

## **Item 1 Cover Page**

# **CCM Opportunistic Advisors, LLC**

## **Form ADV Part 2 Brochure**

This Brochure provides information about the qualifications and business practices of CCM Opportunistic Advisors, LLC. If you have any questions about the contents of this brochure, please contact CCM Opportunistic Advisors, LLC at (713) 243-3206. 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.

Additional information about CCM Opportunistic Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for CCM Opportunistic Advisors, LLC is 156112.

CCM Opportunistic Advisors, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

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Brochure prepared on March 25, 2015

The delivery of this Brochure at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above. This Brochure will supersede all other documents containing information about CCM Opportunistic Advisors, LLC.

## **Item 2 Material Changes**

This section of the Brochure will address only those “material changes” that have been incorporated since the last delivery or posting of this document on the SEC’s public disclosure website (IAPD). CCM Opportunistic Advisors, LLC’s (the “Adviser”) most recent update to Part 2 of Form ADV was made on March 31, 2014.

### **Material Changes:**

Item 4 – Page 1: Revision of the current assets under management (“AUM”)

Item 5 – Page 2: Revisions Fees and Compensation regarding Direct Investments

Item 8 – Pages 6: Revisions to Methods of Analysis regarding Direct Investments

Item 11 – Pages 16 through 18: Revision to the Code of Ethics

Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. The Advisor will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Mr. Sean Nimmo, the Adviser’s Chief Compliance Officer, at (713) 243-3206 or [smn@ccmgrp.com](mailto:smn@ccmgrp.com).

Additional information about CCM Opportunistic Advisors, LLC is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with the Advisor who are registered, or are required to be registered, as investment adviser representatives of the Adviser.

### Item 3 Table of Contents

Item 1 Cover Page .....	i
Item 2 Material Changes .....	ii
Item 3 Table of Contents .....	iii
Item 4 Advisory Business .....	1
Item 5 Fees and Compensation .....	2
Item 6 Performance-Based Fees and Side-By-Side Management .....	4
Item 7 Types of Clients .....	4
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9 Disciplinary Information .....	13
Item 10 Other Financial Industry Activities and Affiliations .....	14
Item 11 Code of Ethics .....	15
Item 12 Brokerage Practices .....	18
Item 13 Review of Accounts .....	20
Item 14 Client Referrals and Other Compensation .....	20
Item 15 Custody .....	20
Item 16 Investment Discretion .....	21
Item 17 Voting Client Securities .....	21
Item 18 Financial Information .....	21
Item 19 Requirements for State Registered Adviser's .....	21

## Item 4 Advisory Business

- A. The Adviser is a Texas limited liability company and has its principal place of business in Houston, Texas. The Adviser provides investment advisory services to private funds for sophisticated, qualified investors, including high net worth individuals, pension plans, funds of funds, family offices, endowments and other institutions (the “Funds” or the “Clients”).<sup>1</sup>

The Adviser was formed in 2010. The Advisor is owned by Alfred John Knapp, Jr., as managing member, Mr. Knapp’s family trust, certain employees of the Advisor, and CCM Strategic Partners, LLC.

- B. The Adviser seeks to achieve a rate of return (net of fees and expenses), primarily through capital gains, that exceeds the rate of return generated by conventional investments in the public equity markets primarily through the use of a “multi-manager” investment approach. The Adviser intends to achieve this objective allocating a majority of a Fund’s capital among various third-party portfolio managers (“Investment Advisers”). The Adviser also intends to invest a portion of Fund capital directly in public and privately traded domestic and foreign stocks, bonds, and other securities or assets, including derivative instruments, U.S. treasuries and cash or cash equivalents (the “Direct Investments”).
- C. While each of its Funds will follow the general strategy stated above, the Adviser may tailor the specific advisory services with respect to each Fund based on the particular investment objectives and strategies described in the applicable Fund’s confidential offering memorandum and governing documents (referred to collectively as “Offering Documents”).

**All discussion of the Funds in this Brochure, including but not limited to their investments, the strategies used in managing the Funds, and conflicts of interest faced by the Adviser in connection with the management of the Funds are qualified in their entirety by reference to each Fund’s respective Offering Documents.**

- D. The Adviser does not participate in wrap fee programs.
- E. As of December 31, 2014, the Adviser managed \$31,294,528 in discretionary assets. The Adviser does not currently manage assets on a non-discretionary basis.

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<sup>1</sup> As an SEC-registered investment adviser, the Adviser owes a fiduciary duty to all of its clients. In 2006, the decision by the Court of Appeals for the D.C. Circuit in *Goldstein v. SEC*, 451 F.3d 873 (D.C. Cir. June 23, 2006), with respect to private funds, clarified that the “client” of an investment adviser to a private fund is the fund itself and not an investor in the fund.

## Item 5 Fees and Compensation

- A. Below is a discussion of how the Adviser is compensated in connection with providing advisory services to the current Fund it advises. The Adviser may enter into different fee arrangements on a Fund by Fund basis.

**Sub-Advisory Arrangements.** The Adviser and the Fund's general partner (the "General Partner"), which is an affiliate of the Adviser, intend to be compensated for their services to the Fund by negotiating lower management fees and performance compensation for the Fund when entering into Sub-Advisory Arrangements (as such term is defined in Item 8 below) and charging a management fee and performance allocation at the Fund level relating to each Sub-Advisory Arrangement up to a maximum amount of either (i) the difference between the Investment Adviser's standard compensation terms and the negotiated fees/allocation to be paid by the Fund, or (ii) the difference between a two percent (2%) management fee on net assets and twenty percent (20%) net profit incentive compensation and the negotiated fees/allocation to be paid by the Fund (the foregoing compensation arrangements, collectively, "Investment Compensation Arrangements").

With respect to any Investment Adviser, "Standard Compensation Terms" means the terms that such Investment Adviser offers to third party investors in a commingled investment vehicle or standardized separate account platform for the same or substantially similar investment strategy as that being considered by the Fund. An Investment Adviser's Standard Compensation Terms may exceed a two percent (2%) management fee on net assets and a twenty percent (20%) net profit incentive fee/allocation.

Any performance allocation taken at the Fund level with respect to an Investment Compensation Arrangement will only be taken if the applicable Investment Adviser is entitled to a performance allocation/fee in respect of that Sub-Advisory Arrangement. The performance allocations in respect of Investment Compensation Arrangements will be calculated and taken on an Investment Adviser by Investment Adviser basis and will not be aggregated with or offset by one another; furthermore, these performance allocations will be debited against the capital account of each limited partner of the Fund (each, a "Limited Partner") and simultaneously credited to the capital account of the General Partner as of the end of each fiscal year (or such other times as incentive compensation may be due to an Investment Adviser) and will not offset the performance allocations made to the General Partner with respect to Direct Investments.

The General Partner and the Adviser will be entitled to Investment Compensation Arrangements regardless of (i) the aggregate performance of all Sub-Advisory Arrangements; (ii) the overall performance of the Fund; or (iii) whether or not the General Partner is entitled to a performance allocation with respect to Direct Investments.

**Direct Investments.** The Adviser will not receive any management or performance fees with respect to the Direct Investments.

**Organizational Expenses.** The Fund bears the expenses of the organization of the Fund and the offering of Fund interests (including legal and accounting fees, printing costs, travel, "blue sky" filing fees and expenses and out-of-pocket expenses) as well as costs associated with the organization of the General Partner and the Adviser incurred prior to the commencement of the Fund's operations. The organizational expenses borne by the Fund are described in more detail in the Fund's Offering Documents.

**Direct Expenses of the Fund.** The Fund bears all costs and expenses related to its investment program, including the compensation of Investment Advisers, other costs associated with specific investment transactions effected, or positions held, for the Fund's account, including all fees and costs of, and incidental to, entering into the Sub-Advisory Arrangements (which may include the purchase and sale of interests in Investment Vehicles (as such term is defined in Item 8 below)). Operating expenses of the Fund may also include costs relating to conducting due diligence on the Investment Advisers and, to the extent applicable, on prospective Investment Vehicles; all trading related expenses with respect to Direct Investments; investment-related research; expenses related to proxies, underwriting and private placements; brokerage commissions; interest on debt balances or borrowings; custody fees; and any withholding or transfer taxes imposed on the Fund.

The Fund also bears all out-of-pocket costs of the operation and administration of the Fund. Such expenses include financing, compliance, operations, accounting, tax, audit and legal expenses, fees paid to the Fund's administrator, costs of any litigation or investigation involving the Fund's activities, costs associated with reporting and providing information to existing and prospective Limited Partners and insurance (including a reasonably allocated portion of the premiums for any directors' and officers' or errors and omissions coverage purchased by the General Partner or the Adviser and that would offset some portion of the Fund's indemnity obligations). The direct expenses borne by the Fund are described in more detail in the Fund's Offering Documents.

#### **Miscellaneous**

The Adviser, at its own discretion, may grant waivers of the management fees and performance allocation to principals and employees of the Adviser and its affiliates, as well as their related family members.

The Adviser may agree with certain investors to a variation of the terms set forth in the Fund's Offering Documents, including different management fees and performance allocations.

**Investors should be aware and understand that the Adviser's primary investment strategy creates a significant conflict of interest for the Fund and the Adviser.** The investment strategy of the Fund is to invest with Investment Advisers that the Adviser believes offer attractive investment opportunities. However, the Adviser will typically only cause the Fund to invest with Investment Advisers if the Adviser is able to successfully structure the desired compensation arrangements. This creates a conflict of interest because the Adviser will have incentive to invest only with those Investment Advisers that are willing to enter into such arrangements, which necessarily excludes investment opportunities with managers that are not willing to do so, even if these later investment opportunities are attractive. While the Adviser will attempt to negotiate more favorable terms for the Fund as compared to other investors or clients of an Investment Adviser, this may also require the Fund to agree to certain terms that may be less favorable (for example, the Fund may get more favorable fees, but agree to a longer lock-up period). The Adviser will negotiate these terms in good faith, but will take into consideration not only the interests of the Fund, but also the related compensation arrangements of the General Partner and the Adviser. There is no guarantee that the Adviser will be able to agree to more favorable terms with Investment Advisers and may enter into Sub-Advisory Arrangements on standard terms if the Adviser so determines.

Lower fees for comparable services may be available from other sources.

- B. Management fees and performance allocations are paid / allocated as indicated in Item 5.A. above.

### **Item 5 Fees and Compensation (continued)**

- C. The Fund will incur brokerage and other transaction costs. Item 12 of this brochure discusses how the Adviser selects brokers and determines the reasonableness of their compensation. The direct expenses borne by the Fund are described in more full detail in the Fund's Offering Documents
- D. Management fees paid under the Investment Compensation Arrangements are payable quarterly in advance. Since investors are not permitted to withdraw their investment in the Fund more frequently than annually, refunds of management fees are not available to Fund investors.
- E. Other than as described above, neither the Adviser nor any of its supervised persons receives any compensation from the sale of securities or other investment products.

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

As stated in Item 5 above, an affiliate of the Adviser receives a performance allocation from the current Fund. These payments are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3, which requires that performance-based fees only be charged to "qualified clients" (as such term is defined in Rule 205-3).

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Such fee arrangements may also create an incentive to favor higher fee paying clients over other clients in the allocation of investment opportunities. To address these conflicts of interest, the Adviser has implemented policies and procedures to ensure that all of its advisory clients receive equitable and fair treatment over time with respect to the allocation of investment opportunities.

### **Item 7 Types of Clients**

As mentioned in Item 4, the Adviser provides investment advisory services to private funds for sophisticated, qualified investors, including high net worth individuals, pension plans, funds of funds, family offices, endowments, and other institutions.

The minimum investment in the current Fund is \$1,000,000, although the Adviser may accept investments in a lesser amount at its sole discretion.

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

### A. Investment Objective

The Adviser's investment objective is to achieve a rate of return (net of fees and expenses), primarily through capital gains, that exceeds the rate of return generated by conventional investments in the public equity markets primarily through the use of a "multi-manager" investment approach. To achieve this objective, the Adviser intends to allocate the majority of the Fund's investment assets to Investment Advisers. The Adviser will have the right to remove and replace the Investment Advisers or any successor Investment Adviser at any time in its discretion.

### Investment Overview

#### Investments with Investment Advisers

The Adviser will pursue its objective by allocating a majority of the Fund's capital among various Investment Advisers. The Adviser intends to structure the majority of such arrangements as sub-advisory relationships, with each Investment Adviser managing a portion of the Fund's portfolio directly through an account established at the Fund's prime broker (each such arrangement, a "Managed Account Relationship"). The Adviser will seek to establish Managed Account Relationships to allow the Fund to benefit from complete transparency over the assets and improved liquidity over the account being managed. To the extent the Adviser is not able to negotiate a Managed Account Relationship with a particular Investment Adviser, the Adviser may cause the Fund to invest in a single-investor fund, co-mingled private investment partnership, or other investment structure managed by the Investment Adviser (each, an "Investment Vehicle" and, together with the Managed Account Relationships, the "Sub-Advisory Arrangements").

The Adviser seeks to identify independent "niche" Investment Advisers with whom the Fund will invest, either through Managed Account Relationships or through Investment Vehicles. The Adviser will seek maximum transparency to understand overall market exposure, and therefore generally prefers to structure the Fund's investments as separately managed accounts or single-investor funds. The Adviser intends to allocate to a variety of Investment Advisers, including those that are considered emerging managers, which generally have less than \$1 billion in assets under management. Initially, the focus will generally be on Investment Advisers who invest in small and mid-cap companies, both in the US and in other markets, including developing markets.

The selection process of the Investment Advisers is key to the Fund's success. The first criteria evaluated by the Adviser are the character and integrity of the Investment Adviser and its personnel. Other criteria are the experience, discipline, performance and style of the Investment Adviser. The Adviser will seek to avoid those Investment Advisers that do not offer an acceptable level of transparency. As noted above, the Adviser prefers to structure the Fund's investments through separate accounts or single-investor funds managed by these emerging managers, as compared to co-mingled investment vehicles. While the Investment Advisers will each have their own style and discipline, the Adviser places an emphasis on the concentration of each individual portfolio. The Fund will only invest in Investment Vehicles that provide an annual audit by a nationally or internationally recognized auditing firm.

In addition to selecting the Investment Advisers, the Adviser will periodically rebalance the Fund's portfolio of Sub-Advisory Arrangements taking care to reduce exposure in those styles that the Adviser believes have outperformed over a period of time, and adding exposure to those sectors which have



## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (continued)**

underperformed. While the Adviser seeks to reduce risk and increase returns, it may fail to do so. However, the Adviser does not intend to allocate more than twenty percent (20%) of the Fund's assets (measured at the time of investment) to any one Investment Adviser.

The Adviser intends to implement a value-oriented investment strategy that relies on detailed, security-specific fundamental research. Critical to this investment strategy is the identification of a meaningful expectations gap that exists between the market price of a security and what the Adviser's research indicates is the likely or probabilistic outcome over the investment time horizon.

### **Direct Investments**

The Adviser may also direct a portion of the Fund's assets in Direct Investments that the Adviser believes are undervalued or otherwise present an attractive investment opportunity. The Fund's Direct Investments may be made in order to increase the net asset value of the Fund or to hedge against investments made with the Investment Advisers.

The Adviser has no particular preference in choosing from the investment categories for Direct Investments. In addition, the Adviser does not have a particular percentage breakdown of asset types it is aiming for the Direct Investments portfolio.

The Adviser will continuously search for investment opportunities among those believed to have the highest after-tax returns measured by risk and reward, while always limiting the Fund to investment alternatives understood by the Adviser. The Adviser may concentrate the Fund's assets investment in Direct Investments in relatively few securities, but the Adviser does not limit its investment objective to a thesis of pure concentration.

In general, the Adviser seeks to identify, through in-depth research and analysis, investment opportunities that are undervalued in the market or otherwise present an attractive investment opportunity. The Adviser relies primarily on fundamental analysis to identify investment opportunities using a bottom-up approach.

The Adviser believes that in certain situations, leverage, derivatives and other forms of hedging are necessary for the success of the Fund's investments in Direct Investments and Sub-Advisory Arrangements. However, the Adviser will attempt to mitigate risk through strong research and thorough analysis.

The investment objectives and methods summarized above represent the Adviser's current intentions. Depending on conditions and trends in the securities markets and the economy in general, the Adviser may pursue any objectives, employ any investment techniques or purchase any type of security that it considers appropriate and in the best interests of the Funds. The foregoing discussion includes and is based upon numerous assumptions and opinions of the Adviser concerning world financial markets and other matters, the accuracy of which cannot be assured. There can be no assurance that the Adviser's investment strategy will achieve profitable results.

- B. The Adviser's investment strategy involves a high degree of business and financial risk that can result in substantial losses and is suitable only for investors prepared to bear such risk. The risks factors below are not intended to be exhaustive. Prospective investors should carefully review the risks described in the applicable Fund's Offering Documents:

*Market Risks.* The achievement of the Adviser's investment objectives is not assured and will depend upon factors beyond the control of the Adviser and the Investment Advisers with which the Fund is invested, which factors are unpredictable at this time and can materially and adversely affect the success of the Fund. Such factors include, but are not limited to, general economic conditions at the international, national, state and local level, inflation, an increase or decrease in interest rates, the federal budget deficit or trade deficits, a change in the political environment or applicable laws or regulations, a change in the general perceptions or psychology of investors, natural disasters and international conflicts. These factors, and other factors not listed, can cause the rise and fall of common stock prices of particular issuers or throughout entire financial markets. Some market conditions may favor growth stocks or stocks of small companies, while other conditions may favor value stocks or stocks of larger companies.

*Risks of Securities Activities.* All securities investing and trading activities risk the loss of capital. Although the Adviser will attempt to moderate these risks, no assurance can be given that the Fund's investment activities will be successful. Despite a strict due diligence procedure used to select and monitor the individual Investment Advisers with which the assets of the Fund are invested, there can be no assurance that the past performance information will be indicative of how such Investment Advisers will perform (either in terms of profitability or correlation) in the future. Upon a withdrawal of interests or the liquidation of the Fund, investors may receive less than the amount invested. To the extent that a portfolio of the Fund is concentrated in securities of a single issuer or issuers in a single industry, the risk of any investment decision made by the Investment Adviser of such portfolio is increased.

*Dependence on Management and Investment Advisers.* The success of the Fund is dependent upon the ability of the Adviser, who has the exclusive right to manage the business of the Fund. The success of the Fund also depends upon the abilities of the Investment Advisers. Pursuant to the agreements entered into with each Investment Adviser, such Investment Adviser will have full and complete discretion and authority to invest and reinvest a portion of the Fund's assets. While each Investment Adviser has substantial experience in managing portfolios of securities of the types in which the Fund intends to invest, there is no assurance that its future performance will be as successful as its past performance. In addition, the performance of each Investment Adviser will be dependent on certain key personnel of such Investment Adviser. If some or all of such personnel resign from such Investment Adviser, or otherwise become unavailable to manage the Fund's investments, such Investment Adviser's performance could be adversely affected.

*Industry Competition.* The securities industry and the varied strategies and techniques to be employed by the Adviser are extremely competitive and each involves a degree of risk. The Adviser will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

*Investment Authority.* Substantially all decisions with respect to the management of the Funds are made by the Adviser. A Fund's investors have no right or power to take part in the management of the Fund. In the event of the withdrawal or bankruptcy of the Adviser, generally the Funds will be liquidated.

*Control over Investment Advisers.* The Adviser will invest with Investment Advisers that the Adviser believes will generally, and in the aggregate, manage consistent with the Fund's investment objective and strategy. The Adviser does not control the Investment Advisers, however, and there

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

can be no assurances that an Investment Adviser will manage the Fund's assets in a manner consistent with the Fund's investment objective and strategy.

*Diversification.* Because the Fund's portfolio will not necessarily be widely diversified, the investment portfolio of the Fund may be subject to more rapid changes in value than would be the case if the Fund were required to maintain a wide diversification among Investment Advisers.

*Valuations.* From time to time, certain situations affecting the valuation of a Fund's investments (such as limited liquidity, unavailability or unreliability of third-party pricing information and acts or omissions of service providers to the Fund) could have an impact on the net asset value of the Fund, particularly if prior judgments as to the appropriate valuation of an investment should later prove to be incorrect after a net asset value-related calculation or transaction is completed. The Adviser is not required to make retroactive adjustments to prior subscription or withdrawal transactions or Management Fees or Performance Allocations based on subsequent valuation data.

*Withdrawal Restrictions.* There are severe restrictions on withdrawals from the Funds (which may be settled in securities rather than cash) and on transfers of Fund interests. The prior written consent of a Fund's General Partner, an affiliate of the Adviser, is required for a transfer of an interest in the Fund. Because of the restrictions on withdrawals and transfers, an investment in a Fund is a relatively illiquid investment and involves a high degree of risk. A subscription for Fund interests should be considered only by persons financially able to maintain their investment and who can accept a loss of all of their investment.

*Leverage.* Subject to applicable margin and other limitations, the Adviser may cause a Fund to borrow funds in order to make additional investments and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the Fund's portfolio would be amplified. Interest on borrowings will be a portfolio expense of the Fund and will affect the operating results of the Fund. Also, the Fund could potentially create leverage via the use of instruments such as options and other derivative instruments. Illiquidity. The investments made by the Adviser on behalf of the Funds may be illiquid, and consequently the Adviser may not be able to sell such investments at prices that reflect the Adviser's assessment of their value or the amount paid for such investments. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by the Adviser and other factors. Furthermore, the nature of the investments made by the Adviser on behalf of the Funds, especially those in financially distressed companies, may require a long holding period prior to profitability.

*Non-Public Information.* From time to time, the Adviser may come into possession of non-public information concerning specific companies. Under applicable securities laws, this may limit the Adviser's flexibility to buy or sell portfolio securities issued by such companies. The Funds' investment flexibility may be constrained as a consequence of the Adviser's inability to use such information for investment purposes.

*Short Sales.* The Adviser may enter a Fund into transactions, known as "short sales," in which the Fund sells a security it does not own in anticipation of a market decline in the market value of the security. Short sales by a Fund that are not made "against the box" theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. The Adviser

may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, the Adviser might have difficulty purchasing securities to meet its short sale delivery obligations, and might 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.

*Turnover.* The Adviser may invest on the basis of short-term market considerations. The portfolio turnover rate of these investments may be significant, potentially involving substantial brokerage commissions and fees. Neither the Adviser nor the Principals will receive a portion of such commissions and fees.

- C. Investments by a Fund in the securities and financial instruments utilized by the Adviser involve a high degree of business and financial risk that can result in substantial losses and is suitable only for investors prepared to bear such risk. The risks factors below are not intended to be exhaustive. Prospective investors should carefully review the risks described in the applicable Client's Offering Documents.

*Sub-Advisory Arrangements.* Although the Adviser will receive information from each Investment Adviser regarding its investment performance and investment strategy, the Adviser may have little or no means of independently verifying this information. An Investment Adviser may use proprietary investment strategies that are not fully disclosed to the Adviser, which may involve risks under some market conditions that are not anticipated by the Adviser. The performance of the Fund largely depends on the success of the Adviser in selecting Investment Advisers for investment by the Fund and the allocation and reallocation of Fund assets among those Investment Advisers. Past results of Investment Advisers selected by the Adviser are not necessarily indicative of future performance. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

*Unspecified Investments.* The Adviser intends to primarily invest Fund assets with Investment Advisers which pursue a speculative investment policy. Investments with these Investment Advisers generally fall in the category commonly known as "hedge funds" or "alternative investments." Some investments may also be made with Investment Advisers whose investment strategies involve trading in commodities futures and options, currencies and currency contracts or financial instruments. Thus, such Investment Advisers employ specific investment and trading techniques such as investments in options, use of futures or short sales of securities. The Adviser will seek to achieve risk diversification by selecting Investment Advisers with different investment styles or that invest in different areas. Nonetheless, there are only very limited constraints on the investment strategies and techniques that can be employed by the Investment Advisers. Furthermore, each Investment Adviser with which the Fund invests has its own investment policy as set forth in a prospectus, confidential offering memorandum or investment management agreement for the account or Investment Vehicle managed by that Investment Adviser.

*Forward Contracts.* The Adviser may enter a Fund into forward contracts for the trading of certain investments, such as currencies and precious metals, with U.S. and foreign banks and currency and precious metals dealers and counterparties. A forward contract is a contractual obligation to buy or sell a specified quantity of a commodity at or before a specified date in the future at a specified price and, therefore, is similar to a futures contract. Banks and dealers act as principals in such markets. None of the SEC, the Commodity Futures Trading Commission, or banking authorities regulate trading in forward contracts on currencies, and foreign banks are not regulated by any U.S.

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

governmental agency. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and that at which they are prepared to sell. A Fund will absorb the “bid-ask” spread incorporated into the price of forward contracts.

*Smaller Capitalization Issuers.* The Fund may invest in smaller capitalization companies. Investments in smaller capitalization companies often involve significantly greater risks than the securities of larger, better-known companies because they may lack the management expertise, financial resources, product diversification and competitive strengths of larger companies. The prices of the securities of smaller companies may be subject to more abrupt or erratic market movements than larger, more established companies, as these securities typically are traded in lower volume and the issuers typically are more subject to changes in earnings and prospects. In addition, when selling large positions in small capitalization securities, the seller may have to sell holdings at discounts from quoted prices or may have to make a series of small sales over a period of time.

*Distressed Securities.* Certain of the companies in whose securities the Adviser may invest Fund assets may be in transition, out of favor, financially leveraged or troubled, or potentially troubled, and may be or have recently been involved in major strategic actions, restructurings, bankruptcy, reorganization or liquidation. These characteristics of these companies can cause their securities to be particularly risky, although they also may offer the potential for high returns. These companies’ securities may be considered speculative, and the ability of the companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within the companies. The Fund’s investment in any instrument may not be subject to any minimum credit standard and a significant portion of the obligations and preferred stock in which the Fund may invest may be less than investment grade, which may result in the Fund experiencing greater risks than it would if investing in higher rated instruments.

*Investments in PIPEs.* The Adviser may invest the Fund in PIPE transactions. A PIPE transaction is a private placement of either newly issued shares of common stock (or debt or equity securities convertible into shares of common stock) or shares of common stock held by selling stockholders (or a combination of primary and secondary shares) of an already-public company that is made to accredited investors usually through a placement agent. Investors in a “traditional” PIPE transaction commit to purchase a specified number of shares at a fixed price, with the closing conditioned upon, among other things, the SEC’s preparedness to declare effective a resale registration statement covering the resale from time to time of the shares sold in the private placement. Investors in a “non-traditional” PIPE transaction commit to purchase a specified number of shares at a fixed price, with the closing conditioned upon, among other things, the issuer’s preparedness to file with the SEC within a specified period of time a resale registration statement covering the resale from time to time of the shares sold in the private placement. In such a transaction, the shares purchased by the investor are restricted, or unable to be sold or transferred from anywhere from six months to a year, depending on whether the investor is affiliated with the issuer and whether or not the issuer complies with current public information requirements. The Fund may invest in non-traditional PIPE transactions. While it is standard in a PIPE transaction to obtain registration rights, under certain

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

circumstances the Fund may enter into a PIPE transaction in which it will not receive registration rights in connection with their investment. These factors may affect the ability of the Adviser to liquidate the Fund's positions in PIPEs.

*Repurchase and Reverse Repurchase Agreements.* Repurchase and reverse repurchase agreements involve a sale or purchase of a security by the Fund to or from a bank or securities dealer and the Fund's simultaneous agreement to repurchase or sell the security for a fixed price (reflecting a market rate of interest) on a specific date. These transactions involve a risk that the other party to a repurchase or reverse repurchase agreement will be unable or unwilling to complete the transaction as scheduled, which may result in losses to the Fund. Repurchase and reverse repurchase transactions are a form of leverage that may also increase the volatility of the Fund's investment portfolio.

*Purchasing Initial Public Offerings.* The Fund may purchase securities of companies in initial public offerings or shortly after those offerings are complete. Special risks associated with these securities may include a limited number of shares available for trading, lack of a trading history, lack of investor knowledge of the issuer, and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for the Fund to buy or sell significant amounts of shares without an unfavorable effect on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or near-term prospects of achieving revenues or operating income.

*Derivatives.* Derivative instruments, or "derivatives," include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are "leveraged," and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Fund to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to counterparty risk. The counterparty risk lies with each party with whom the Fund contracts for the purpose of making derivative investments (the "Counterparty"). In the event of the Counterparty's default, the Fund will only rank as an unsecured creditor and risks the loss of all or a portion of the amounts it is contractually entitled to receive.

*Foreign Securities.* Investments in foreign securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the books of the Funds are maintained) and the various foreign currencies in which the Funds' portfolio securities will

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

be denominated and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements and less government supervision and regulation; (iii) political, social or economic instability; (iv) imposition of foreign income, withholding or other taxes; and (v) the extension of credit, especially in the case of sovereign debt.

*Foreign Currency Transactions.* The Adviser may engage in foreign currency transactions for a variety of purposes, including to “lock in” the U.S. dollar value, between trade and settlement date, of a security the Fund has agreed to buy or sell, or to hedge the U.S. dollar value of securities the Fund already owns. The Adviser may also engage in foreign currency transactions for non-hedging purposes to generate returns.

Foreign currency transactions may involve, for example, the purchase of foreign currencies for U.S. dollars or the maintenance of short positions in foreign currencies. Foreign currency transactions may involve the Fund agreeing to exchange an amount of a currency it does not currently own for another currency at a future date. The Fund would typically engage in such a transaction in anticipation of a decline in the value of the currency it sells relative to the currency that the Fund has contracted to receive in the exchange. The Adviser's or an Investment Adviser's success in these transactions will depend principally on its ability to predict accurately the future exchange rates between foreign currencies and the U.S. dollar.

*Emerging Markets.* Investing in emerging markets or lesser-developed countries involves additional risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (i) increased risk of nationalization or expropriation of assets or confiscatory taxation; (ii) greater social, economic and political uncertainty including war; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater volatility, less liquidity and smaller capitalization of securities markets; (v) greater volatility in currency exchange rates; (vi) greater risk of inflation; (vii) greater controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars; (viii) increased likelihood of governmental involvement in and control over the economies; (ix) governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (xi) less extensive regulation of the securities markets; (xii) longer settlement periods for securities transactions and less reliable clearance and custody arrangements; (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (xiv) certain considerations regarding the maintenance of the Fund's securities and cash with non-U.S. brokers and securities depositories.

*Options.* Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold)



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

uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value.

*Futures.* Engaging in transactions in futures contracts involves risk of loss to the Fund that could adversely affect the value of the Fund's net assets. No assurance can be given that a liquid market will exist for any particular futures contract at any particular time. Many futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit or trading may be suspended for specified periods during the trading day. Futures contract prices could move to the limit for several consecutive trading days with little or no trading, preventing prompt liquidation of futures positions and potentially subjecting the Fund to substantial losses. Successful use of futures also is subject to the Adviser's or an Investment Adviser's ability to predict correctly movements in the direction of the relevant market, and, to the extent the transaction is entered into for hedging purposes, to determine the appropriate correlation between the transaction being hedged and the price movements of the futures contract.

**Investing in securities involves risk of loss that prospective investors should be prepared to bear. There can be no assurance that a Fund's objective will be achieved or that the investment strategies the Adviser employs will be successful. Investors must be prepared to lose all or substantially all of their investment. The past performance of the Adviser is not indicative of its future performance.**

**For a more complete description of the risks associated with investing with the Adviser, investors should refer to the relevant Offering Documents for each Fund.**

## Item 9 Disciplinary Information

This Item requests information relating to legal and disciplinary events in which the Advisor or any supervised persons have been involved that are material to Client's or prospective Client's evaluations of the Advisor's advisory business or management. There is no reportable material legal or disciplinary events related to the Advisor or any of its supervised persons. In the ordinary course of the Advisor's business, the Advisor, its affiliates and employees have not in the past been subject to any formal or informal regulatory inquiries, subpoenas, investigations, legal or regulatory proceedings involving the SEC, or any other regulatory authorities, including private parties and self-regulatory organizations (SRO).

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Adviser or the integrity of Adviser's management.

There are no legal or disciplinary events that are material to an evaluation of the Adviser's advisory services or the integrity of management.



## Item 10 Other Financial Industry Activities and Affiliations

- A. The Adviser is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, three employees of the Adviser, A. John Knapp, Jr., Sean M. Nimmo and J. Abbott Sprague, are registered representatives of Mid-Continent Securities Advisors, Ltd., a registered broker-dealer.
- B. Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.
- C. As noted in Item 5, the General Partner of the Fund is an affiliate of the Adviser. Since the General Partner is entitled to receive the Performance Allocation from the Fund, this may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case if such arrangement was not in effect. However, as noted in Item 11, the Adviser has adopted a written Code of Ethics that contains policies and procedures to address conflicts of interest. Under such policies and procedures, the Adviser is required to make investment decisions for the Fund in a manner that is consistent with its fiduciary duties to the Fund.

Additionally, the Adviser is affiliated with another SEC-registered investment adviser, Chilton Capital Management, LLC ("Chilton"). Chilton provides investment advisory services to separately managed accounts. This affiliation may cause a conflict of interest to the extent that an investment opportunity is appropriate for both the separately managed account strategies and the Fund due to the incentive to allocate attractive opportunities to the Fund which pays performance fees. This conflict only exists with respect to the Fund's Direct Investments as the Investment Advisers are not aware of investment opportunities being considered for the separately managed accounts.

The Adviser does not have any other relationships or arrangements with any related person listed in the instructions to Item 10.C. that are material to its advisory business or to the Funds.

- D. As noted in Item 5, the Adviser's investment strategy for the Fund is to invest with Investment Advisers that the Adviser believes offer attractive investment opportunities. However, the Adviser will typically only cause the Fund to invest with Investment Advisers if the Adviser is able to successfully structure the desired compensation arrangements. This creates a conflict of interest because the Adviser will have incentive to invest only with those Investment Advisers that are willing to enter into such arrangements, which necessarily excludes investment opportunities with managers that are not willing to do so, even if these later investment opportunities are attractive. While the Adviser will attempt to negotiate more favorable terms for the Fund as compared to other investors or clients of an Investment Adviser, this may also require the Fund to agree to certain terms that may be less favorable. The Adviser will negotiate these terms in good faith, but will take into consideration not only the interests of the Fund, but also the related compensation arrangements of the General Partner and the Adviser. There is no guarantee that the Adviser will be able to agree to more favorable terms with Investment Advisers and may enter into Sub-Advisory Arrangements on standard terms if the Adviser so determines.

## Item 11 Code of Ethics

A copy of the Advisor's Code of Ethics is available upon request to Clients or prospective clients.

The Adviser has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act. The Code of Ethics is based upon the premise that all personnel of the Advisor have a fiduciary responsibility to render professional, continuous and unbiased investment advisory services. The Code of Ethics requires all personnel to: (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put Client interests ahead of those of the Advisor; (3) observe the Advisor's personal trading policies so as to avoid "front-running" and other conflicts of interests between the Advisor and its Clients; (4) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code of Ethics will be maintained by the Advisor's Chief Compliance Officer, and that personnel who violate the Code of Ethics are subject to sanctions by the Advisor, up to and including termination.

**Standards of Conduct:** The Advisor and its Employees are expected to comply with all applicable federal and state laws and regulations. Employees are expected to adhere to the highest standards of ethical conduct and maintain confidentiality of all information obtained in the course of their employment and bring any risk issues, violations, or potential violations to the attention of the Chief Compliance Officer. Employees are expected to deal with Clients fairly and disclose any activity that may create an actual or potential conflict of interest between them and the Advisor or Client.

**Ethical Business Practices:** Falsification or alteration of records or reports, also known as a prohibited financial practice, or knowingly approving such conduct is prohibited. Political contributions or payments to government officials or employees may not be furnished on behalf of the Advisor. The Advisor seeks to outperform its competition fairly and honestly and seeks competitive advantages through superior performance not illegal or unethical dealings. Employees are strictly prohibited from participating in online blogging, unapproved communication with the media, and the spreading of false rumors pertaining to any publicly traded company.

**Confidentiality:** Employees must maintain the confidentiality of the Advisor's proprietary and confidential information, and must not disclose that information unless the necessary approval is obtained. The Advisor has a particular duty and responsibility, as investment adviser, to safeguard Client information. Information concerning the identity and transactions of investors is confidential, and such information will only be disclosed to those Employees and outside parties who may need to know it in order to fulfill their responsibilities.

**Gift and Entertainment Policy:** Employees are permitted, on occasion, to accept gifts and invitations to attend entertainment events. When doing so, however, employees should always act in our best interests and that of our Clients and should avoid any activity that might create an actual or perceived conflict of interest or impropriety in the course of our business relationship.

### Personal Trading

**Personal Trading Policy:** Access persons are allowed to trade reportable securities, however all transactions in reportable securities must be pre-approved by the Chief Compliance Officer or his/her designee. Except in very limited circumstances approved by the Chief Compliance Officer, access persons are not permitted to trade any security of which we or the Fund own any portion of the capital structure or that is on our restricted list without permission. Access persons who violate the personal trading policy are reprimanded in accordance with the sanctions provisions

## Item 11 Code of Ethics (continued)

outlined in the Code of Ethics. Personal securities transactions are reviewed by the Chief Compliance Officer or his/her designee for compliance with the personal trading policy and applicable SEC rules and regulations.

**Prohibition against Insider Trading:** The Advisor forbids any access person from trading, either personally or on behalf of others, including Clients advised by The Advisor, on material non-public information or communicating material non-public information to others in violation of the law or duty owed to another party. This conduct is frequently referred to as “insider trading”. The concepts of material non-public information, penalties for insider trading, and processes for identifying insider trading are addressed in detail in the Compliance Manual and Code of Ethics.

**Reporting Requirements:** In compliance SEC rules, access persons are required to disclose all of their personal brokerage accounts and holdings within 10 days of initial employment with the Advisor, within 10 days of opening a new account, and annually thereafter. Additionally, the last day of the month following each quarter-end, all access persons must report all transactions in reportable securities over which the access person had any direct or indirect beneficial ownership. Access persons are also required annually to affirm all reportable transactions from the prior year.

**Privacy Policy:** The Advisor has adopted a privacy policy that explains the manner in which the Advisor collects, utilizes and maintains nonpublic personal information about Clients, as required under federal legislation.

**Collection of Information and Disclosure of Nonpublic Personal Information:** To provide Clients with effective service, the Advisor may collect several types of nonpublic personal information about Clients, including: (i) information from forms that Clients may fill out, such as subscription forms, questionnaires and other information provided by Clients in writing, in person, by telephone, electronically or by any other means. This information includes name, address, nationality, tax identification number, and financial and investment qualifications; (ii) information Clients may give orally; (iii) information about transactions within the Advisor, including account balances, investments and withdrawals; (iv) information about the amount Clients have invested, such as initial investment and any additions to and withdrawals from an investment in the Clients; and (v) information about any bank accounts Clients may use for transfers to or from separately managed accounts (if applicable).

**Disclosure of Nonpublic Personal Information:** The Advisor does not sell or rent Client information. The Advisor uses this information to conduct business with its Clients: to develop or enhance its products and services; to understand the financial needs of its Clients so that the Advisor can provide such Clients with quality products and superior service; and to protect and administer its Clients’ records, accounts and funds. The Advisor does not disclose nonpublic personal information about its Clients to nonaffiliated third parties or to affiliated entities, except as permitted or required by law. For example, the Advisor may share nonpublic personal information in the following situations: (i) to service providers in connection with the administration and servicing of the Advisor; this may include attorneys, accountants, auditors and other professionals. The Advisor may also share information in connection with the servicing or processing of Client transactions; (ii) to affiliated companies in order to provide Clients with ongoing personal advice and assistance with respect to the products and services Clients have purchased through the Advisor and to introduce Clients to other products and services that may be of value to such Clients; (iii) to respond to a subpoena or court order, judicial process or regulatory authorities; (iv) to protect

## Item 11 Code of Ethics (continued)

against fraud, unauthorized transactions (such as money laundering), claims or other liabilities; and (v) upon consent of a Client to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on behalf of the Client.

**Protection of Client Information:** The Advisor's policy is to require that all Employees, financial professionals and companies providing services on its behalf keep Client information confidential. The Advisor maintains safeguards that comply with federal standards to protect Client information. The Advisor restricts access to the personal and account information of Clients to those Employees who need to know that information in the course of their job responsibilities. Third parties with whom the Advisor shares Client information must agree to follow appropriate standards of security and confidentiality. The Advisor's privacy policy applies to both current and former Clients. The Advisor may disclose nonpublic personal information about a former Client to the same extent as for a current Client.

**Changes to Privacy Policy:** The Advisor may make changes to its privacy policy in the future. The Advisor will not make any change affecting any Client without first sending to that Client a revised privacy policy describing the change.

### Potential Conflicts

The Advisor, its affiliates and their respective officers, directors, trustees, stockholders, members, partners and employees and their respective Funds and investment accounts (collectively, the "Related Persons") engage in a broad range of activities, including activities for their own account and for the accounts of Clients. This section describes various potential conflicts that may arise in respect of the Related Parties, as well as how we address such conflicts of interest. The discussion below does not describe all conflicts that may arise.

- A. The Advisor's Code of Ethics contains policies and procedures that ensure that all personal securities trading by Employees of the Adviser is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. The Adviser prohibits personal trading on certain securities or instruments; requires pre-clearance of personal trades in certain circumstances, including purchases of an IPO or a new private placement; requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code of Ethics violations.
- B. Affiliates of the Adviser serve as the General Partners to the Funds, which issue partnership interests to third party investors. Other than with respect to these structures, neither the Adviser nor any of its related persons recommend to the Funds, or buy or sell for Funds, investments in which the Adviser or any related persons have a material financial interest.
- C. The principal of the Adviser has made significant capital commitment to the Fund. Such amounts may be invested pro rata with the limited partners of the Fund in all Fund portfolio investments. Other than this investment in the Fund, neither the Adviser nor any of its related persons invest in the same or related securities that either the Adviser or its related persons recommend to the Fund.
- D. Neither the Adviser nor any related person recommends investments to the Funds, or makes investments for the Funds, at or about the same time that the Adviser or its related persons buys or sells the same investments for their own account.

## **Item 12 Brokerage Practices**

The Adviser has complete discretion to determine, subject to each Fund's disclosed investment objectives, policies and strategies, the securities to be purchased or sold and in what amounts, the broker-dealers and other financial intermediaries use in effecting the transactions for the Funds, and the commission rates to be paid for such transactions.

### **Brokerage Selection**

The Adviser selects the broker-dealers and other financial intermediaries used to effect transactions on behalf of the Funds. The Adviser seeks to obtain "best execution" from these broker-dealers based on a variety of factors, including, but not limited to: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected and the efficiency of error resolution, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; special execution capabilities; clearance; settlement; reputation; on-line pricing; block trading and block positioning capabilities; willingness to execute related or unrelated difficult transactions in the future; order of call; on-line access to computerized data regarding clients' accounts; performance measurement data; the quality, comprehensiveness and frequency of available research and related services considered to be of value; the availability of stocks to borrow for short trades; and the competitiveness of commission rates in comparison with other brokers satisfying the Advisor's other selection criteria. In selecting broker-dealers to effect portfolio transactions, the Adviser may cause a Fund to enter into arrangements pursuant to which the Fund pays transaction costs in an amount greater than would be incurred if another broker-dealer were used. The Adviser is not required to solicit competitive bids or seek the lowest available commission or transaction costs. The transactions executed by a Fund may be cleared through, and the Fund's investment instruments may be held by, a number of financial institutions the Adviser selects on terms negotiated with each such financial institution individually. Subject to the Adviser's agreement with each Fund, the Adviser generally will use a variety of financial institutions both to take advantage of differing expertise and capabilities and to avoid, due to credit concerns, having all investment instruments concentrated at one firm. The Adviser does not consider the receipt of investor referrals when selecting broker-dealers to execute transactions.

### **"Soft Dollar" Policy**

The Adviser or its affiliates may receive from a Fund's broker-dealers products and services in addition to brokerage services.

A portion of the commissions generated on a Fund's brokerage transactions may generate "soft dollar" credits that the Adviser is authorized to use to pay for research and other non-research related services and products used by the Adviser or its affiliates. The Adviser may enter into "soft dollar" arrangements with one or more broker-dealers whereby the Adviser will direct securities transactions to the broker-dealer in return for research products and services from the broker-dealer. Although the Adviser will use the research and services in making investment decisions for the applicable Fund, the Adviser may use such research or services for other Funds and the applicable Fund will generally pay more than the lowest available commissions for execution of these transactions. The Adviser may also enter into "soft dollar" arrangements to cover Fund expenses or costs and expenses of the Adviser to the extent such arrangements are permitted by law.

The Adviser has authority to use "soft dollar" credits generated by a Fund's securities transactions to pay for expenses that might otherwise have been borne by the Adviser. This may give the Adviser an

## **Item 12 Brokerage Practices (continued)**

incentive to select brokers or dealers for Fund transactions, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by the Adviser rather than giving exclusive consideration to the interests of the Funds.

In the event that the Adviser elects to use soft dollars, it intends to limit such use to services that fall within the safe harbor afforded by Section 28(e) of the Securities Exchange Act of 1934, as amended, or such services that are otherwise reasonably related to the investment decision-making process.

The term “soft dollars” refers to the receipt by an investment adviser of products and services provided by brokers, without any cash payment by the investment adviser, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment adviser. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment).

The use of brokerage commissions to obtain investment research services and to pay for the administrative costs and expenses of the Adviser creates a conflict of interest between the Adviser and the Funds, because a Fund may pay for such products and services that are not exclusively for the benefit of the Fund and that may be primarily or exclusively for the benefit of the Adviser. To the extent that the Adviser is able to acquire these products and services without expending its own resources (including Management Fees paid by a Fund), the Adviser's use of “soft-dollars” would tend to increase the Adviser's profitability. In addition, the availability of these non-monetary benefits may influence the Adviser to select one broker rather than another to perform services for the Funds. The Funds' Offering Documents specifically authorize these practices to the fullest extent permitted by law.

### **Brokerage for Client Referrals**

The Advisor, its affiliates and their respective officers, directors, trustees, stockholders, members, partners and employees and their respective Funds and investment accounts (collectively, the “Related Persons”) do not directly or indirectly, compensate any person for client referrals.

### **Directed Brokerage**

The Adviser does not permit clients to direct brokerage to a specified broker-dealer. All brokerage transactions will be executed through the broker-dealers selected by the Adviser.

### **Aggregation of Orders**

When managing multiple Funds with similar investment strategies, the Adviser generally will attempt to aggregate multiple orders for the purchase or sale of the same instrument into block transactions, subject to the overall obligation to achieve best price and execution for the Funds.

### **Item 13 Review of Accounts**

The Adviser reviews the Fund portfolio on a daily basis relating to, among other factors, position sizes; sector, asset class and company-specific exposure levels; borrowing thresholds; and Investment Adviser investment strategy compliance. Principals of the Adviser are actively involved in the daily monitoring of the Funds' portfolios and the Sub-Managers and are responsible for portfolio review.

The Adviser provides Fund investors with audited annual financial statements, quarterly unaudited performance reports, and all tax information relating to their investments in each the Fund necessary for U.S. federal income tax purposes.

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

The Adviser does not currently receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Funds.

The Adviser does not currently compensate any person for client referrals.

### **Item 15 Custody**

The Advisor does not act as custodian for Fund assets. The Advisor maintains Fund assets with a Qualified Custodian as defined in Rule 206(4)-2 of the Advisers Act. However, under Rule 206(4)-2 under the Advisers Act, the Advisor may be deemed to have custody of Fund assets by virtue of the common control of the Adviser and the General Partner of each Fund.

When the Advisor opens an account for a Fund, the Advisor will notify the Fund investors in writing of the Qualified Custodian's name and address and the manner in which the funds or securities are maintained. The Advisor will ensure that all Fund account statements are sent directly from the Qualified Custodian to each Fund investor. The Advisor will notify its Fund investors in writing of any change in its custody arrangements.

Fund investors are instructed to make all payments to their accounts by wire transfer directly to the bank or brokerage firm acting as custodian for the Funds. Payments for subscriptions in investment Funds managed by the Advisor should be sent by wire transfer directly to the Fund Administrator of the investment Fund. Any check received inadvertently from a Fund investor should be returned promptly and in any event within three business days. It is not the Advisor's policy to forward such assets to the intended third party recipient despite the delays inherent in returning them to the sender solely to be redelivered to the intended recipient. It is important to note that the policy is not applicable to the Advisor's possession of a check drawn by a Fund and made payable to a third party.

Pursuant to Rule 206(4)-2 the Advisor will cause each Fund that it advises to distribute audited financial statements, prepared in accordance with GAAP by an independent public accountant registered with the Public Company Accounting Oversight Board ("PCAOB"), to investors no later than 120 days after the end of each fiscal year. The audit firm engaged by the Advisor is Rothstein Kass & Co, and is registered with the PCAOB.



## **Item 16 Investment Discretion**

The Adviser exercises discretion in managing the investments of each Fund based on the Fund's particular investment objectives, policies and strategies disclosed in its Offering Documents.

The Adviser contractually assumes discretionary authority over the assets of each Fund under an investment management agreement entered into among the Adviser, the Fund and the Fund's General Partner or other controlling entity.

## **Item 17 Voting Client Securities**

The Adviser follows a proxy voting policy to ensure that proxies the firm votes, on behalf of each Fund, are voted to further the best interest of that Fund. The policy establishes a mechanism to address any conflicts of interests between the Adviser and the Funds. Further, the policy establishes how a Fund's underlying investors may obtain information on how the proxies have been voted.

The Adviser determines how to vote after studying the proxy materials and any other materials that may be necessary or beneficial to voting. The Adviser votes proxies in a manner that it believes reasonably furthers the best interests of the Funds and their investors and is consistent with the investment philosophy as set forth in the relevant Fund Offering Documents.

If a proxy vote creates a material conflict between the interests of the Adviser and a Fund, the Adviser will resolve the conflict before voting the proxies. The Adviser will take steps designed to ensure that a decision to vote the proxy was based on the Adviser's determination of the Fund's best interest and was not the product of the conflict.

The Adviser maintains records of (i) all proxy votes that are made on behalf of the Funds; (ii) all written requests from each Fund's underlying investors regarding voting history; and (iii) all responses (written and oral) to investors' requests. Such records are available to each Fund's underlying investors upon request.

## **Item 18 Financial Information**

The Advisor does not solicit prepayment of more than \$1,200 in fees six months or more in advance, and thus has not provided a balance sheet according to the specifications of 17 CFR Parts 275 and 279.

There is no financial condition that is reasonably likely to occur that would impair our ability to meet contractual commitments to the Funds. The Advisor has not been the subject of a bankruptcy petition during the past ten years.

## **Item 19 Requirements for State Registered Adviser's**

Not Applicable.