foreign securities. At this time, the fund intends to invest in N-Shares.

Red Chips. “Red Chip” stocks are shares of issuers that are incorporated in Hong Kong but have controlling Chinese shareholders, often Chinese governmental or quasi-governmental entities. Red Chip stocks are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars. Red Chip issuers must meet the listing and disclosure standards of the Hong Kong Stock Exchange. Such companies generally have a majority of their business operations in mainland China and are frequently organized as a vehicle for indirect listing of Chinese assets on the Hong Kong Stock Exchange. At this time, the fund may consider investments in Red-Chips.

A-Shares and B-Shares. Currently, there are two officially recognized securities exchanges in mainland China, the Shanghai Stock Exchange, which commenced trading on December 19, 1990, and the Shenzhen Stock Exchange, which commenced trading on July 3, 1991. The Shanghai and Shenzhen Stock Exchanges divide listed shares into two classes: A-Shares and B-Shares. Both classes represent an ownership interest comparable to a share of common stock and all shares are entitled to substantially the same rights and benefits associated with ownership. Foreign investors have historically been unable to participate in the A-share market. B-Shares are denominated and traded in foreign currencies (U.S. dollars on the Shanghai Stock Exchange and Hong Kong dollars on the Shenzhen Stock Exchange) and were originally intended to be available only to foreign investors.

Other Chinese Securities. A number of Chinese companies are listed and traded on the Stock Exchange of Singapore. Many of these companies were founded and owned by private entrepreneurs and could not be listed on the Chinese domestic exchanges as priority is given to state owned companies. Several Chinese companies are also listed on the London Stock Exchange in the form of Global Depositary Receipts (GDRs). Consistent with a strategies’ investment objective and policies, the investment manager may consider investments in the shares of Chinese companies listed on the Stock Exchange of Singapore or on the London Stock Exchange or in any other types of securities of Chinese companies that are or become legally available to foreign investors.

Item 9. Disciplinary Information

BaoCap and its investment adviser representatives do not have any disciplinary history, such as criminal or civil actions in courts, administrative proceedings of the SEC or other federal or state regulatory agencies, or proceedings with self-regulatory organizations.

Item 10. Other Financial Industry Activities and Affiliations

A. Registered Broker-Dealers

BaoCap and its management persons are not registered as broker-dealers.

B. Registered Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor

BaoCap and its management persons are not registered as futures commission merchants, commodity pool operators, or commodity trading advisors.

C. Material Relationships with Related Persons, Material Conflicts of Interests from Relationships or Arrangements with Related Persons

BaoCap manages three hedge funds whose general partners are owned by Baochuan Holdings. BaoCap recognizes that there is a potential conflict of interests where account managers could provide more favorable investment opportunities to the hedge funds accounts over managed accounts due to the ownership interest in the hedge funds by Baochuan Holdings. It is BaoCap's objective to avoid such conflict of interests and treat each client account fair and equitably. As described in Item 6, BaoCap has adopted a standard procedure of allocation such that allocations are fair and equitable. In addition, BaoCap's policy does not permit allocations of investment opportunities based on preferential treatment or tradable position sizes retained in each client account.

BaoCap is affiliated with AlphaShares, an SEC-registered investment adviser that formulates securities indices and Exchange Traded Funds ("ETFs"). As described in Item 4.A.1. of Part 2B Brochure Supplement, the account managers of BaoCap are also managers of AlphaShares. The account managers are not obligated to allocate a specified amount of time and effort in managing BaoCap's client accounts, but they will devote such time to the affairs of BaoCap as they, in their sole discretion, determine to be necessary for the conduct of BaoCap's business. AlphaShares, however, does not have any proprietary accounts and will not have client accounts at the time that BaoCap begins to manage assets. Accordingly, BaoCap is not concerned that managers of AlphaShares will unfairly disadvantage BaoCap's client accounts of any investment opportunity.

D. Conflicts of Interests from Arrangement with Other Investment Advisers

BaoCap does not recommend or select other investment advisers for its clients.

Item 11. Code of Ethics,
Participation or Interest in Client Transactions and Personal Trading

A. Description of Code of Ethics (for SEC Registered Investment Adviser)

BaoCap has established a Code of Ethics to establish guidelines and procedures that are designed to identify and prevent its employees who may have knowledge of clients' investments ("Access Persons") from breaching their fiduciary duties to the clients and address other real or potential conflicts of interest. Access Persons are required to certify their compliance with the Code of Ethics on an annual basis. Access Persons are required to retain a copy of Code of Ethics.

BaoCap's Code of Ethics embodies the following general principles:

- Access Persons owe a fiduciary obligation to all clients.
- Access Persons have the duty at all times to place the interests of all clients first and foremost.
- Access Persons must refrain from taking inappropriate advantage of their positions with BaoCap.
- Access Persons must conduct their securities transactions in personal accounts in a manner that avoids conflicts or the appearance of conflicts of interest, or abuses of their position of trust and responsibility.
- Access Persons must avoid actions or activities that allow (or appear to allow) them or their immediate families to benefit from their positions with BaoCap, at the expense of the clients, or that bring into question their independence or judgment.
- Access Persons must comply with all applicable Federal Securities Laws.

In addition, Access Persons are required to receive a written approval from BaoCap's Chief Compliance Officer prior to transacting any securities for their personal accounts or accounts over which they have beneficial ownership. Access Persons must report all their personal transactions to the Chief Compliance Officer periodically. The Chief Compliance Officer considers the following factors prior to approving a proposed personal transaction in securities:

- Whether any client has a pending "buy" or "sell" order in that security or has completed a recent purchase or sale of that security.
- Whether the amount or nature of the personal transaction or the person effecting the transaction is likely to affect the price of or market for the security.
- Whether the personal transaction would create the appearance of impropriety, regardless of whether an actual conflict exists.

Under BaoCap's Code of Ethics, Access Persons are mandated to give priority on all investments to the clients prior to the execution of transactions in their personal accounts (including accounts owned by their immediate family members). Access Persons must also give priority to the clients before transacting securities in accounts for any person that is not a client on which such Access Person exercises control or provides investment advice. Trading for such accounts must be conducted in a manner so that the trading does not conflict with the interests of BaoCap's client.

BaoCap believes that an inherent conflict of interest exists in each of the following situations, each of which is prohibited by its Code of Ethics:

- Contemporaneously purchasing the same securities for a client account and an account of an Access Person without making an equitable allocation of the securities to the client first, on the basis of such considerations as available capital and current positions, and then to the account of the Access Person.
- Knowingly purchasing or selling securities, directly or indirectly, in such a way as to cause an adverse effect on the value of a client's account.
- Using knowledge of securities transactions by a client to profit personally, directly or indirectly, by the market effect of such transactions.
- Giving to any person information that is not generally available to the public about contemplated, proposed or current purchases or sales of securities by or for a client, except to the extent necessary to effectuate such transactions.

Access Persons are required to certify their compliance with the Code of Ethics on an annual basis. BaoCap will provide a copy of its code of ethics upon demand to a client or a prospective client.

All BaoCap personnel are encouraged to report any suspected or actual violations of applicable law or BaoCap's policies and procedures. They may make the report to either their supervisor or the Chief Compliance Officer. Supervisors are required to report any personnel reports to the Chief Compliance Officer. BaoCap, to the extent reasonably possible, will keep confidential the information reported and the source of that information, other than on a need-to-know basis as determined in the sole discretion of the Chief Compliance Officer, or as required by operation of law. Should an employee wish to report a violation or potential violation anonymously to the Chief Compliance Officer or other member of Senior Management, such employee may do so. BaoCap will not take retaliatory actions, directly or indirectly, against any employee who reports a violation of the BaoCap's policies and procedure. Supervisors who wish to reassign, transfer or materially change the duties of an employee who has made such a report shall obtain the written consent of the Chief Compliance Officer prior to taking such actions.

B. Recommending, or Buying or Selling for Client Accounts, Securities in which BaoCap or its Related Persons Have Material Financial Interests

Please see Item 11A. above for BaoCap's policies and procedures addressing the potential conflict of interests in connection with securities in which BaoCap and its personnel may have material financial interests. BaoCap's affiliate registered investment adviser, AlphaShares, does not maintain proprietary accounts and will not have client accounts at the time that BaoCap begins to manage assets. Please see Item 10C. above for BaoCap's policies and procedures addressing the potential conflict of interest relating to Baochuan Holding's ownership interests in the hedge funds managed by BaoCap and allocations of investment opportunities between hedge funds and managed accounts.

C. Investment in the Same Securities (or Related Securities such as Warrants, Options, or Futures) that BaoCap or its Related Persons Recommend to Clients

Please see Item 11A. above for BaoCap's policies and procedures addressing the potential conflict of interests in connection with investing in the same (or related) securities that BaoCap or its Related Persons recommend to clients. BaoCap's affiliate registered investment adviser, AlphaShares, does not maintain proprietary accounts and will not have client accounts at the time that BaoCap begins to manage assets. Please see Item 10C. above for BaoCap's policies and procedures addressing the potential conflict of interest relating to Baochuan Holding's ownership interests in the hedge funds managed by BaoCap and allocations of investment opportunities between hedge funds and managed accounts.

D. Recommending, or Buying or Selling for Client Accounts, Securities at or about the Same Time BaoCap or Its Related Persons Buy or Sell the Same Securities for Their Own Accounts

Please see Item 11A. above for BaoCap's policies and procedures addressing the potential conflict of interests in connection with recommending securities that BaoCap or its Related Persons buy or sell for their own accounts. BaoCap's affiliate registered investment adviser, AlphaShares, does not maintain proprietary accounts. Please see Item 10C. above for BaoCap's policies and procedures addressing the potential conflict of interest relating to BaoChuan Holding's ownership interests in the hedge funds managed by BaoCap and allocations of investment opportunities between hedge funds and managed accounts.

Item 12. Brokerage Practices

A. Criteria for Selecting Broker-Dealers

Generally, BaoCap will select broker-dealers in order to obtain the best execution for client transactions, taking into consideration the following factors:

- The ability to effect prompt and reliable executions at favorable prices (including without limitation, 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-dealer
- The broker-dealer's risk in positioning a block of securities
- The quality, comprehensiveness and frequency of available research services considered to be of value
- The competitiveness of commission rates in comparison with other broker-dealers

BaoCap may also consider the following types of arrangements with broker-dealers.

1. Research and Other Soft Dollar Benefits.

a. BaoCap may enter into soft-dollar arrangements pursuant to which BaoCap will obtain research and brokerage services permitted by Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The research services may include advice and analysis on issuers or securities directly provided by broker-dealers or by a third party research providers, as well as real-time market data. The brokerage services may include reliable and responsive execution services and priority access for trades of interest to BaoCap in managing client assets. Under any soft-dollar arrangements, a portion of client commissions will be used to pay for research and brokerage services and products that are provided directly to BaoCap to assist BaoCap in formulating investment strategies for its clients. Accordingly, obtaining services and products that are not related to providing investment services for clients through the soft-dollar arrangements may constitute a breach of fiduciary duty to clients. In order to avoid any potential breach of duties to clients, BaoCap has elected to use services and products that are within the safe harbor provided by Section 28(e) of Exchange Act. The Chief Compliance Officer will review the list of products and services provided under any soft dollar arrangements to ensure compliance with Section 28(e) of the Exchange Act.

b. In soft-dollar arrangements, a conflicting interest may be present where BaoCap has the incentives to select or recommend a broker-dealer based on its interest in

receiving the research products and not based on the clients' interest in receiving most favorable execution. BaoCap will adhere to its standard criteria for selecting broker-dealers, in order to prevent any such conflict of interest. Pursuant to the standard criteria, BaoCap will select broker-dealers based on the best execution concerns. Please see brokerage selection criteria described above in Item 12A.

c. In connection with any soft dollar arrangements, BaoCap may cause clients to pay more than the lowest available commission rates, which could be deemed to be a violation of their fiduciary duties to their clients, even if such additional rate is justifiable when evaluating the products and services provided to BaoCap. In order to address conflicts of interests that may arise from such arrangements, BaoCap has determined to use soft dollars to pay for research and brokerage services and products within the scope of the Section 28(e) safe harbor. The Chief Compliance Officer shall review the list of products and services paid for with soft dollars to ensure that BaoCap's use of soft dollars complies with Section 28(e) safe harbor.

d. BaoCap will seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

e. This item is not applicable. BaoCap is seeking registration as an investment adviser and did not receive research products through soft-dollar arrangements within the last fiscal year.

f. This item is not applicable. BaoCap is seeking registration as an investment adviser and did not direct client transactions to a particular broker-dealer in return for soft-dollar benefits.

2. Brokerage for Client Referrals.

a. BaoCap does not receive client referrals from broker-dealers or third parties, and does not pay cash compensation to any broker-dealers and third parties for client referrals.

b. This item is not applicable. BaoCap is seeking registration as an investment adviser. Accordingly, BaoCap did not direct any client transactions to a particular broker-dealer in return for client referrals.

3. Directed Brokerage

a. This item is not applicable. BaoCap does not routinely recommend or request that clients direct BaoCap to execute transactions through a specified broker-dealer.

b. This item is not applicable. BaoCap does not allow clients to direct transactions to a specified broker-dealer.

B. Aggregation of Trades

Generally, BaoCap will aggregate trades when it believes that it can effectively obtain best execution for client accounts by aggregating trades. It will aggregate trades for all accounts for which the trades are both suitable and consistent with the respective investment advisory contracts, investment guidelines, and other agreements. BaoCap may not aggregate trades if doing so would conflict with its duty to seek best execution or the terms of the investment advisory contracts and other agreements. In the case of an aggregated order that has not been completely filled, BaoCap will determine an average execution price and then allocate securities among the accounts participating in the order. Client accounts are generally allocated such securities using a rotational allocation algorithm, which BaoCap believes to be reasonably designed to be fair to all such accounts. BaoCap may, however, increase or decrease the amount of securities allocated to one or more accounts if necessary to avoid holding odd-lots or small numbers of shares in a client account.

Item 13. Review of Accounts

A. Periodic Review of Client Accounts or Financial Plans

BaoCap reviews its client accounts not less frequently than on a quarterly basis. More frequent reviews are conducted if there is a change in the buy, sell, and hold lists, portfolio securities values and client objectives, among others. BaoCap's portfolio managers and the Investment Review Committee are responsible for the review.

The Chief Compliance Officer shall, in consultation with its legal counsel, review the allocation of securities among various client accounts at least annually to ensure that no accounts are favored in the allocation process.

B. Additional Review of Client Accounts

BaoCap reviews its client accounts on a regular periodic basis, and also when certain factors trigger a review. Please see Item 13.A. above for details.

C. Reports Provided to Clients

BaoCap arranges its executing broker-dealers to provide clients with trade confirmations or credit/debit advice. Such confirmations or advice are provided promptly after completion of any securities transactions in client accounts. Clients also receive the following electronic reports, either quarterly or monthly:

- all transactions for the quarter or for the month
- current portfolio holdings
- current market environment

Clients may receive more frequent reports and additional reports depending on the needs of the clients as determined by the portfolio manager.

Item 14. Client Referrals and Other Compensation

A. Economic Benefit from Persons Other than a Client

BaoCap does not have any arrangement where a third party provides economic benefit, such as sales awards, prizes, or other form of compensation, for services provided to its clients.

B. Compensation for Client Referrals

As discussed in Item 12.A.2.a., BaoCap does not receive client referrals from broker-dealers or third parties, and does not pay cash compensation to any broker-dealers or third parties for client referrals.

Item 15. Custody

BaoCap is subject to the custody rule under rule 206(4)-2 of Investment Advisers Act of 1940. BaoCap has made an arrangement with a qualified custodian, Interactive Brokers LLC, to send account statements to the clients no less than quarterly. Clients should carefully review these statements and notify BaoCap if the statements do not accurately reflect transactions, credits, and debits in the account.

Item 16. Investment Decision

BaoCap obtains consents from clients authorizing it to manage accounts with full investment discretion. BaoCap accepts new accounts or sub-advisory relationships only when it obtains full investment discretion. Prior to opening a new account or entering into sub-advisory relationships, BaoCap discusses with each client any limitations, restrictions, or prohibitions that client desires to place on the account transactions. BaoCap manages client accounts subject to such limitations, restrictions, or prohibitions.

Item 17. Voting Client Securities

A. Proxy Voting Policies and Procedures

1. Summary of Policies and Procedures

BaoCap's policies require it to act in the best interest of its clients when exercising proxy voting authority. BaoCap analyzes the issues involved with all shareholder votes, evaluate the probable impact on corporate operations, and votes proxies in what it views to be in accordance with the best interests of its clients. BaoCap does not vote every proxy that it receives if refraining from voting is in the client's best interest under the circumstances. For example, such circumstances include when the cost of voting the proxy exceeds the expected benefit to the client, or any legal restrictions on trading would result from the exercise of a proxy. BaoCap refrains from voting when the client has expressly retained voting authority. BaoCap's clients may direct BaoCap to vote in a certain way by contacting the investment managers at the number listed on the cover of this brochure.

The Chief Compliance Officer will be primarily responsible for receiving, processing, and voting proxies for securities held in client accounts. The Company may retain a third-party to coordinate voting of the proxies with respect to client securities. If so, the Chief Compliance Officer shall monitor the third-party to assure that all proxies are being properly voted and appropriate records are being retained. Clients may contact the Chief Compliance Officer during regular business hours, via email or telephone, to obtain information on how BaoCap voted such client's proxies for the past 5 years. Upon request, and where practicable, BaoCap will inform a client of how BaoCap intends to vote. In some cases, because of the controversial nature of a

particular proxy, BaoCap's intended vote may not become known or available until just prior to the date on which the applicable proxy is to be voted. Under such circumstances, BaoCap will use reasonable efforts to communicate this information to the client who requests such information prior to actually voting the proxy. Additionally, if the request involves a conflict due to such client's relationship with the company that has issued the proxy, the Chief Compliance Officer will ensure adherence to the Company's proxy voting procedures. Any employee, officer or director of BaoCap receiving an inquiry directly from a company holding a proxy contest will notify the Chief Compliance Officer.

Clients may request a copy of proxy voting policies and procedures.

2. Conflicts of Interests

Through consultation with legal counsel, the Chief Compliance Officer will identify any material conflicts of interest with respect to proxy voting. Such identification process includes a review of the relationship between BaoCap and the issuer of the securities subject to proxy voting, and any of the issuer's affiliates. The review is conducted to determine whether the issuer is BaoCap's client or has some other relationship with BaoCap, its principals or employees, or any client of BaoCap.

The Chief Compliance Officer shall presume a conflict of interest to exist whenever BaoCap or any of its partner, member, affiliate, subsidiary or employee of BaoCap has a personal or business interest in the outcome of a particular matter before shareholders. A conflict would arise, for example, in the following cases:

- BaoCap has a business, financial, or personal relationship with participants in a proxy contest or candidates for corporate directorships;
- a current client is affiliated with a company soliciting proxies, and has communicated its view to BaoCap on an impending proxy vote;
- BaoCap has identified a personal or business interest either in a company soliciting proxies or in the outcome of a shareholder vote; or
- a third-party with an interest in the outcome of a shareholder vote has attempted to influence BaoCap.

A presumption of a conflict of interest does not necessarily prevent BaoCap from voting proxies related to clients' securities. If the Chief Compliance Officer identifies or suspects conflicting interests between BaoCap and its clients, the Chief Compliance Officer will promptly disclose such conflicts of interest to the affected clients in writing and obtain the clients' prior written consent before exercising any proxy voting authority. If the Chief Compliance Officer is unable to contact a client or otherwise obtain written consent by the time the vote of the proxy is due, then BaoCap shall not vote the proxy. If the Chief Compliance Officer, in consultation with the senior management and the legal counsel, deems that the potential conflicts of interests are immaterial, then BaoCap will vote proxies relating to client securities.

B. No Authority to Vote Client Securities

This item is not applicable. BaoCap has authority to vote proxies relating to client securities; however, BaoCap refrains from voting when the client, on an individual basis, has expressly retained voting authority.

Item 18. Financial Information

A. Prepayment of Fees

BaoCap does not require prepayment of more than \$1,200 in fees per client, six months or more in advance.

B. Material Financial Conditions

BaoCap has a full discretionary investment authority over clients' accounts and may have custody of client funds or securities with respect to hedge fund accounts. At this time, BaoCap does not have any material events that may impair its ability to meet contractual commitments to clients.

C. Bankruptcy

BaoCap is seeking registration as an investment adviser. BaoCap has not been the subject of a bankruptcy petition at any time.

Item 19. Requirements for State-Registered Advisers

This item is not applicable because BaoCap is not a state-registered adviser.

PART 2B. Brochure Supplement

Item 1. Cover Page

This brochure supplement provides information about BaoCap's Supervised Persons who are listed below. You should have received a copy of BaoCap's brochure. Please contact Mark Adams at 925-930-9498 or madams@baocap.com, if you did not receive BaoCap's brochure or if you have any questions about the contents of this supplement.

- Dr. Burton G. Malkiel, Chief Investment Officer
- Kevin T. Carter, Chief Executive Officer and Chief Investment Strategist
- Mark G. Adams, Director of Research and Chief Compliance Officer
- Jonathan J. Masse, Senior Portfolio Manager
- Mark P. Wehrman, Director of Business Development

Additional information about BaoCap's investment adviser representatives is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Educational Background and Business Experience

- Dr. Burton G. Malkiel, Chief Investment Officer
Year of Birth: 1932

Dr. Malkiel is the Chemical Bank Chairman's Professor of Economics at Princeton University and the author of the widely read investment book, "A Random Walk Down Wall Street." He has long held professorships in economics at Princeton where he was also chairman of the Economics Department. He serves on the boards of directors of The Vanguard Group Europe, Genmab A/S and Theravance, Inc. and on the investment committees of Active Investment Advisors and the American Philosophic Society. He is the Chairman of the New Products Committee of the American Stock Exchange, and has served as Chairman of the Investment Committee of Prudential Financial and Chairman of the Pension Fund Committee of Southern New England Telecommunications. He holds B.A. and MBA degrees from Harvard and a Ph.D. degree from Princeton University.

- Kevin T. Carter, Chief Executive Officer and Chief Investment Strategist
Year of Birth: 1969

Prior to founding BaoCap, Mr. Carter was the Founder, Chairman and Chief Executive Officer of Active Index Advisors ("AIA"), an investment management firm specializing in index and ETF based investment strategies. Following AIA's acquisition by IXIS Asset Management in December 2004, Mr. Carter stayed on to manage the index and ETF investment strategies until October 2006. Currently, Mr. Carter is also the Chief Executive Officer of BaoCap's affiliate investment adviser AlphaShares, which conducts ETF and securities index business. Mr. Carter is also a managing member of a hedge fund, Big Tree Capital. Mr. Carter received a BA in Economics from the University of Arizona.

- Mark G. Adams, Director of Research
Year of Birth: 1957

Mr. Adams was a Senior Portfolio Manager for Active Investment Advisors ("Active Investment"), an investment management firm specializing in index and ETF based investment strategies. At Active Investment, Mr. Adams was the portfolio manager of the Active China Strategy and Active Managed ETF Portfolios. Prior to working at AIA, Mr. Adams was Chief Operating Officer of investment consulting firm Barra Rogers Casey. Currently, Mr. Adams is also the Chief Compliance Officer of BaoCap's affiliate investment adviser AlphaShares, which conducts ETF and securities index business. Mr. Adams holds the Chartered Financial Analyst ("CFA")¹ charter. Mr. Adams received a BS in Economics from the University of Pennsylvania.

¹ CFA is a professional designation offered by the CFA Institute to individuals in the financial and investment management fields. In order to earn the CFA designation, the individuals must complete three levels of examinations and have at least 4 years of qualified work experience in the investment management field. The CFA curriculum includes a broad spectrum of topics

- Jonathan J. Masse, Senior Portfolio Manager
Year of Birth: 1971

Mr. Masse served as an Institutional Portfolio Manager and Strategist for Barclays Global Investors where his team managed over \$300 billion of assets. He has managed equity portfolios benchmarked to nearly all emerging markets including over \$8.9 billion in Chinese equities. Prior to joining Barclays Global Investors, Mr. Masse was an active options trader and market maker. His experience includes options trading and market making on the Pacific Stock Exchange, Chicago Board Options Exchange, and Chicago Board of Trade with Stafford Trading, the Timber Hill Group, and Cooper Neff/BNP respectively. Currently, Mr. Masse is also the Senior Portfolio Manager of BaoCap's affiliate investment adviser AlphaShares, which conducts ETF and securities index business. He holds the CFA charter and teaches the "Portfolio Management in a Global Context" class for the San Francisco Analyst Society's CFA Level III Review program. Mr. Masse has an MBA degree from the University of Santa Clara, and received a BS in Finance from Boston College.

- Mark P. Wehrman, Director of Business Development
Year of Birth: 1978

Mr. Wehrman was with Renaissance Institutional Management, LLC, a New York based investment management firm specializing in quantitatively managed hedge funds, working as part of the institutional marketing team. Prior to Renaissance Technologies, Mr. Wehrman was a member of a west coast based fundamental long/short hedge fund firm in San Francisco, focused primarily on small and medium capitalization companies. Mr. Wehrman began his career at Bear Stearns & Company providing equity research coverage and equity capital market offerings to institutional and hedge fund accounts. Currently, Mr. Wehrman is also the Director of Business Development of BaoCap's affiliate investment adviser AlphaShares, which conducts ETF and securities index business. Mr. Wehrman holds a BA from California Polytechnic State University, San Luis Obispo.

relating to investment management including ethics, quantitative methods, economics, corporate finance, security analysis, financial reporting and analysis, and portfolio management.

Item 3. Disciplinary Information

BaoCap's investment adviser representatives do not have any legal or disciplinary events, such as a criminal or civil action at court, an administrative proceeding before the SEC or other federal or state regulatory agencies or foreign financial regulatory authorities, or proceedings before a self-regulatory organization.

Item 4. Other Business Activities

A. Investment-Related Business or Occupation of Supervised Persons

1. Material Conflicts of Interest

BaoCap's Supervised Persons listed above also serve as managers of AlphaShares, an affiliate investment adviser specializing in ETFs and securities indices. The account managers are not obligated to allocate a specified amount of time and effort in managing BaoCap's client accounts, but they will devote such time to the affairs of BaoCap as they, in their sole discretion, determine to be necessary for the conduct of BaoCap's business. AlphaShares, however, does not have any proprietary accounts and will not have any client accounts at the time that BaoCap begins to manage assets. Accordingly, BaoCap is not concerned that managers of AlphaShares will unfairly disadvantage BaoCap's client accounts of any investment opportunity.

Mr. Kevin Carter is a managing member and an investment manager of Big Tree Capital LLC ("BTC"), a state registered investment adviser. While Mr. Carter is not obligated to provide investment opportunities equally to clients of BTC and BaoCap, Mr. Carter is required to comply with his fiduciary duty to BaoCap's clients. More specifically, situations could occur where BaoCap could be disadvantaged because of the investment activities conducted by Mr. Carter for other clients due to, among other things, the limited availability of an opportunity or the market impact of orders for multiple accounts. Additionally, the differing investment programs and projected investment horizons of BaoCap's client accounts and other client accounts managed by Mr. Carter could result in BaoCap's client accounts taking positions in securities that conflict with positions in such securities taken by other clients managed Mr. Carter, including without limitation, variations in timing of transactions in such securities and the simultaneous holding by BaoCap's clients and other clients. Being mindful of such potential conflict of interests, Mr. Carter will follow BaoCap's policy of providing investment opportunities on an equitable basis. When Mr. Carter determines that it would be appropriate for his other clients to participate in an investment opportunity, he will seek to execute orders for all of his participating clients including BaoCap's clients on an equitable basis. If Mr. Carter has determined to make an investment at the same time for more than one of its clients, to the extent possible, he may place combined orders for all such clients simultaneously and if all such orders are not filled at the same price, he may average the prices paid. Similarly, if an order on behalf of more than one client cannot be fully executed under prevailing market conditions, Mr. Carter may allocate the investments traded among the different clients on a basis that he considers equitable.

2. Compensation Based on Sale of Securities or Other Investment Products

This item is not applicable to BaoCap. BaoCap's investment adviser representatives do not receive compensation based on the sale of securities or other investment products.

B. Substantial Outside Business

Each of the supervised persons listed above are engaged in outside business activities, in addition to BaoCap's business, which represent more than 10% of their work hours and income. Such substantial outside business activities for each individual are as follows:

- Dr. Burton G. Malkiel

Dr. Malkiel is a tenured professor of economics at Princeton University and the author of the widely read investment book, "A Random Walk Down Wall Street." Dr. Malkiel serves on the boards of directors of The Vanguard Group Europe, Genmab A/S and Theravance, Inc. and on the investment committees of Active Investment Advisors and the American Philosophic Society. He is the Chairman of the New Products Committee of the American Stock Exchange.

- Kevin T. Carter

Mr. Carter is the Chief Executive Officer of BaoCap's affiliate investment adviser AlphaShares, which conducts ETF and securities index business. Mr. Carter is also a managing member of an affiliate hedge fund, Big Tree Capital.

- Mark G. Adams

Mr. Adams is the Chief Compliance Officer of BaoCap's affiliate investment adviser AlphaShares, which conducts ETF and securities index business.

- Jonathan J. Masse

Mr. Masse is the Senior Portfolio Manager of BaoCap's affiliate investment adviser AlphaShares, which conducts ETF and securities index business. He teaches the "Portfolio Management in a Global Context" class for the San Francisco Analyst Society's CFA Level III Review program.

- Mark P. Wehrman

Mr. Wehrman is the Director of Business Development of BaoCap's affiliate investment adviser AlphaShares, which conducts ETF and securities index business.

Item 5. Additional Compensation

BaoCap's investment adviser representatives do not receive economic benefit from anyone who is not a client for providing advisory services.

Item 6. Supervision

BaoCap's Chief Compliance Officer is Mark Adams. Mr. Adams is responsible for enforcing and monitoring Supervised Persons' compliance with BaoCap's procedures and policies. Mr. Adams can be reached at (925) 930-9498.

The Chief Compliance Officer conducts the following reviews of compliance with BaoCap's policies and procedures:

- review investment records, investor correspondence, advertisements by the Supervised Persons to ensure compliance with BaoCap's written policies and procedures in order to identify violations;
- follow-up on “red flags” indicating potential wrongdoing that have come to the Chief Compliance Officer’s attention;
- conduct interviews with Supervised Persons involved in management, operations, trading and other related activities; and
- review written materials and documentation prepared by Supervised Persons.

Such reviews are conducted not less than annually. The Chief Compliance Officer’s review may encompass aspects not listed above in order for the Chief Compliance Officer to appropriately ascertain the source of any problems identified. The Chief Compliance Officer may conduct interim reviews on an as needed basis in response to any non-compliance events identified in monitoring of Supervised Persons' advisory activities.

The Chief Compliance Officer is also primarily responsible for the establishment, implementation and monitoring of policies on advertising and marketing by Supervised Persons. The Chief Compliance Officer approves all advertising and marketing materials prior to distribution to ensure that they are not false, misleading, inaccurate, incomplete, or not supported by appropriate documentation.

In addition, the Chief Compliance Officer is responsible for administering and enforcing the insider trading policies of the Code of Ethics. The Chief Compliance Officer will use the following procedures to enforce insider trading policies:

- maintain a current list of all Access Persons
- supervise, implement and enforce the terms of the Code of Ethics
- provide each Access Person with a current copy of the Code of Ethics and any amendments thereto, notify each person who becomes an Access Person of the reporting requirements and other obligations under the Code of Ethics at the time such person becomes an Access Person, and require each Access Person to provide a signed Certificate of Compliance for the Code of Ethics and Insider Trading Policy
- maintain a list of all securities which BaoCap recommends, holds, or is purchasing or selling, or intends to recommend purchase or sell on behalf of its clients
- determine whether any particular personal securities transactions should be exempted pursuant to the provisions the Code of Ethics
- maintain files of statements and other information to be reviewed for the purpose of monitoring compliance with the Code of Ethics, which information shall be kept

- confidential by BaoCap, except as required to enforce the Code of Ethics, or to participate in any investigation concerning violations of applicable law
- review all initial and annual securities holdings reports required to be provided by each Access Person pursuant to the Code of Ethics
 - (a) for each new Access Person, to determine if any conflict of interest or other violation of the Code of Ethics results from such person becoming an Access Person
 - (b) for all Access Persons, to determine whether a violation of the Code of Ethics has occurred
 - review on a quarterly basis all securities reported on the quarterly securities transaction reports required to be provided by each Access Person pursuant to the Code of Ethics for such calendar quarter to determine whether a Code of Ethics violation may have occurred
 - review any other statements, records and reports required by the Code of Ethics; and
 - review on a regular basis and update as necessary, the Code of Ethics.

If the Chief Compliance Officer determines that a violation of the insider trading policy or the Code of Ethics has occurred, the Chief Compliance Officer will prepare a record of explanatory material regarding such violation and immediately take remedial or corrective action. The Chief Compliance Officer will monitor his own securities holdings and transactions in accordance with the reporting requirements set forth in BaoCap's policies and procedures.

If the Chief Compliance Officer finds that an Access Person has violated the Code of Ethics, the Chief Compliance Officer will impose upon such Access Person sanctions that the Chief Compliance Officer deems appropriate in view of the facts and circumstances. Sanctions with respect to any Access Person (other than a principal) may include written warning, suspension or termination of employment, a letter of censure and/or restitution of an amount equal to the difference between the price paid or received by the offending Access Person. In addition, the Company reserves the right to require the offending Access Person to reverse, cancel or freeze, at the Access Person's expense, any transaction or position in a specific security if the Chief Compliance Officer believes the transaction or position violates the Code of Ethics and/or the general fiduciary duty to its Clients, or otherwise appears improper.

Item 7. Requirements for State-Registered Advisers

This item is not applicable to BaoCap. BaoCap is not a state-registered adviser.