

Ategra Capital Management, LLC

March 27, 2020

This Brochure provides information about the qualifications and business practices of Ategra Capital Management, LLC (the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this Brochure, please contact Jonathan Holtaway at (703) 564-9131. This information has not been approved or verified by the SEC or by any state securities authority.

Additional information about Ategra Capital Management, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Registration as an investment adviser with the SEC or with any state securities authority does not imply that the Adviser or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or in any other business.

Ategra Capital Management, LLC
8229 Boone Blvd., Suite 305
Vienna, Virginia 22182

Tel: (703) 564-9131
Fax: (703) 532-7805
Website: www.ategracapital.com

Item 2. Material Changes

The update to this Brochure dated March 27, 2020 reflects changes to the Adviser's compliance policies and procedures and other clarifying changes since the Adviser's last annual amendment filing on March 28, 2019.

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Item 4. Advisory Business

Ategra Capital Management, LLC, a Delaware limited liability company (the “Adviser”), is an investment adviser with its principal place of business in Vienna, Virginia. The Adviser commenced operations in 2005 and is registered as an investment adviser with the SEC. Certain responses contained herein are based on the Adviser’s expectations with respect to its advisory business.

Jonathan Holtaway and Jacques Rebibo are the principal owners of the Adviser.

The Adviser provides investment advisory services on a discretionary basis to its clients, including Ategra Community Financial Institution Fund, L.P. (the “ACFI Fund”) and Ategra LS500, LP (the “LS500 Fund”, and each of the ACFI Fund and the LS500 Fund will be referred to herein individually as, a “Fund” and together, the “Funds”). The Adviser also provides investment advisory services on a discretionary and non-discretionary basis to individuals and institutions with separately managed accounts (the “Separate Accounts”). In addition, the Adviser provides the following advisory services: (i) financial planning to individuals, affluent families, corporate executives, business owners, corporations, partnerships, trusts and endowments, and businesses and (ii) pension and retirement plan consulting to corporate retirement plans on either a discretionary or nondiscretionary basis, depending upon the needs of the plan sponsor and plan participants. (By way of clarification, the recipients of financial planning services shall be referred to herein as “Planning Clients” and the recipients of pension consulting services shall be referred to herein as “Pension Consulting Clients”, and together with the Funds and the Separate Accounts, shall be collectively referred to herein as “Clients”).

Investment Advisory Services. The Adviser provides advice to its Clients based on the specific investment objectives and strategies described in the applicable offering memorandum of a Fund or the investment management agreement or other constituent documents for a Separate Account or Planning Client.

The Funds. The Adviser does not tailor its advisory services to the needs of the investors in the Funds, and no investor in any Fund may impose restrictions on the Fund investing in certain securities and other financial instruments or certain types of securities and other financial instruments.

Separate Accounts. Under certain circumstances, the Adviser may agree to tailor advisory services to the individual needs of Separate Account clients. Some Separate Account clients may impose restrictions on investing the assets of their accounts in particular types of securities and other financial instruments. The Adviser will generally invest such Separate Account assets in diversified investment vehicles, such as mutual funds, closed-end funds, real estate investment trusts and exchange traded funds. Additionally, the Adviser may advise such Separate Accounts on any type of investment that it deems appropriate based on a Separate Account’s stated goals and objectives. The Adviser may also provide advice on any type of investment held in such Separate Account portfolio at the inception of its advisory relationship.

Financial Planning Services. The Adviser provides financial planning services for Planning Clients, including, but not limited to, the coordination and planning of the following: investments, retirement, education, estate, cash flow and risk management. The Adviser will generally provide these services in the context of developing a comprehensive financial plan (“Plan”) for a Planning Client and/or by providing planning advice on specific financial planning issues. For example, in lieu of developing a Plan, a Planning Client may need advice or consultation in a specific area such as retirement planning or education planning.

Pension Consulting Services. The Adviser provides pension consulting services for Pension Consulting Clients, including, but not limited to, plan design, establishing investment objectives, setting investment parameters, selecting specific investment vehicles, ongoing monitoring, reporting, and controlling and/or reducing plan expenses where feasible. The Adviser will advise plan sponsors, communicate client instructions to the plan administrator and provide education to plan participants as requested by the Pension Consulting Client.

As of December 31, 2019, the Adviser had approximately \$225,438,691 in client regulatory assets under management. As of that date, the Adviser managed \$196,777,596 on a discretionary basis and \$28,661,095 on a non-discretionary basis.

Advisory Fees and Compensation

The Funds. The Funds pay the Adviser an asset-based investment management fee ranging from 0% to 1.00% per annum, all as further described in each Fund's offering memorandum, as applicable (the "Asset-Based Fee"). The Adviser charges each Fund the Asset-Based Fee in advance based on the net asset value of the applicable Fund as of the first day of each calendar quarter or month, as applicable. The Asset-Based Fee is prorated for any period that is less than a full quarter or month. Ategra GP, LLC, an affiliate of the Adviser (the "General Partner") is entitled to be paid annual performance-based compensation, which is compensation that is based on a share of net capital appreciation of the assets of the Funds. This performance-based compensation ranges from 0% to 20% and is subject to a loss carryforward. Receipt of performance-based compensation, with respect to the Funds, is subject to a hurdle rate as specified in each Fund's offering memorandum. The Asset-Based Fee and performance-based compensation are negotiable. The Funds waive, reduce or enter into alternative fee arrangements with investors in the Funds who are principals, employees or affiliates of the Adviser, the General Partner, relatives of such persons, and for certain large or strategic investors.

Separate Accounts. Any fees or compensation received by the Adviser from the Separate Accounts will be separately negotiated and will typically include an asset-based fee (which may be a fixed amount agreed upon with the Separate Account client). Notwithstanding the foregoing, the fee will typically be paid in arrears and will typically range from 0% to 1.25% per annum.

Planning Clients. The Adviser provides financial planning for a fee, expressed as a percentage of the market value of the assets in the plan. The fee will be based upon various Plan metrics, including but not limited to, the size of the Plan, the type of Plan assets, the number of Plan participants' assets and number of investment options. The fee will typically be paid in arrears and will typically range from 0.25% to 1.25% per annum.

Pension Consulting Clients. The Adviser provides pension and retirement plan consulting services for a fee, expressed as a percentage of the market value of the assets in the plan. The fee will be based upon various plan metrics, including but not limited to, the size of the plan, the type of plan assets, the number of plan participants' assets and number of investment options. The fee typically ranges from 0.25% to 1.25%.

Payment of Fees

The Funds. With respect to each Fund, the Asset-Based Fee is paid pursuant to instructions made by the Fund's administrator to deduct it from the Fund's bank account and the performance based compensation paid to the General Partner is structured as a reallocation of profits.

Separate Accounts. Pursuant to the investment management agreement for a Separate Account, the Adviser will deduct the investment management fee from the Separate Accounts on a quarterly basis, in arrears, and based on the net asset value of the Separate Account on the last day of the prior calendar quarter, by instructing such client's custodian. For partial quarters, the fee will be calculated on a pro-rata basis. Additionally, the investment management fee will be prorated for client deposits and/or withdrawals during the quarter.

Planning Clients. With respect to the Adviser's financial planning, the record keeper will deduct the Adviser's financial planning fees from the Plan assets quarterly, in arrears, and based on the net asset value of the account on the last day of the prior calendar quarter. Additionally, the Adviser will prorate its fee for client deposits and/or withdrawals during the quarter.

Pension Consulting Clients. With respect to the Adviser's pension and retirement plan consulting services, the record keeper will deduct the Adviser's pension plan consulting fees from the plan assets

quarterly, in arrears, and based on the net market value of the account on the last day of the prior calendar quarter. The responsible plan fiduciary authorizes this arrangement with the Adviser, as prescribed in the written ERISA Advisory Agreement. For partial quarters, the fee is calculated on a pro-rata basis. Additionally, the Adviser will prorate its fee to account for client deposits and/or withdrawals during the quarter. The responsible plan fiduciary will receive an invoice summary with the quarterly report indicating that the record keeper has deducted the quarterly fee from the plan assets. Additionally, the custodial statement will also reflect the date and amount of the fee deducted from the plan assets. The responsible plan fiduciary should carefully review the statements for discrepancies and immediately report any discrepancies to the Adviser.

Other Fees and Expenses

In addition to paying the Asset-Based Fee and, if applicable, performance-based compensation, the Funds are also subject to other expenses in accordance with the applicable Fund's governing documents, such as legal, accounting (including third-party accounting services), administration, auditing and other professional fees and expenses, certain compliance and reporting expenses attributable to regulatory filings (or portions thereof) that are made with respect to a Fund or the assets of a Fund (such as Section 13 and Section 16 filings and Form PF), research expenses (including research-related travel), investment expenses such as commissions and trading and support services (including payments to assisting brokers), trading-related technology software costs deemed to benefit the Fund such as portfolio, order and risk management systems, custodial fees, interest expenses, including interest on margin accounts, taxes, duties and other governmental charges, transfer and registration fees or similar expenses, costs associated with foreign exchange transactions, other portfolio expenses, bank service fees, and costs, expenses and fees (including, investment advisory and other fees charged by investment advisers with, or funds in, which the Fund invests), and other expenses related to the purchase, sale, preservation or transmittal of client assets.

The Separate Accounts, Planning Clients and Pension Consulting Clients are also subject to different fees and expenses, which are set forth in the investment management agreements and/or other constituent documents entered into between the Separate Accounts, Planning Clients and/or Pension Consulting Clients and the Adviser. Client account assets may be invested in pooled investment vehicles, including money market mutual funds, ETFs (as defined in Item 8) or other registered investment companies. In these cases, client accounts will bear their pro rata share of the underlying pooled investment vehicle's operating and other expenses including, in addition to those listed above: sales expenses, legal expenses, internal and external accounting expenses, audit and tax preparation expenses and organizational expense. Client accounts will also bear their pro rata share of the investment management fee and other fees of the underlying pooled investment vehicle, which are in addition to any fees or other compensation paid to the Adviser. In addition, clients will incur brokerage and other transaction costs. Please refer to Item 12 of this Firm Brochure for a discussion of the Adviser's brokerage practices.

The allocation of expenses by the Adviser between it and any client and among clients represents a conflict of interest for the Adviser. To address this conflict, the Adviser has adopted and implemented policies and procedures for the allocation of expenses. The Adviser allocates expenses to each client in accordance with the client's arrangements with the Adviser (including applicable client disclosures). The Adviser seeks to allocate shared expenses for products and services benefitting the Adviser and the client and not covered in the client's arrangements in a fair and reasonable manner. The Adviser allocates common client expenses among multiple clients pro rata based on gross assets under management as of the beginning of the quarter in which the expenses are incurred. The Adviser may deviate from this standard allocation method if it determines that an expense disproportionately benefits a particular client or group of clients.

In connection with managing a client's investments or otherwise, the Adviser and its related persons may, from time to time, receive income, including but not limited to, directors' fees and certain other fees (collectively, "Fee Income"). Prior to receiving any Fee Income, the Adviser or the relevant related person must inform the Adviser's Chief Compliance Officer. The Fee Income will be deemed additional

compensation to the Adviser and/or its related persons, and no client will benefit from this additional compensation.

Prepayment of Fees

Investors in the Funds pay the Asset-Based Fee in advance. Pre-paid fees charged to the Adviser's clients will be refunded based on the number of days remaining in the quarter or month if a withdrawal is made before the end of a quarter or month, as applicable.

More detailed information about the fees and expenses paid by client accounts may be found in the governing documents of each client account.

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

As described in Item 5, in addition to the Asset-Based Fee, the Adviser (or an affiliate of the Adviser (i.e., the General Partner)) receives performance-based compensation from clients, including the Funds.

The Adviser and its investment personnel provide investment management services to multiple portfolios for multiple clients. Certain client accounts may have higher asset-based fees or be subject to performance-based compensation arrangements in comparison to other accounts or have asset-based fees or performance-based compensation arrangements providing for payment to the Adviser at different times or over different time intervals. Such performance-based compensation may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such higher fees, performance-based compensation arrangements, or compensation paid at different times or over different time intervals. When the Adviser and its investment personnel manage more than one client account a potential conflict exists for one client account to be favored over another client account. The Adviser and its investment personnel have a greater incentive to favor clients that pay the Adviser (and indirectly its investment personnel) performance-based compensation or higher fees. The Adviser has implemented policies and procedures intended to address these conflicts of interest. A description of the Adviser's allocation policy is included below and the Adviser's aggregation policy is described in Item 12 of this Brochure.

Certain client accounts managed by the Adviser (i.e., the ACFI Fund) may at times hold illiquid investments for which the Adviser receives performance-based compensation only upon their sale or deemed realization. To the extent the Adviser is entitled to performance-based compensation from its clients upon the sale or deemed realization of illiquid investments, the Adviser may have an incentive to delay the realization of an illiquid investment.

The Adviser employs multiple investment objectives and strategies for its clients. These differing objectives and strategies raise potential conflicts of interest. For example, the Adviser may buy a security for one client account while it is selling that security for another client account. In addition, the Adviser may cause one client account to buy a particular security "long" and another client account to sell that same security short.

The Adviser manages multiple client accounts, including accounts with different fee arrangements. The management of multiple client accounts creates a conflict of interest because the Adviser may have an incentive to favor one client over another. Accordingly, the Adviser has adopted and implemented policies and procedures intended to address conflicts of interest that may arise relating to the management of client. In particular, the Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed client accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that to the extent a particular investment opportunity is suitable for multiple client accounts, such investment opportunities will be allocated among the eligible client accounts pro rata based on the relative value of the assets of each participating account; provided, however that the Adviser may allocate investment opportunities to such accounts on a non-pro rata basis if the Adviser determines it is fair and equitable under the circumstances to all of its client accounts, by taking into account, among other things, (i) a client's investment objectives and strategies; (ii) risk profiles; (iii) tax status and restrictions placed on client's portfolio by the client or by applicable law; (iv) size of the client account; (v) total portfolio invested position; (vi) nature and liquidity of the security to be allocated; (vii) size of available position; (viii) supply or demand for a security at a given price level; (ix) current market conditions; (x) account liquidity and timing of cash flows; and (xi) any other information determined to be relevant to the fair allocation of investment opportunities. To the extent orders are aggregated, the client orders are price-averaged and allocated in accordance with the aggregated order; provided, that the aggregated order may be allocated on a different basis for reasons including but not limited to partially filled orders and to avoid odd lots or excessively small allocations. Finally, the Adviser's procedures also require the objective allocation for limited opportunities (such as initial public offerings and private

placements) to ensure fair allocation among accounts. These areas are monitored by the Adviser's Chief Compliance Officer.

Item 7. Types of Clients

The Adviser's clients consist of the Funds, the Separate Accounts, the Planning Clients and the Pension Consulting Clients; however, the Adviser may in the future serve as investment manager to other client accounts.

With respect to the Funds, any initial and additional subscription minimums are disclosed in the offering memorandum for each Fund. With respect to the Separate Accounts, the Adviser will require a minimum account size of \$500,000 for opening or maintaining a separately managed account and may, in its discretion, require a different investment minimum for any Separate Account. If the account size falls below the minimum requirement due to market fluctuations only, a client will not be required to invest additional funds with the Adviser to meet the minimum account size. Notwithstanding the foregoing, the Adviser may waive the minimum account size with respect to certain clients.

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

Portfolio Management for the Funds

With respect to the ACFI Fund, the Adviser takes positions in the financial sector and targets long positions in those institutions it believes are priced significantly below peers and it believes have limited downside, but an upside that is a multiple of the downside. The ACFI Fund invests primarily in publicly traded securities and places an emphasis on community banks (i.e., banks with market capitalization below \$500 million). The Adviser believes price opportunities are created by a poor understanding by many investors of the banking/finance industry during good and bad times, particularly as related to microcap stocks.

With respect to the LS500 Fund, the Adviser principally takes long positions in common and preferred stocks of large capitalization U.S. stocks that are included in the S&P 500 Index or within the capitalization range of companies in the S&P 500 Index along with put options as downside hedges. The Adviser bases its strategy on its belief that down markets, which create depressed levels of pricing, afford the highest profit opportunities and that cash, liquidity strength and the ability to allocate funds to the best opportunities during times of stress are all necessary to successfully take advantage of these opportunities.

The Funds may also invest in other financial instruments, including, but not limited to, U.S. or non-U.S. long or short positions in publicly traded or privately issued or negotiated common stocks, preferred stocks, stock warrants and rights, corporate debt, bonds, notes or other debentures or debt participations, convertible securities, swaps, options (purchased or written), futures contracts, forward contracts and other derivative instruments, partnership interests and other securities or financial instruments including those of investment companies, and may utilize positions in correlated financial sectors such as REITs or insurance companies, as applicable.

The Adviser conducts extensive financial due diligence and uses proprietary financial models utilizing the latest publicly-available data. For certain of the Funds, the Adviser seeks out meetings with the management, directors and key investors of its target institutions and, on a case-by-case basis, may conduct on-site due diligence.

Portfolio positions are designed from the outset with the downside foremost and the expected upside being a multiple of the downside. This conservative stance is naturally tested during market periods when general selling pushes entire sectors, or the market as a whole, down. The objective in a down market, first and foremost, is liquidity and buying power. The Adviser bases its strategy on its belief that down markets, which create depressed levels of pricing, afford the highest profit opportunities. The Adviser believes cash and liquidity strength are necessary to successfully take advantage of these opportunities.

The Adviser's methods, strategies and types of investments involve a risk of loss to clients and clients must be prepared to bear the loss of their entire investment.

Investment Management Services for the Separate Accounts and Planning Clients

With respect to the Adviser's investment management services to Separate Accounts and financial planning services, before making recommendations to clients, the Adviser carefully explores each client's goals, objectives, income needs, age, time horizon, tolerance for risk and other meaningful data specific to the client to determine the most suitable allocation among various asset classes. The investments held in such client accounts include, but are not limited to, stocks, bonds, cash, real estate investment trusts, natural resources, commodities and other alternative investments. The Adviser invests client assets in diversified investment vehicles such as mutual funds, closed-end funds, real estate investment trusts and exchange traded funds. Based on personal factors unique to each client, the Adviser will generally recommend that such client invest in one of its five portfolio classifications designed to achieve one of the

objectives described below. In certain circumstances or as dictated by the client, the client may invest in a variation of one of the below described portfolios, a modified asset allocation or in a portfolio with a limited number of investments or asset classes. The five portfolios are as follows: (i) Growth, (ii) Moderate Growth, (iii) Balanced, (iv) Conservative and (v) Income & Growth.

Investment Objectives - The following generally describes the investment objective of the portfolio:

- *Growth* - This portfolio is a diversified portfolio of stocks that has capital appreciation as its primary goal and with limited dividend payouts. The portfolio consists of companies with above-average growth that reinvest their earnings into expansion, acquisitions and/or research and development.
- *Moderate Growth* - This portfolio seeks capital appreciation and a low to moderate level of current income. The portfolio holds a portion of its assets in stocks, of which a certain percentage is allocated to international stocks, and 40% in bonds, a portion of which is allocated to international bonds. This portfolio seeks a balance of risk and return.
- *Balanced* - This portfolio seeks an allocation and management method aimed at balancing risk and return. Such portfolios are generally divided equally between equities and fixed-income securities.
- *Conservative* - This portfolio seeks to preserve an investment portfolio's value by investing in lower risk securities such as fixed-income and money market securities, and blue-chip or large-cap equities, which pay dividends.
- *Income & Growth* - This portfolio seeks a dual strategy of capital appreciation (growth) and current income generation through dividends or interest payments.

The Adviser uses both fundamental and technical methods of analysis to optimize and monitor client portfolios with respect to the Separate Accounts and Planning Clients. The Adviser primarily will use fundamental analysis to optimize client portfolios. Fundamental analysis considers global macroeconomic indicators such as GDP growth rates, corporate profits, corporate productivity, consumer prices and inflation, interest rates, unemployment, currency exchange rates and geopolitical risk factors. Additionally, fundamental analysis considers where the economy is in the context of the business economic cycle to determine the extent to which a portfolio should overweight or underweight certain asset classes.

The Adviser may employ other investment strategies, including, but not limited to, short-selling, long-short, market neutral, initial public offerings, mergers & acquisitions, global macroeconomic opportunities, convertible debt securities, investing in futures, options, derivatives, the use of leverage and/or other unconventional illiquid investments such as private equity investments and venture capital. The Adviser believes that alternative strategies potentially improve portfolio returns, and lower portfolio volatility, over the course of a full market cycle and can provide important diversification benefits when utilized alongside traditional asset classes such as stocks, bonds and cash.

Investment Management Services for the Pension Consulting Clients

The Adviser provides non-discretionary retirement plan consulting services. It assists sponsors of self-directed retirement plans and defined benefit plans with the selection and/or monitoring of investment alternatives from which plan participants choose in self directing the investments for their individual plan retirement accounts. To the extent requested by a plan sponsor, the Adviser provides participant education to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of pension consulting engagement are set forth in a written agreement between the Adviser and the plan sponsor.

Material Risks

The following summary identifies the material risks related to the Adviser's investment strategies and should be carefully evaluated before making an investment with the Adviser; however, the following does not intend to identify all possible risks of an investment with the Adviser or provide a full description of

each identified risk. Investors and potential investors in the Funds should refer to the offering memorandum for the applicable Fund for a further discussion of the applicable risks.

Material Risks Associated with Adviser's Analysis for Separate Accounts

Fundamental analysis as well as other investment strategies the Adviser uses are subjective, and open to both interpretation and errors in judgment on our part. Additionally, investment analysis considers numerous factors that are complex, interrelated, and often affected by unpredictable factors including but not limited to macro and micro economic factors, and geopolitical risks. Although the Adviser believes combining traditional and non-traditional asset classes and investment strategies together within a client portfolio, optimizes the client's trade-off between risk and return, there can be no assurance that doing so will achieve the expected outcome.

The Banking And Thrift Industry

The results of operations of banks and thrifts are significantly affected by general economic conditions and the related monetary and fiscal policies of the federal government, particularly as they relate to the level of interest rates. The profitability of many banks and thrifts is largely dependent upon net interest income, which is the difference between interest income on interest-earning assets, such as loans, mortgage-backed securities and investment securities, and interest expense on interest-bearing liabilities, such as deposits. For an institution with interest-earning assets maturing or repricing faster than its interest-bearing liabilities in a given period, an increase in interest rates could have a positive impact on net interest income. A decrease in interest rates, however, could have an adverse effect on such an institution. Changes in the level of interest rates may also affect the amount of loans originated (including refinancings) and loans sold by banks and thrifts. An increase in interest rates may result in lower levels of originations and loan sales, and thus, in the amount of loan and commitment fees and gains on sales of loans. In addition, changes in interest rates may result in disintermediation, the flow of funds away from savings institutions into direct investments, such as corporate securities and other investment vehicles, which, because of the absence of federal insurance premiums and reserve requirements, may pay higher rates of return than savings institutions. Higher interest rates may also have an adverse impact on the market value of banks' and thrifts' interest-earning assets. Furthermore, regulations applicable to banking and thrift institutions will limit the ability of the Funds to seek to protect their investments through the controls typically imposed by venture capital and private equity investors on their portfolio companies.

Other factors affecting the banking and thrift industry generally should be considered by potential clients, including:

- the extensive regulation, supervision and examination of banks and thrifts and their holding companies by federal and state law and regulatory agencies, which regulatory framework is subject to changes that may affect materially the operations and results of banks, thrifts and their holding companies; in addition, limitations on control of banks and thrifts will limit the ability of the Adviser to affect management of bank and thrift issuers in which it invests;
- regulatory and charter restrictions applicable to changes in control of certain banks and thrifts, which may limit the potential for acquisitions and the stock appreciation that may arise from such transactions;
- the risks associated with banks' and thrifts' real estate, commercial and consumer loan assets, which may be affected by local and national economic conditions;
- changes in regulation, which may have unforeseen results and in addition to, or instead of, creating investment opportunities, may also create additional risk;

- increasing internationalization of financial and credit markets, which may increase the possible adverse effect on U.S. financial institutions of foreign economic disturbances; and
- increasing competition in the banking and thrift industry, including competition from non-banks such as electronic data processing firms, which may erode the market share and decrease the margins of particular banks and thrifts.

Exchange-Traded Funds and Mutual Fund Risks

The Adviser intends to recommend or invest client assets in a wide range of securities that exhibit various risks, as previously described, but intends to primarily invest in open-ended mutual funds and exchange-traded funds ("ETFs"). Mutual funds and ETFs are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests.

REITs

REITs in which the Adviser invests client accounts are affected by underlying real estate values, which may have an exaggerated effect to the extent that REITs in which the Adviser invests concentrate investments in particular geographic regions or property types. Investments in REITs are also subject to the risk of interest rate volatility. Further, rising interest rates will cause investors in REITs to demand a higher annual yield from future distributions, which will in turn decrease market prices for equity securities issued by REITs. REITs are subject to risks inherent in operating and financing a limited number of projects because they are dependent upon specialized management skills, and have limited diversification. REITS depend generally on their ability to generate cash flow to make distributions to investors.

Leverage

The Adviser utilizes leverage for the Funds. Leverage increases returns to investors if the Funds earns a greater return on leveraged investments than the Funds' cost of such leverage. However, the use of leverage exposes the Funds to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the Funds not borrowed to make the investments, (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions, (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Funds' cost of leverage related to such investments and (iv) fluctuations in interest rates on the Funds' borrowings, which may have a negative effect on the Funds' profitability. In case of a sudden, precipitous drop in the value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the Funds.

Portfolio Illiquidity

The Adviser may invest client accounts in non-public, restricted and illiquid securities. At various times, the markets for securities purchased or sold by the Adviser may be thin or illiquid, making purchase or sale of securities at desired prices or in desired quantities difficult or impossible. There may be no market for unlisted securities traded by the Adviser. In some cases, the Adviser may be contractually prohibited from disposing of such securities for a specified period of time. Further, the sale of any such investments may be possible only at substantial discounts and such investments may be extremely difficult to value.

Short Sales

The Adviser's investment program includes short selling. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Options

The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, either to purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

Special Situations

The Adviser may invest in clients in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or result in a distribution of cash or a new security the value of which will be less than the purchase price to the Adviser of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Adviser may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Adviser may invest, there is a potential risk of loss by the Adviser of its entire investment in such companies.

Lack of Diversification

A client's portfolio may not generally be as diversified as other investment vehicles. Accordingly, the client's investments may be subject to more rapid change in value than would be the case if the client were required to maintain a wide diversification among types of securities, geographical areas, issuers and industries.

Non-U.S. Securities

The Adviser will invest in securities outside of the United States. Investing in securities of non-U.S. governments and companies that are generally denominated in currencies other than the United States

dollar, and utilization of non-U.S. currency forward contracts and options on non-U.S. currencies involve certain considerations comprising both risks and opportunities not typically associated with investing in securities of United States issuers. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of non-U.S. taxes, less liquid markets and less available information than are generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Currency Risks

Investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment, capital appreciation and political developments. The Adviser may try to hedge these risks, but there can be no assurance that it will implement a hedging strategy, or if it implements one, that it will be effective.

Board Participation

It is expected that certain related persons of the Adviser will serve as directors of some of the portfolio companies (including publicly-traded companies) in which the Funds are invested, and, as such, may have duties to persons other than the investing Fund. Although holding board positions may be important to a Fund's investment strategy and may enhance the ability of a Fund to manage investments, director seats may also have the effect of impairing a Fund's ability to sell the related securities when, and upon the terms, it may otherwise desire, and may subject the investing Fund, its general partner and the Adviser's personnel to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims, and other director-related claims. In general, the Funds will indemnify the general partner, the Adviser and relevant employees from such claims. To the extent related persons of the Adviser serve as directors of publicly-traded companies in a Fund's investment portfolio, the related person serving as a director may be exposed to material nonpublic information with respect to a particular company, the Adviser may be prohibited for periods of time from purchasing or selling the securities of such company for any client accounts. Such restrictions may have an adverse effect on the value of the investments of the relevant client.

Securities Restrictions.

To the extent that a client owns a controlling stake in, has representatives on a board of directors, or is deemed an affiliate of a particular portfolio company, it may be subject to certain securities laws restrictions that could affect both the liquidity of the client's interest in the company and its ability to liquidate its interest in the company without adversely impacting the investment's price, including insider trading restrictions, the affiliate sale restrictions of Rule 144 under the Act and the disclosure requirements of Sections 13 and 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the short swing profit and disclosure requirements of Section 16 of the Exchange Act. In addition, to the extent that affiliates of the client are subject to such restrictions, the client, by virtue of its affiliation with such entities, may be similarly restricted, regardless of whether the client stands to benefit from such affiliate's stock ownership.

Cybersecurity Risk

The information and technology systems of the Adviser and of key service providers to the Adviser and its clients may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Adviser has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for the Adviser

to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Adviser or its client accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

Risk Management Failures

Although the Adviser attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by the Adviser, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of clients may be incomplete or altogether ineffective. Similarly, the Adviser may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to clients.

Systems and Operational Risk

The Adviser relies on certain financial, accounting, data processing and other operational systems and services that are employed by the Adviser and/or by third party service providers, including prime brokers, the third party administrator, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, the Adviser and its clients could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in the clients' operations. In addition, despite certain measures established by the Adviser and third party service providers to safeguard information in these systems, the Adviser, clients and their third party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of the client trading activities, liability under applicable law, regulatory intervention or reputational damage.

Item 9. Disciplinary Information

On June 29, 2013, Michael Duprey, Executive Vice President of the Adviser, without admitting or denying the findings, consented to the entry of an *order* of the Financial Industry Regulatory Authority ("FINRA"), which imposed a \$5,000 civil penalty against Mr. Duprey and suspended him from association with any FINRA member in any capacity for six months. The civil penalty was paid by Mr. Duprey. For further information, please see Part 1A of the Adviser's Form ADV.

Item 10. Other Financial Industry Activities and Affiliations

The Funds have, and may in the future, enter into additional agreements, or “side letters,” with certain prospective or existing limited partners whereby such limited partners may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum of the applicable Fund. For example, such terms and conditions may provide for special rights to make future investments in the Funds, other investment vehicles or managed accounts; special withdrawal rights, including those relating to frequency or notice; a reduction or rebate in fees or withdrawal fees to be paid by the limited partner and/or other terms; rights to receive reports from the Funds on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Adviser and such investor. The modifications are solely at the discretion of the applicable Fund and may, among other things, be based on the size of the investor’s investment in the applicable Fund or affiliated investment entity, an agreement by an investor to maintain such investment in the Fund for a significant period of time, or other similar commitment by an investor to the Fund.

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

Code of Ethics. The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser and its supervised persons to put the interests of the Adviser’s clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. In addition to compliance with the Adviser’s policies and procedures, all of the Adviser’s personnel are required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Jonathan Holtaway, the Adviser’s Chief Compliance Officer, at (703) 564-9131. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by the Adviser’s supervised persons.

The Adviser and its supervised persons may give and/or receive gifts, services or other items to/from any person or entity that does business with or potentially could conduct business with or on behalf of the Adviser. The Adviser has adopted policies and procedures governing gifts and business entertainment, which includes disclosure of gifts and business entertainment in excess of certain *de minimis* thresholds.

The Adviser, in the course of its investment management and other activities, including, certain related persons of the Adviser serving on the board of directors of a portfolio company, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to its clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the client or using such information for the client’s benefit. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that the Adviser possesses such information), or not using such information for the client’s benefit, as a result of following the Adviser’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

Investing in Securities Recommended to Clients. From time to time, the Adviser or its related persons invests in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or a related person recommends to clients. The Adviser or its related persons may trade in a particular security in a manner that is the same as, different from, or even opposite to the trading activity undertaken by the Adviser on behalf of its clients with respect to that same security.

Such practices present a conflict when, because of the information an Adviser has, the Adviser or its related persons are in a position to trade in a manner that could adversely affect the Adviser’s clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients’ trades). In addition to affecting the Adviser’s or its related person’s objectivity, these practices by the Adviser or its related persons may also harm clients by adversely affecting the price at which the clients’ trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: The Adviser requires its supervised persons to preclear all transactions in reportable securities in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have an adverse economic impact on one of its clients. In addition, the Adviser’s Code prohibits the Adviser and its supervised persons from executing personal securities transactions in certain securities that are designated as restricted by the Adviser. All of the Adviser’s supervised persons are required to provide account statements on at least a quarterly basis or alternatively to disclose their securities transactions on a quarterly basis. The Adviser’s supervised persons are also required to provide holdings reports upon the commencement of their employment with the Adviser and on an annual basis thereafter. Trading in employee accounts is reviewed by the Chief Compliance Officer and compared with transactions executed for client accounts and reviewed against the list of securities that the Adviser has designated as restricted.

Conflicts of Interest Created by Contemporaneous Trading. The Adviser or a related person from time to time recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that the Adviser or related person buys or sells the same securities for its own account in accordance with the procedures described above in order to minimize the conflicts stemming from situations where the contemporaneous trading results in an economic benefit for the Adviser or its related person to the detriment of the client.

The Adviser's Code also prohibits its related persons from engaging in outside business activities, including serving as a director of any company (including a publicly traded company but excluding charitable organizations), without prior written authorization from the Chief Compliance Officer. Authorization will be based upon a determination that the outside business activity (e.g., board service) would not be inconsistent with the interest of any client account. To the extent the Adviser or its related persons receive income (e.g., directors' or consulting fees) in connection with managing a client's investments, the Adviser has a conflict of interest as to the treatment of such income.

Item 12. Brokerage Practices

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include, but are not limited to, reputation, financial strength and stability, creditworthiness, efficiency of execution and error resolution, the actual executed price and the commission, research (including economic forecasts, fundamental and technical advice on securities, valuation advice on market analysis); custodial and other services provided for the enhancement of the Adviser's portfolio management capabilities; the size and type of the transaction; the difficulty of execution and the ability to handle difficult trades; and the operational facilities of the brokers and/or dealers involved (including back office efficiency). In selecting a broker-dealer to execute transactions (or a series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser's Chief Compliance Officer periodically evaluates the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

The Adviser receives research or other products or services other than execution from a broker-dealer and/or a third party in connection with client securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Exchange Act ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

When the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser's Chief Compliance Officer regularly reviews and evaluates its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services. To address these conflicts of interest, the Adviser will execute client trades through broker-dealers that provide research and brokerage products to the Adviser only if it is determined by the Adviser's Chief Compliance Officer that client trades with such broker-dealers are otherwise consistent with seeking best execution.

In some instances, the Adviser may obtain a product or service that is used, in part, by the Adviser for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources or by the client in accordance with the client's investment management agreement or a Fund's offering memorandum. The determination by the Adviser of the appropriate allocation of "mixed use" products and services creates a potential conflict of interest between the Adviser and clients.

In selecting brokers and negotiating commission rates, the Adviser will take into account the financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers. The Adviser may place transactions with a broker or dealer that (i) provides the Adviser (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to the Funds or other products advised by the Adviser (or an affiliate), if otherwise consistent with seeking best execution; provided the Adviser is not selecting the broker-dealer as remuneration for the opportunity to participate in such capital introduction events or the referral of investors.

The investment management agreement or other constituent documents for certain clients require the client to direct the Adviser to execute the client's trades with a specified broker-dealer. As such, the Adviser elects not to select other broker-dealers to effect transactions. Although the Adviser attempts to effect such transactions in a manner consistent with its policy of seeking best execution, there may be occasions where it is unable to do so. The selection of a particular broker-dealer to effect transactions for a client may result in certain costs or disadvantages to the client. Such costs may include higher brokerage commissions (because the Adviser may not be able to aggregate orders to reduce transaction costs), less favorable execution of transactions, and the potential of exclusion from the client's portfolio of certain foreign ordinary shares and/or small capitalization or illiquid securities due to the inability of the particular broker-dealer in question to provide adequate price and execution of all types of securities transactions. Not all advisers require clients to direct the Adviser to execute client trades with a specific broker-dealer. In other instances with respect to certain other clients, the Adviser does not recommend, request or require that a client direct the Adviser to execute transactions through a specified broker-dealer, nor does the Adviser permit clients to direct the Adviser to transact with a specific broker.

The Adviser often purchases or sells the same security for many clients at or near the same time and using the same executing broker. It is the Adviser's practice, where appropriate, to aggregate client orders for the purchase or sale of the same security at or near the same time for execution using the same executing broker, if, in its reasonable judgment such aggregation is reasonably likely to result in an overall economic benefit to clients. The Adviser will also aggregate in the same transaction, the same securities for accounts where the Adviser has brokerage discretion. Such aggregation may enable the Adviser to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. The Adviser, however, does not attempt to aggregate purchase and sale orders across multiple broker-dealers and will not aggregate orders for the same security for multiple clients if such purchase or sale was based on separate investment decisions. In addition, in cases where the client has negotiated the commission rate directly with the broker, the Adviser will not be able to obtain more favorable commission rates based on an aggregated trade. In such cases, the client will be precluded from receiving the benefit of any possible commission discounts that might otherwise be available as a result of the aggregated trade. In cases where trading or investment restrictions are placed on a client's account, the Adviser may be precluded from aggregating that client's transaction with others. In such a case, the client may pay a higher commission rate and/or receive less favorable prices than clients who are able to participate in an aggregated order. When an aggregated order is completely filled, the Adviser allocates the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular

broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. To the extent an order is price-averaged, a client account participating in the trade may pay a higher price than if the Adviser did not aggregate the order. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair to clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating clients.

The Adviser or its related persons may also participate in an aggregated order.

Item 13. Review of Accounts

Each client account is reviewed by the Chief Compliance Officer of the Adviser on an ongoing basis to determine whether securities positions should be maintained in light of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each client account.

Significant market events affecting the prices of one or more securities in client accounts may trigger reviews of client accounts on other than a periodic basis.

Investors receive written reports from the Funds pursuant to the terms of the applicable offering memorandum. The Separate Accounts will receive written reports from the Adviser as set forth in the investment management agreements entered into between the Separate Accounts and the Adviser.

Item 14. Client Referrals and Other Compensation

The Adviser receives certain research or other products or services from broker-dealers through “soft-dollar” arrangements. These “soft-dollar” arrangements create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its clients. Please see Item 12 for further information on the Adviser’s “soft-dollar” practices, including the Adviser’s procedures for addressing conflicts of interest that arise from such practices.

Item 15. Custody

An affiliate of the Adviser has custody of the Funds' assets due to its role as the general partner to the Funds, each a limited partnership. The Adviser complies with Rule 206(4)-2 under the Advisers Act (the "Custody Rule") by ensuring the delivery of audited financial statements at least once annually to all of the Funds' investors. The Funds' auditor is an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements are prepared in accordance with generally accepted accounting principles in the U.S. and are distributed to each Fund investor within 120 days of the applicable Fund's fiscal year end.

The Adviser does not have custody with respect to any Separate Accounts, Planning Clients, Pension Consulting Clients or any other client accounts. Such clients maintain their own custody relationships.

The Adviser also sends quarterly statements directly to Separate Account clients, in addition to those sent by the qualified custodian. Clients should compare any quarterly statements they receive from the custodian with those received from the Adviser.

Item 16. Investment Discretion

The Adviser provides investment advisory services to substantially all of its clients on a discretionary basis. Please see Item 4 for a description of any limitations clients may place on the Adviser's discretionary authority.

Prior to assuming full discretion over a client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. The Adviser may consider the following factors, among others, in allocating securities among clients: (i) a client's investment objectives and strategies; (ii) risk profiles; (iii) tax status and restrictions placed on client's portfolio by the client or by applicable law; (iv) size of the client account; (v) total portfolio invested position; (vi) nature and liquidity of the security to be allocated; (vii) size of available position; (viii) supply or demand for a security at a given price level; (ix) current market conditions; (x) account liquidity and timing of cash flows; and (xi) any other information determined to be relevant to the fair allocation of investment opportunities. Although it is the Adviser's policy to allocate investment opportunities to eligible client accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser to allocate securities to client accounts in varying amounts. Even client accounts that are typically managed on a *pari passu* basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

Allocations will be made among client accounts eligible to participate in initial public offerings (IPOs) and secondary offerings on a pro rata basis, except when the Adviser determines in its discretion that a pro rata allocation is not appropriate, which may include a client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a client's status as a "restricted person" under applicable regulations.

Securities acquired by the Adviser for its clients through a limited offering will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that the Adviser will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those client accounts eligible to hold such securities. Eligibility will be based on the legal status of the clients and the clients' investment objectives and strategies.

The Adviser may effect cross transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable the Adviser to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. The Adviser has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. The Adviser will only engage in a cross transaction between clients when the Adviser has determined that the cross transaction is in the best interest of each client. Cross transactions are not permitted for benefit plan or other similar accounts that are subject to ERISA.

Notwithstanding the foregoing, in certain instances, the Adviser also manages non-discretionary client accounts. The Adviser provides the same or overlapping investment recommendations to both a discretionary client account and a non-discretionary client account (for example, the Adviser utilizes the

same or a substantially similar investment strategy for such accounts). In this regard, the Adviser will implement investment decisions on behalf of discretionary client accounts and consider any non-discretionary client accounts as it is able based on such non-discretionary client's responsiveness to the Adviser's investment recommendations.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine the appropriate course of action. To the extent that trade errors occur, the Adviser's error correction procedure is to ensure that clients are treated fairly. The Adviser has discretion to resolve a particular error in any manner that it deems appropriate and consistent with the above stated policy. The Adviser is not responsible for the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by the Adviser.

Item 17. Voting Client Securities

To the extent the Adviser has been delegated proxy voting authority on behalf of its clients, the Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of each client.

The Adviser will abstain from voting or affirmatively decide not to vote if the Adviser determines that abstention or not voting is in the best interests of the client in light of the scope of services to which the Adviser and the client have agreed. In making this determination, the Adviser will consider various factors, including, but not limited to, (i) the costs associated with exercising the proxy (e.g., translation or travel costs); and (ii) any legal restrictions on trading resulting from the exercise of a proxy.

If a material conflict of interest between the Adviser and a client exists with respect to voting proxies, the Adviser will determine whether voting in accordance with the guidelines set forth in its proxy voting policies and procedures is in the best interests of the client or take some other appropriate action.

Item 18. Financial Information

The Adviser (or an affiliate) has discretionary authority of certain client funds or securities. There is no financial condition that is reasonably likely to impair the Adviser's ability to meet contractual commitments to clients.