

**Item 1            Cover Page**

**Part 2A of Form ADV: Firm Brochure**

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This brochure provides information about the qualifications and business practices of Aperimus Capital, LLC. If you have any questions about the contents of this brochure, please contact us at 310 496 5822 or email [compliance@aperimus.com](mailto:compliance@aperimus.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities or investment products. Such an offer may only be made to eligible persons by means of delivery of offering memoranda and/or other similar materials that contain a description of the material terms related to such investment.

Additional information about Aperimus Capital, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Aperimus Capital, LLC is registered as an investment adviser with the SEC. SEC registration does not imply a certain level of skill or training.

**THIS BROCHURE SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY.**

## **Item 2            Material Changes**

This brochure dated March 16, 2021 amends the Advisor's most recent update, dated March 25, 2020.

The following is a summary of the material changes to this brochure since its last annual update on March 25, 2020:

1. The Advisor has revised its reported assets under management under Item 4 - Advisory Business.
2. The Advisor has made a number of changes throughout this brochure to reflect that the Advisor provides investment management services to a separately managed account.

In addition to the foregoing material changes, the Advisor has made a number of non-substantive, clarifying changes throughout this brochure.

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### **Item 3            Table of Contents**

ITEM 1	Cover Page.....	1
ITEM 2	Material Changes.....	2
ITEM 3	Table Of Content.....	3
ITEM 4	Advisory Business.....	4
ITEM 5	Fees and Compensation .....	5
ITEM 6	Performance Based Fees .....	8
ITEM 7	Types Of Clients.....	11
ITEM 8	Methods of Analysis Investment strategies and Risk of Loss .....	11
ITEM 9	Disciplinary.....	25
ITEM 10	Other Financial Industry Activities and Affiliations.....	25
ITEM 11	Code of Ethics, Participation or Interest in Client Transaction and Personal Trading.....	28
ITEM 12	Brokerage Practices.....	29
ITEM 13	Review of Accounts.....	30
ITEM 14	Client Referrals and Other Compensation.....	31
ITEM 15	Custody.....	31
ITEM 16	Investment Discretion.....	32
ITEM 17	Voting Client Securities.....	32
ITEM 18	Financial Information.....	34
ITEM 19	Requirement for State-Registered Advisors.....	34

## Item 4

### Advisory Business

Aperimus Capital, LLC (the “Advisor”) was organized in California in January 2009, with a principal place of business in Marina Del Rey, California, and is managed and controlled by Catherine L. Sellman.

The Advisor provides investment management services primarily to three private pooled investment vehicles (collectively, the “Funds”, and each individually, a “Fund”). The three Funds are Aperimus Partners, L.P. (“Aperimus Partners”), Aperimus Socorro, L.P. (“Aperimus Socorro”) and Sandoval LP (“Sandoval”). Investors in the Funds may be institutions, fund of funds, family offices, foundations, pension and endowment plans, and high-net-worth individuals.

The Advisor also provides investment management services to an institutional investor through a separately managed account and, in the future, may provide investment management services to institutional investors and high-net-worth individuals through separately managed accounts (collectively, “Accounts”, and each individually, an “Account”).

The Funds and the Accounts are referred to in this brochure, collectively, as “Clients”, and each individually, as a “Client”.

#### *Investment Management Services Generally*

The Advisor’s investment management services include determining the investment objectives of a Client, determining appropriate asset allocation across a Client’s investment strategies, executing trades, and monitoring existing and prospective investments in light of each Client’s objectives. The Advisor typically invests on behalf of the Clients in the U.S. stock market, but may also invest in a wide variety of other securities including, among others, foreign securities, options, preferred stocks and publicly traded debt instruments.

#### *Investment Management Services to the Funds*

The Advisor intends to manage each Fund pursuant to the investment strategy described in the confidential offering memorandum of each Fund (each, a “Memorandum”). Under the investment management agreement with each Fund, the Advisor has wide latitude to act upon any investment strategy or to change any investment strategy to achieve the investment objective of the Fund without obtaining the consent of Fund investors. Prospective investors should carefully read each applicable Memorandum and consult with their own counsel and advisers as to all matters concerning an investment in the Funds. Individual investors in the Funds

are not permitted to impose their own investment restrictions on the Funds.

Aperimus Partners

The Advisor is the general partner of Aperimus Partners, L.P., a Delaware limited partnership organized in January 2009.

Aperimus Socorro

The Advisor is the general partner of Aperimus Socorro, L.P., a Delaware limited partnership organized in November 2011.

Sandoval

The Advisor is the general partner of Sandoval LP, a Delaware limited partnership organized in December 2017.

*Investment Management Services to the Accounts*

Investments for each Account are managed in accordance with the Account's investment objectives, strategies, restrictions and guidelines as set forth in the documents governing the Advisor's relationship with such Account (each, an "Advisory Agreement"). If an Account wishes to impose certain restrictions on investing in certain securities or types of securities, or is prohibited by applicable law from investing in such securities or types of securities, the Advisor will address those requests on a case-by-case basis.

*Regulatory Assets Under Management*

As of December 31, 2020, the regulatory assets under management managed by the Advisor on a discretionary basis on behalf of its Clients totaled \$418,720,646. As of December 31, 2020, the Advisor did not manage any assets on a non-discretionary basis.

**Item 5 Fees and Compensation**

*Fees with respect to the Funds*

Investors in the Funds are subject to the fees and expenses described below. Additionally, investors in the Funds are subject to performance-based allocations as described in Item 6 below. The Advisor has the authority to negotiate these fees and expenses at its discretion. The Advisor has waived or negotiated lower fees or expenses for certain investors in the Funds. The Advisor will not receive sales commissions in connection with sales of interests in a Fund.

#### Aperimus Partners

The Advisor receives a management fee (the “Aperimus Partners Management Fee”) from Aperimus Partners as of the first business day of each quarter in advance equal to 0.375% (approximately 1.50% on an annualized basis) of each investor’s total capital account balance as of the first business day of such quarter. The Aperimus Partners Management Fee is prorated for interests held for less than a full quarter. If an investor withdraws all or a portion of its account in Aperimus Partners on a date other than the end of a calendar quarter, any unearned portion of the Aperimus Partners Management Fee (calculated from the date of withdrawal to the last day of the calendar quarter) paid at the beginning of the calendar quarter will be refunded by the Advisor to the investor at the same time as the payment of withdrawal proceeds.

#### Aperimus Socorro

The Advisor receives a management fee (the “Aperimus Socorro Management Fee”) from Aperimus Socorro as of the first business day of each quarter in advance equal to 0.375% (approximately 1.50% on an annualized basis) of each investor’s total capital account balance as of the first business day of such quarter. The Aperimus Socorro Management Fee is prorated for interests held for less than a full quarter. If an investor withdraws all or a portion of its account in Aperimus Socorro on a date other than the end of a calendar quarter, any unearned portion of the Aperimus Socorro Management Fee (calculated from the date of withdrawal to the last day of the calendar quarter) paid at the beginning of the calendar quarter will be refunded by the Advisor to the investor at the same time as the payment of withdrawal proceeds.

#### Sandoval

The Advisor receives a management fee (the “Sandoval Management Fee”) from Sandoval as of the first business day of each quarter in advance equal to 0.375% (approximately 1.50% on an annualized basis) of each investor’s total capital account balance as of the first business day of such quarter. The Sandoval Management Fee is prorated for interests held for less than a full quarter. If an investor withdraws all or a portion of its account in Sandoval on a date other than the end of a calendar quarter, any unearned portion of the Sandoval Management Fee (calculated from the date of withdrawal to the last day of the calendar quarter) paid at the beginning of the calendar quarter will be refunded by the Advisor to the investor at the same time as the payment of withdrawal proceeds.

Each Fund bears all expenses of its organization and operation, expenses incurred in the purchase and sale of investments, and accounting fees, as determined by the Advisor. Such expenses include but are not limited to: (i) brokerage and execution charges, commissions, custodial charges, and fees for quotation and other data services; (ii) fees related to accounting,

trading, portfolio management and risk management systems; (iii) research subscriptions and expenses; (iv) broken trade and broken deal fees; (v) expenses to register securities and transfer taxes; (vi) costs and expenses incurred for the purpose of protecting and enhancing the value of the assets of a Fund (including the costs of instituting and defending litigation); (vii) taxes, filing and registration fees of a Fund; (viii) all costs, fees and expenses relating to investor communications, relations, accounting and the preparation and mailing of financial, tax and performance information to investors; (ix) fees, costs and expenses incurred in connection with borrowings; (x) administration fees, costs and expenses; and (xi) fees for attorneys, accountants, consultants and other professionals or experts. The Advisor may, at its discretion, choose to pay or reimburse a Fund for all or any portion of such expenses. In such event, the Advisor may be reimbursed at a later date by such Fund for such expenses borne by the Advisor. For additional information regarding brokerage and execution fees, see Item 12 below.

#### *Fees with respect to the Accounts*

Fees paid to the Advisor by Account Clients are negotiable and will vary. Fees will be set forth in the Advisory Agreement with each Account Client and determined based on the Client's needs, the complexity of the Client's investment objective and the number of portfolio restrictions.

Under the Advisory Agreement with an Account Client, the Advisor may receive an annual management fee from the Account Client equal to a percentage, typically between 1% and 2% , of the Account's targeted investment capital ("TIC") or assets under management ("AUM"). Additionally, the Advisor may receive performance-based allocations from an Account as described in Item 6 below. Certain Account Clients are charged a liquidation fee if a Client elects to withdraw all of its assets in its Account on less than an agreed upon notice period, such Client will be subject to an additional charge in an amount equal to a portion (e.g., 50%) of the management fee that otherwise would have been payable over such notice period.

Fees are expected to be paid monthly (either in advance or in arrears), based on the TIC or AUM as of the relevant date(s), and adjusted for contributions to and withdrawals from the Account. In those circumstances where an Account pays the management fee in advance, upon termination, any fees paid in advance will be prorated to the date of termination and any excess will be refunded to the Account. Fees may be calculated and accrued or paid more or less frequently or in a different manner, as specified in the relevant Advisory Agreement. An Account may therefore pay more or less than other Clients for the same or similar management services. Fees charged to an Account can be either directly debited from the Account or invoiced and paid separately by the Client.

In addition to the management fee and performance-based allocation, if any, an Account is responsible for any fees, expenses or charges incurred by or on behalf of the Account in connection with its organization and operation. Such expenses include but are not limited to fees, expenses or charges related to (i) custodial services provided for the Account, (ii) transactions effected for the Account, including brokerage and execution charges, markups, commissions, and negative rebate expenses incurred as a result of the Account's short positions, and (iii) any other service provided for the Account by any person other than the Advisor, including legal, accounting, tax preparation, administration, and audit services. For additional information regarding brokerage and execution charges, see Item 12 below.

The Advisor will not receive sales commissions in connection with sales of interests in an Account.

## **Item 6            Performance Based Fees**

The Advisor receives performance-based compensation from each Client that it manages. Fees based on performance will only be charged in accordance with the provisions of Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Performance-based compensation may create an incentive for the Advisor to cause a Client to make investments that are riskier than it would otherwise make. In addition, since the Advisor's performance-based compensation is calculated on a basis which includes unrealized appreciation of the assets held by a Client, it may be greater than if such compensation were based solely on realized gains.

In the event that some Clients to which the Advisor provides investment management services are charged performance-based compensation but not others or Clients are charged performance-based compensation at varying rates, a conflict may arise where the Advisor has an incentive to treat some Clients preferentially as compared to others. The Advisor has adopted a policy to allocate portfolio transactions and investment opportunities across multiple Client accounts on a fair and equitable basis over time. All eligible Clients that can participate in a transaction share the same price on a pro rata allocation basis in an attempt to mitigate any conflict of interest. Investment opportunities are allocated among similarly managed Client portfolios to maintain consistency of portfolio strategy, taking into account cash availability, investment restrictions and guidelines, and portfolio composition.

Since management fees and performance-based compensation paid to the Advisor are generally based on the net asset value of a Fund or an Account, a conflict may also arise when the Advisor or a related person is

valuing the assets held by the Fund or Account. Assets will generally be valued at fair value by the Advisor or its related person in accordance with U.S. generally accepted accounting practices (“GAAP”).

The Advisor manages the Funds on a side-by-side basis with Accounts utilizing the similar investment strategies. Potential conflicts of interest may exist when the Advisor buys or sells securities for multiple Client accounts. The Advisor has adopted policies and procedures with the aim to ensure the fair and equitable treatment of all Client accounts managed side-by-side by the Advisor.

The Advisor’s principal manages multiple portfolios for various Clients. Therefore, a potential conflict exists for the principal to intentionally or unintentionally treat one Client more favorably than another. This potential conflict can be most apparent when one Client has a higher fee or a different fee structure than another Client, including a performance-based allocation. Another potential conflict may arise if the Advisor manages accounts of its principal and employees on a side-by-side basis with third-party Client accounts. The Advisor has internal review policies and oversight to ensure that no one Client is intentionally or unintentionally favored at the expense of another.

#### *Performance-Based Compensation with respect to the Funds*

##### Aperimus Partners

On December 31 of each year, Aperimus Partners allocates to the Advisor a performance-based allocation (the “Aperimus Partners Performance Allocation”) with respect to each investor equal to 20% of the appreciation in each investor’s capital account during the year. The Aperimus Partners Performance Allocation is payable only if, and to the extent that, the net capital appreciation of an investor’s capital account for the year exceeds any net capital depreciation in the capital account (reduced pro rata for any withdrawals) accumulated in prior years (i.e., a “high watermark”). The Advisor may receive Aperimus Partners Performance Allocations with regard to unrealized appreciation as well as realized gains in the investors’ accounts.

##### Aperimus Socorro

On December 31 of each year, Aperimus Socorro allocates to the Advisor a performance-based allocation (the “Aperimus Socorro Performance Allocation”) with respect to each investor equal to 20% of the appreciation in each investor’s capital account during the year. The Aperimus Socorro Performance Allocation is made only if, and to the extent that, the net capital appreciation of an investor’s capital account for the year exceeds any net capital depreciation in the capital account (reduced pro rata for any withdrawals) accumulated in prior years (i.e., a “high water mark”). The Advisor may be allocated Aperimus Socorro Performance Allocations

with regard to unrealized appreciation as well as realized gains in the investors' capital accounts.

#### Sandoval

On December 31 of each year, Sandoval allocates to the Advisor a performance-based allocation (the "Sandoval Performance Allocation") with respect to each investor equal to 20% of the appreciation in each investor's capital account during the year. The Sandoval Performance Allocation is made only if, and to the extent that, the net capital appreciation of an investor's capital account for the year exceeds any net capital depreciation in the capital account (reduced pro rata for any withdrawals) accumulated in prior years (i.e., a "high water mark"). The Advisor may be allocated Sandoval Performance Allocations with regard to unrealized appreciation as well as realized gains in the investors' capital accounts.

#### *Performance-Based Compensation with respect to the Accounts*

The performance-based compensation charged by the Advisor with respect to Accounts is negotiable and will vary. The performance-based compensation will be set forth in the Advisory Agreement with each Account Client and determined based on the Client's needs, the complexity of the Client's investment objective and the number of portfolio restrictions. Performance-based compensation, if any, will be paid through a performance-based fee paid by the Client's Account, or, with respect to certain Account Clients, an allocation of profits from the portion of a capital account of the Client attributable to the Account to the capital account of the Advisor, at each fiscal year end or other time specified in the applicable Advisory Agreement.

Generally, the Advisor will receive annual performance-based compensation in arrears equal to a percentage (typically, 20%) of the net capital appreciation (i.e., capital appreciation less capital depreciation) of the assets held in the Account of a Client that is eligible to enter into a performance compensation arrangement under the Advisers Act. The performance-based compensation is generally payable only if, and to the extent that, the net capital appreciation of Account assets exceeds any outstanding loss carryforward accumulated in prior years and in some cases (with respect to all or a portion of an Account) is conditioned on achievement of a threshold return (a "Relative Return Performance Allocation"). The Advisor may receive a Relative Return Performance Allocation with respect to all or portion of an applicable Account even if the Account (or the applicable portion of the Account) experiences losses during the applicable performance period.

## **Item 7           Types of Clients**

### *Funds*

The Advisor provides investment management services to the following Funds: Aperimus Partners, L.P., Aperimus Socorro, L.P. and Sandoval LP. Investors in such Funds are typically institutions, fund of funds, family offices, foundations, pension and endowment plans, and high-net-worth individuals. The minimum initial capital contribution for such Funds is \$1,000,000. Investors generally must be “accredited investors” under Regulation D who are also “qualified purchasers” under Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended. The Advisor generally requires Fund investors to make representations concerning their financial sophistication and ability to bear the risk of loss of their entire investment in the Fund. The minimum contribution and investor requirements may be waived by the Advisor in its sole discretion.

### *Accounts*

The Advisor’s Account Clients may include institutions, fund of funds, family offices, foundations, pension and endowment plans, and high-net-worth individuals. The Advisor generally requires Account Clients to initially provide and maintain a minimum of \$100,000,000 in assets under management. Account Clients generally must be eligible to enter into a performance-based compensation arrangement under the Advisers Act. The Account minimum may be waived by the Advisor in its sole discretion.

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

### Method of Analysis and Investment Strategies

The Advisor’s investment objective is to generate consistent superior returns on capital through holding long and short positions in a selection of securities of individual companies and exchange-traded funds. The Advisor invests primarily in equity securities traded in U.S. securities markets across a wide range of industries and market capitalizations.

To evaluate potential and existing investments, the Advisor will utilize its knowledge of financial statement analysis, accounting, long-term industry trends, market sentiment, company-specific trends and characteristics, and management track records and capabilities. Research activities generally include analyzing publicly-available financial documents, communicating with management teams, observing company operations, communicating with competitors, suppliers, and vendors, reading trade journals and the

press, communicating with industry experts, and developing in-house financial models.

The Advisor intends to find investment opportunities primarily through reviewing internally developed screens, studying related companies, reading public filings, tracking managements' relationships and prior associations, reading widely and observing shifts in consumer behavior. The Advisor expects to find investment opportunities for the Clients across a wide range of industry sectors and market capitalizations, primarily in equity securities traded in U.S. securities markets.

***Investment in securities involves risk of loss that Clients and investors in a Fund must be prepared to bear.***

#### Risk of Loss

Investment risks specific to the investment strategy of each Client are described in the applicable Memorandum or Advisory Agreement (and risks specific to any investment strategy employed by the Advisor in managing a Client account will be explained to the Client prior to the opening of the account). Such risks include (but are not limited to):

*Equity Investments.* The Advisor may invest in equity securities including common stocks, preferred stocks, convertible securities and warrants. These securities may be traded on major stock exchanges, the NASDAQ (National Market System, small cap and bulletin board), foreign exchanges or regional stock exchanges. Although equity securities have a history of long-term growth value, their prices fluctuate based on changes in the issuer's financial condition and prospects and on overall market and economic conditions. There is no limitation on the types or sizes of the companies in which the Advisor may invest if it believes they present opportunities for capital appreciation. The Advisor may invest not only in securities of issuers with large market capitalizations, but also in securities of medium-cap, small-cap and micro-cap companies. Smaller companies often have limited product lines, markets or financial resources, and may depend on one or few key persons for management. The securities of such companies may be subject to more volatile market movements than securities of larger, more established companies, both because the securities typically are traded in lower volume and because the issuers typically are more subject to changes in earnings and prospects.

*Short Sales.* The Advisor may make short sales in any type of securities. Short sales that are not made "against the box" and are not part of a hedging transaction create opportunities to increase return but, at the same time, are speculative and involve special risk considerations. Since the seller in effect profits from a decline in the price of the securities sold short without the need to invest the full purchase price of the securities on the date of the short sale, returns will tend to increase more when the

securities sold short decrease in value, and to decrease more when the securities sold short increase in value, than would otherwise be the case if the seller had not engaged in such short sales. Short sales theoretically involve unlimited loss potential, as the market price of securities sold short may continuously increase, although the Advisor may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions the Advisor 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.

*Fixed Income Securities.* Fixed income securities are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). The market values of fixed-income securities tend to vary inversely with the level of interest rates. Yields and market values of fixed income securities fluctuate over time, reflecting not only changing interest rates but the market's perception of credit quality and the outlook for economic growth.

Lower rated or unrated (i.e., high yield) securities are more likely to react to developments affecting market and credit risk than are more highly rated securities, which primarily react to movements in the general level of interest rates. Lower rated securities are defined as securities below the fourth highest rating category by a nationally recognized statistical rating organization. Such obligations are speculative and may be in default. There is no limit on the ratings of high-yield securities that may be purchased or held by the Clients. In addition, the Advisor may invest in unrated securities. When economic conditions appear to be deteriorating, medium to lower rated securities may decline in value due to heightened concern over credit quality, regardless of prevailing interest rates. Clients and investors in the Funds should carefully consider the relative risks of investing in high yield securities and understand that such securities are not generally meant for short-term investing.

*Small Capitalization Companies.* Historically, securities of small capitalization companies (commonly referred to as "micro-cap" and "small-cap" companies) have been more volatile in price than those of larger capitalized, more established companies. The securities of small capitalization and recently organized companies pose greater investment risks because such companies may have limited product lines, distribution channels and financial and managerial resources. The equity securities of small capitalization companies are often traded over-the-counter or on

regional exchanges and may not be traded in the volumes typical on a national securities exchange. Consequently, the Clients may be required to dispose of such securities or cover a short position over a longer (and potentially less favorable) period of time than is required to dispose of or cover a short position with respect to the securities of larger, more established companies. Investments in small capitalization companies may also be more difficult to value than other types of securities because of the foregoing considerations as well as lower trading volumes. Investments in companies with limited operating histories are more speculative and entail greater risk than do investments in companies with an established operating record. Additionally, transaction costs for these types of investments are often higher than those of larger capitalization companies.

*High Yield Debt Securities and Non-Performing Debt.* Below investment grade debt securities, commonly referred to as “high yield bonds” or “junk bonds,” are considered to be speculative and involve a greater risk of default or price changes due to changes in the issuer’s creditworthiness than higher rated securities. The Advisor may invest in non-performing, “distressed” debt-high yield bonds issued by entities that have already indicated an inability to pay outstanding interest or principal. The value and liquidity of these instruments may be diminished by adverse publicity and investor perceptions. In addition, the ultimate recovery for holders of such bonds often depends upon the resolution of complex legal questions, determined in the context of a bankruptcy reorganization. These securities often are contractually or structurally subordinated in right of payment to prior claims of banks or other senior lenders, and will typically be unsecured.

Because defaulted high yield securities are frequently traded only in markets where the number of potential purchasers and sellers, if any, is limited, the ability of the Advisor to sell these securities at their fair value either to meet redemption requests or to respond to changes in the financial markets may be limited. Thinly traded high yield securities may be more difficult to value accurately for the purpose of determining the net asset value of a Client account.

*Over-the-Counter Securities.* Securities traded over-the-counter include equities, bonds and options. In trading such securities, broker-dealers negotiate directly with one another since such securities are not considered large or stable enough to trade on a major exchange. Certain over-the-counter securities are subject to the risk of non-performance by the counterparty to a trade, including risks relating to the financial soundness and credit worthiness of the counterparty. Such securities also tend to trade infrequently, making the bid-ask spread larger. In addition, research regarding such securities is often more difficult to obtain.

*Structured Securities.* Structured securities are securities whose value is determined by reference to changes in the value of specific currencies, interest rates, commodities, indexes or other financial indicators (the “Reference”) or the relative change in two or more References. The interest rate or the principal amount payable upon maturity or redemption may be increased or decreased depending upon changes in the applicable Reference. Structured securities may be positively or negatively indexed, so that appreciation of the Reference may produce an increase or decrease in the interest rate or value of the security at maturity. In addition, changes in the interest rates or the value of the security at maturity may be a multiple of changes in the value of the Reference. Consequently, structured securities may present a greater degree of market risk than other types of fixed-income securities and may be more volatile, less liquid and more difficult to price accurately than less complex securities.

*When-Issued and Forward Commitment Securities.* The Advisor may purchase securities on a “when-issued” basis and may purchase or sell securities on a “forward commitment” basis in order to hedge against anticipated changes in interest rates and prices or for speculative purposes. These transactions involve a commitment by the Advisor to purchase or sell securities at a future date (ordinarily at least one or two months later). The price of the underlying securities, which is generally expressed in terms of yield, is fixed at the time the commitment is made, but delivery and payment for the securities takes place at a later date. No income accrues on securities that have been purchased pursuant to a forward commitment or on a when-issued basis prior to delivery to the Clients. When-issued securities and forward commitments may be sold prior to the settlement date. If the Advisor disposes of the right to acquire a when-issued security prior to its acquisition or disposes of its right to deliver or receive against a forward commitment, it may incur a gain or loss. There is a risk that securities purchased on a when-issued basis may not be delivered and that the purchaser of securities sold by the Advisor on a forward basis will not honor its purchase obligation. In such cases, the Clients may incur a loss.

*General Derivative Considerations.* The Advisor’s use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in securities or more traditional investments, depending upon the characteristics of the particular derivative and the Advisor’s portfolio as a whole. Derivatives permit the Advisor to increase or decrease the level of risk of its portfolio, or change the character of the risk to which its portfolio is exposed, in much the same way as the Advisor can increase or decrease the level of risk, or change the character of the risk, of its portfolio by making investments in specific securities.

Derivatives may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in derivatives could have a large potential impact on the Clients' performance. If the Advisor invests in derivatives at inopportune times or judges market conditions incorrectly, such investments may lower the Clients' return or result in a loss. The Clients also could experience losses if derivatives are poorly correlated with its other investments, or if the Advisor is unable to liquidate its position because of an illiquid secondary market. The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid, and unpredictable changes in the prices for derivatives.

Engaging in these transactions involves risk of loss to the Clients that could materially adversely affect the value of the Clients' net assets.

*Options Contracts.* The Advisor may utilize options contracts and so-called "synthetic" options or other derivative instruments written by broker-dealers or other financial intermediaries. Options transactions may be effected on securities exchanges or in the over-the-counter market. When options are purchased over-the-counter, the Clients' portfolio bears the risk that the counterparty that wrote the option will be unable or unwilling to perform its obligations under the option contract. Such options may also be illiquid and, in such cases, the Clients may have difficulty closing out its position.

A covered put option is a put option with respect to which the seller has a short position in the underlying security. The seller of a covered put option assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The seller of a put option may also be required to place cash or liquid securities in a segregated account to ensure compliance with its obligation to purchase the underlying security. The sale of such an option exposes the Advisor during the term of the option to a decline in price of the underlying security while depriving the Advisor of the opportunity to invest the segregated assets.

A covered call option is a call option with respect to which the Client owns the underlying security. The sale of such an option exposes the

Client, during the term of the option, to possible loss of opportunity to realize appreciation in the market price of the underlying security and to the possibility that it might hold the underlying security in order to protect against depreciation in the market price of the security during a period when it might have otherwise sold the security. The seller of a covered call option assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option.

The prices of derivative instruments, including options prices, are highly volatile. Price movements of forward contracts and other derivative contracts in which the Advisor may invest are influenced by, among other things: interest rates; changing supply and demand relationships; trade, fiscal, monetary, and exchange control programs and policies of governments; and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those of currencies and interest rate related options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Advisor is also subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses.

*Call and Put Options on Securities Indexes.* The Advisor may purchase and sell call and put options on stock indexes listed on national securities exchanges or traded in the over-the-counter market for hedging purposes and non-hedging purposes to pursue its investment objectives. A stock index fluctuates with changes in the market values of the stocks included in the index. Accordingly, successful use by the Advisor of options on stock indexes will be subject to the Advisor's ability to predict correctly movements in the direction of the stock market generally or of a particular industry or market segment. This requires different skills and techniques than predicting changes in the price of individual stocks.

*Undervalued and Distressed Securities.* The Advisor may invest in undervalued securities. Such undervalued securities may include investments in distressed situations including the purchase of securities of issuers in bankruptcy, at risk of filing for bankruptcy or otherwise being insolvent. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While

investments in undervalued securities offer the opportunities for above average returns, these investments involve a high degree of risk and can result in substantial losses. In addition, the Clients may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this holding period, a portion of the Clients' capital would be committed to the securities purchased, thus possibly preventing the Advisor from investing in other opportunities. In addition, the Advisor may finance such purchases with borrowed funds and thus will have to pay interest on such funds during the holding period. Returns generated from such investments may not adequately compensate the Clients for the risks involved.

*Special Hedging Considerations.* Special risks are associated with the use of options as a hedging technique. In addition to directional risks of the underlying securities, options are subject to fluctuations in the volatility of the underlying security and fluctuations in prevailing interest rates to a lesser extent. For options used in hedging, there can be no guarantee of a correlation between price movements in the hedging vehicle and in the portfolio securities being hedged. A lack of correlation could result in a loss on both the hedged securities and the hedging vehicle so that the Clients' return might have been better had hedging not been attempted. In addition, a decision as to whether, when and how to use options involves the exercise of skill and judgment which are different from those needed to select portfolio securities, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior, currency fluctuations or interest rate trends. If the Advisor is incorrect in its forecasts regarding market values, currency fluctuations, interest rate trends, or other relevant factors, the Advisor may be in a worse position than if it had not engaged in options transactions. The Advisor is experienced in the use of options as an investment technique.

There can be no assurance that a liquid market will exist at a time when the Advisor seeks to close out an option position. Certain of these instruments are relatively new and without a significant trading history. As a result, there is no assurance that an active secondary market will develop or continue to exist. Lack of a liquid market for any reason may prevent the Advisor from liquidating an unfavorable position and the Advisor would remain obligated to meet margin requirements until the position is closed.

*Exchange-Traded Funds.* The Advisor may invest in exchange-traded funds ("ETFs"), which are a type of index fund bought and sold on a securities exchange. An ETF trades like common stock and represents a fixed portfolio of securities designed to track a particular market index. The Advisor could purchase an ETF to temporarily gain exposure to a portion of the U.S. or a foreign market while awaiting purchase of

underlying securities. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (a) the risk that their prices may not correlate perfectly with changes in the underlying index; and (b) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable. An exchange-traded sector fund may also be adversely affected by the performance of that specific sector or group of industries on which it is based.

*Convertible Securities, Rights and Warrants.* All of the risks of equity and fixed-income securities and options are applicable to convertible securities. Investments in warrants involve certain risks, including the possible lack of a liquid market for resale, potential price fluctuations as a result of speculation or other factors, all of the risks of the underlying security and the failure of the price of the underlying security to reach or have reasonable prospects of reaching a level at which the warrant can be prudently exercised, in which event the warrant may expire without being exercised, resulting in a loss of the Funds' entire investment therein.

Like other debt securities, the market value of a convertible debt security tends to vary inversely with the level of interest rates. A convertible security may be subject to redemption at the option of the issuer at a price established in the instrument governing the convertible security. If a convertible security held by the Clients is called for redemption, the Advisor will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party.

In the case of warrants, price movements in the underlying security are generally magnified in the price movements of the warrant. This effect would enable the Clients to gain exposure to the underlying security with a relatively low capital investment but increases the Clients' risk in the event of a decline in the value of the underlying security and can result in a complete loss of the amount invested in the warrant. In addition, the price of a warrant tends to be more volatile than, and may not correlate exactly to, the price of the underlying security. If the market price of the underlying security is below the exercise price of the warrant on its expiration date, the warrant will generally expire without value. The equity security underlying a warrant is authorized at the time the warrant is issued or is issued together with the warrant, which may result in losses to the Clients. Investing in warrants can provide a greater potential for profit or loss than an equivalent investment in the underlying security, and, thus, can be a speculative investment. The value of a warrant may decline because of a decline in the value of the underlying security, the

passage of time, changes in interest rates or in the dividend or other policies of the company whose equity underlies the warrant or a change in the perception as to the future price of the underlying security, or any combination thereof.

*Derivatives With Respect to High Yield Debt Securities and Other Indebtedness.* In addition to the credit risks associated with holding high yield debt securities, with respect to derivatives involving high yield and other debt, the Clients will usually have a contractual relationship only with the counterparty of the derivative, and not with the issuer of the indebtedness. The Advisor generally will not have the right to directly enforce compliance by the issuer with the terms of the derivative or any rights of set-off against the issuer, nor have any voting rights with respect to the indebtedness. The Clients will not directly benefit from the collateral supporting the underlying indebtedness and will not have the benefit of the remedies that would normally be available to a holder of the indebtedness. In addition, in the event of the insolvency of the counterparty to the derivative, the Clients will be treated as a general creditor of such counterparty, and will not have any claim with respect to the underlying indebtedness. Consequently, the Clients will be subject to the credit risk of the counterparty as well as that of the issuer of the indebtedness. As a result, concentrations of such derivatives in any one counterparty subject the Clients to an additional degree of risk with respect to defaults by such counterparty as well as by the issuer of the underlying indebtedness.

*Insolvency Considerations with Respect to Issuers of Indebtedness.* Various laws enacted for the protection of creditors may apply to indebtedness in which the Advisor invests. Insolvency considerations may differ with respect to other issuers. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an issuer of indebtedness were to find that the issuer did not receive fair consideration or reasonably equivalent value for incurring the indebtedness and that, after giving effect to such indebtedness, the issuer (i) was insolvent, (ii) was engaged in a business for which the remaining assets of such issuer constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could determine to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, to subordinate such indebtedness to existing or future creditors of such issuer, or to recover amounts previously paid by such issuer in satisfaction of such indebtedness. The measure of insolvency for purposes of the foregoing will vary. Generally, an issuer would be considered insolvent at a particular time if the sum of its debts was then greater than all of its property at a fair valuation, or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing debts as

they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether the issuer was “insolvent” after giving effect to the incurrence of the indebtedness in which the Clients invested or that, regardless of the method of valuation, a court would not determine that the issuer was “insolvent” upon giving effect to such incurrence. In addition, in the event of the insolvency of an issuer of indebtedness in which the Clients invest, payments made on such indebtedness could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year) before insolvency. In general, if payments on indebtedness are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured from the Clients to which such payments were made.

The Advisor does not anticipate conduct that would form the basis for a successful cause of action based upon fraudulent conveyance, preference or equitable subordination. There can be no assurance, however, as to whether any lending institution or other party from which the Clients may acquire such indebtedness engaged in any such conduct (or any other conduct that would subject such indebtedness and the Clients to insolvency laws) and, if it did, as to whether such creditor claims could be asserted in court against the Advisor.

*Highly Volatile Markets.* The prices of the Clients’ investments can be highly volatile. Price movements of forward contracts and other derivative contracts in which the Clients may invest are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments and interest rate-related options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Moreover, since internationally there may be less government supervision and regulation of worldwide stock exchanges and clearinghouses than in the United States, the Clients are also subject to the risk of the failure of the exchanges on which their positions trade or of their clearinghouses, and there may be a higher risk of financial irregularities and/or lack of appropriate risk monitoring and controls.

*Foreign Investment Considerations.* Special risks associated with the Clients’ investments in securities of foreign companies add to the usual risks inherent in domestic investments. Such special risks include fluctuations in foreign exchange rates (against which the Advisor may not hedge), political or economic instability in the country of issue, and the

possible imposition of exchange controls or other laws or restrictions. In addition, securities prices in foreign markets are generally subject to different economic, financial, political and social factors than are the prices of securities in United States markets. With respect to some foreign countries there may be the possibility of expropriation or confiscatory taxation, limitations on liquidity of securities or political or economic developments that could affect the foreign investments of the Clients. Moreover, less information may be publicly available concerning certain of the foreign issuers of securities held by the Clients than is available concerning U.S. companies. Foreign companies are also generally not subject to uniform accounting, auditing and financial reporting standards or to practices and requirements comparable to those applicable to U.S. companies.

*Foreign Currency Transactions and Exchange Rate Risk.* The Advisor may invest in securities denominated in non-U.S. currencies and in other financial instruments, the price of which is determined with reference to such currencies. The Advisor may engage in foreign currency transactions for a variety of purposes, including to “lock in” the U.S. dollar price of the security, between the trade and the settlement dates, the value of a security the Advisor has agreed to buy or sell, or to hedge the U.S. dollar value of securities the Clients already own. The Advisor may also engage in foreign currency transactions for non-hedging purposes to generate returns. The Advisor will, however, value the Clients investments and other assets in U.S. dollars. To the extent unhedged, the value of the Clients’ net assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the Clients’ investments in the various local markets and currencies. Forward currency contracts and options may be utilized by the Advisor to hedge against currency fluctuations, but the Advisor is not required to utilize such techniques, and there can be no assurance that such hedging transactions will be available or, even if undertaken, effective.

*Non-U.S. Securities Regulation.* The securities of non-U.S. issuers held by the Clients generally are not registered under, nor are the issuers thereof subject to the reporting requirements of, U.S. securities laws and regulations. Accordingly, there may be less publicly available information about these securities and about the non-U.S. company or government issuing them or the board of trade clearing them than is available about a U.S. company, government entity or board of trade. Non-U.S. companies and boards of trade generally are not subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies. Further, government supervision of stock exchanges, boards of trade, securities brokers and issuers of securities is generally less stringent than supervision in the United States.

These investments also may be subject to withholding taxes imposed by the applicable country's taxing authority.

*Economic Conditions.* Changes in economic conditions, including, for example, interest rates, credit availability, inflation rates, industry conditions, government regulation, competition, technological developments, political and diplomatic events and trends, tax and other laws and innumerable other factors, can affect the Clients' investments and prospects materially and adversely. None of these conditions is within the Advisor's control and it may not anticipate these developments. These factors may affect the volatility of securities prices and the liquidity of the Clients' investments. Unexpected volatility or illiquidity could impair the Clients' profitability or result in losses.

Economic conditions also affect the Advisor's investment in fixed income securities. For example, an increase in overall interest rates will depress the investment value and consequently the price of any bonds that the Clients hold. The value of these securities also may be affected by non-payment of interest due on them, or liquidation or dissolution proceedings with respect to their issuers.

*No Control Over Issuers of Portfolio Securities.* The Clients may acquire substantial positions in the securities of particular companies. Nevertheless, the Clients are unlikely to be represented on the board of directors or share any control over the management of any such company. The success of each investment depends on the ability and success of the management of that company in addition to economic and market factors.

*Limited Liquidity of Some Investments.* Some of the securities in which the Advisor invests may be relatively illiquid, either because they are thinly traded, because they are traded in the over-the-counter market or on a regional exchange, or because they are subject to transfer restrictions. The Advisor may not be able to promptly liquidate those investments if the need should arise, and its ability to realize gains, or to avoid losses in periods of rapid market activity, may therefore be affected. In addition, the value assigned to such securities for purposes of valuing the Clients' net assets and determining net profits and net losses may differ from the value the Advisor is ultimately able to realize.

*PIPEs.* The Advisor may purchase equity securities that are restricted as to resale and issued by issuers which have outstanding, publicly-traded equity securities of the same class ("PIPEs"). The PIPEs may contain provisions requiring the issuer to pay specified financial penalties to the holder if the issuer does not publicly register the PIPEs within a specified period of time, but there is no assurance that the PIPEs will be publicly registered. Consequently, if the Clients own PIPEs, the Advisor may not

be able promptly to liquidate its PIPEs investments if the need should arise.

*Brokerage Commissions/Transaction Costs.* The Advisor's activities may involve a high level of trading, and the turnover of its portfolio may generate substantial transaction costs. These costs will be borne by each Client regardless of its profitability.

*Insolvency of Brokers and Others.* The Advisor is subject to the risk that the brokerage firms that execute its trades, the clearing firms that such brokers use, or the clearing houses of which such clearing firms are members, become insolvent. In such event, the assets in the Clients' account may become subject to the claims of general creditors of any such insolvent brokerage firm.

*Dependence on Catherine L. Sellman.* Catherine L. Sellman is the Managing Member for the Advisor, which manages the Clients. No assurance exists that a suitable replacement could be found if Ms. Sellman becomes unavailable for any reason.

*Effect of Substantial Withdrawals.* Substantial withdrawals by investors in a Fund within a short period of time could require the Advisor to liquidate securities positions more rapidly than would otherwise be desirable, possibly reducing the value of the Fund's assets and disrupting the Advisor's investment strategy. Reduction in the size of a Fund could make it more difficult to generate a positive return or to recoup losses.

*Withdrawal Payments in Kind.* The Advisor has the right to deliver amounts withdrawn in securities and other instruments rather than cash. Such securities or other instruments may be relatively illiquid and the withdrawing investor in a Fund would bear the risk of a decline in their value after the effective time of the withdrawal, as well as the transaction costs of selling them.

*Illiquidity of Interests in Funds.* Because withdrawal rights of investors in the Funds are limited and interests in the Funds are only transferable subject to the discretion of the Advisor, an investment in the Funds is relatively illiquid. A subscription for interests in the Funds should be considered only by persons who do not anticipate any short-term need for their funds.

*Concentration of Investments.* The limited partnership agreements of the Funds and the Advisory Agreements of the Accounts do not impose any limits on the types of positions the Clients may take, the size of the companies in which the Clients may invest, or the concentration of their investments (by sector, industry, capitalization, company, country or asset

class). The Advisor will attempt to spread each Client's capital among a number of investments, and under normal conditions each Client's portfolio will have 15 to 40 positions. However, at times a Client may hold a relatively small number of securities positions, each representing a relatively large portion of such Client's capital and may hold a large percentage of such Client's capital in cash while awaiting better opportunities. Losses incurred in such positions could have a material adverse effect on such Client's overall financial condition, including opportunity loss.

**Item 9                    Disciplinary Information**

The Advisor is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of its business or the integrity of its management. The Advisor has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of the Advisor have been subject to such action.

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

See Item 7 above. The Advisor currently serves as the general partner of Aperimus Partners, L.P., Aperimus Socorro, L.P. and Sandoval LP. Investors in a Fund must understand that each Fund was formed as an investment product to be managed by the Advisor, and that the Advisor does not intend to cause any Fund to terminate its investment management relationship with the Advisor absent the Advisor's liquidation or bankruptcy. However, the Advisor has a fiduciary duty to act in the best interest of each Fund that it manages, and investors in each Fund have the right to withdraw from the Fund at any time subject to any notice requirement, lock-up period or other withdrawal limitations described in the applicable Memorandum. The Advisor may from time to time enter into a side letter agreement with one or more investors in a Fund which may, among other terms, provide for (i) withdrawal rights that are more favorable than the rights granted to all other Fund investors, (ii) a reduced management fee and/or performance-based compensation, or (iii) greater or more frequent transparency with respect to the Fund.

No management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

No management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a

commodity trading advisor, or an associated person of the foregoing entities.

The Advisor does not recommend or select other investment advisers for its Client accounts.

#### Potential Conflicts of Interest

Neither the Advisor nor its affiliates are under any obligation to devote his, her or its full time to the business of the Clients, or any of them. They are only required to devote such time and attention to the affairs of the Clients as they may deem appropriate, in their sole and absolute discretion.

The Advisor and its affiliates, and the employees of such entities or individuals, may and do engage in, invest in, participate in or otherwise enter into other business ventures of any kind, nature or description, alone or with others, including, without limitation, the management of or investment in other investment entities or vehicles or securities, and brokerage and investment banking activities. Some of these activities may be conducted on behalf of certain Clients of the Advisor and its affiliates. No Client or investor in a Fund has any right to participate in any of these activities or to the income or profits derived from these activities.

The Advisor and its affiliates may in the future provide advice to other investment vehicles and manage other Accounts (collectively, “Other Accounts”) for which they may be compensated, and such Other Accounts may have investment objectives and utilize strategies similar to the investment objective and strategies of the existing Clients. The trades made by Other Accounts that may be managed by the Advisor and its affiliates in the future may compete with trades for the existing Clients’ accounts and the Advisor and its affiliates may decide to invest the funds of these Other Accounts rather than the assets of the existing Clients in a particular security or strategy. In addition, the Advisor and/or such other persons will determine the allocation of assets of the existing Clients and such Other Accounts on whatever basis they decide is appropriate or desirable, in their sole and absolute discretion. The records of these Other Accounts will not be made available to existing Clients or investors in the Funds.

The Advisor and/or its principals and/or other affiliates may make trades and investments for their own accounts. In these accounts, they may not use trading and investment methods that are similar to the methods used by them to direct the Clients’ assets. The records of these personal accounts will not be made available to investors. Subject to internal compliance policies and approval procedures, the principals and/or

employees of the Advisor and/or affiliates may engage, from time to time, in personal trading of securities and other instruments, different from the securities and instruments in which the Clients may invest.

The performance based incentive allocation may create an incentive for the Advisor to make investments on behalf of the Clients that are riskier or more speculative than would be the case in the absence of such an arrangement.

#### Additional Potential Conflicts of Interest with respect to the Funds

Investors in the Funds may include taxable and tax-exempt entities and persons or entities resident of or organized in various jurisdictions. As a result, conflicts of interest may arise in connection with decisions made by the Advisor or its affiliates that may be more beneficial for one type of investor. In making such decisions, the Advisor and its affiliates intend to consider the investment objectives of each of the Funds as a whole, not the tax benefits/ impact of any investor individually.

The Advisor and its affiliates may enter into agreements with third parties that may introduce potential investors to the Funds. It is expected that such parties will not be related to the operations of the Funds and any fee paid will be disclosed to the investors introduced by such third parties. Such commissions or fees will be the sole responsibility of the Advisor or such affiliates; the Funds and investors will have no obligation with respect to thereto.

No agreements, contracts and arrangements between the Funds, on the one hand, and the Advisor or its affiliates on the other hand, were or will be the result of arm's-length negotiations. The attorneys, accountants and others who have performed services for the Funds, and who will perform services for the Funds in the future, have been and will be selected by the Advisor or its affiliates. No independent counsel has been retained to represent the interests of prospective or current investors, and such documents have not been reviewed by any attorney on their behalf. Each prospective investor should consult his, her or its own counsel as to the terms and provisions of the governing documents and all other related documents.

The Advisor will value the investments held by the Funds in accordance with GAAP and the relevant documents of each Fund. Any securities and instruments held by the Funds for which there is no clear valuation (e.g., no quoted prices) are assigned a value determined by the Advisor. The Advisor has a conflict of interest in that it will receive a higher performance-based allocation and a higher management fee if the securities are given favorable valuation.

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

The Advisor adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act, detailed in the Compliance Manual, which sets forth certain ethical standards governing the conduct of our employees, including restrictions on personal securities transactions, limitations on acceptance of gifts, employee training programs, and confidentiality requirements. The Advisor will provide a copy of our Code of Ethics and Compliance Manual to any Client, prospective Client, investor or prospective investor upon request.

It is the Advisor's policy that all employees/affiliates conduct themselves in accordance with the highest standards of integrity, honesty and fair dealing. The Code of Ethics is designed to remind each employee/affiliate that his/her most important responsibility is to treat Clients fairly and avoid any potential conflict of interest. It is the Advisor's duty to act solely in the best interest of the Clients.

The Advisor's employees / affiliates are permitted to buy and sell securities for their own accounts and may not take investment positions similar to those of the Clients. The Advisor maintains compliance policies and procedures, including personal trading policies, which are designed to reduce potential conflicts of interest. Among other things, the Advisor maintains a restricted securities list and requires pre-authorizations of all personal securities transactions with the exception of certain types of exempt transactions. Further, each employee/affiliate is required to have copies of all personal investment statements sent to the chief compliance officer. These reports are reviewed on a regular basis to ensure that all non-exempt transactions have been preapproved and all holdings are within the guidelines set forth for employees/affiliates. Each employee/affiliate is required to sign a quarterly certification stating that he or she has adhered to the Advisor's trading guidelines and has provided copies of all personal investment statements to the chief compliance officer. Further, the Advisor maintains certain policies and procedures designed to prevent partners and employees/affiliates from misusing material non-public information or trading the same security ahead of the Clients.

The Advisor does not recommend for Clients, or buy or sell for Client accounts, securities in which the Advisor has a financial interest.

The Advisor does not cross trades between Client accounts.

**Item 12****Brokerage Practices**

The Advisor seeks to fulfill its fiduciary duty to Clients by generally obtaining the best execution of Client transactions under the circumstances of the particular transaction. When making brokerage determinations, the Advisor will consider a number of judgmental factors, including, without limitation, clearance and settlement capabilities; quality of confirmations and account statements; the ability of the broker to settle the trades promptly and accurately; the financial standing, reputation and integrity of the broker-dealer; the broker-dealer's access to markets, research capabilities, market knowledge, and any "value added" characteristics; the Advisor's past experience with the broker-dealer; the Advisor's past experience with similar trades; and other factors. Recognizing the value of these factors, the Advisor may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction. The Advisor will continually focus on obtaining the best execution at the best price.

The Advisor uses soft dollars to pay for research related services that directly impact the investment decisions of the Clients. The Advisor pays for Bloomberg and CapitalIQ using soft dollars via a soft dollar account established with National Securities Corporation, a registered broker-dealer that provides executing brokerage services to the Advisor. Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a safe harbor to investment managers who use soft dollars generated by their advised accounts to obtain research and brokerage services that provide lawful and appropriate assistance to them in the performance of investment decision making responsibilities. The Advisor's brokerage practices shall be consistent with Section 28(e). That is, the Advisor will generally determine, considering all appropriate factors (including those described here), that commissions paid are reasonable in relation to the value of all the brokerage and research products and services provided by the broker-dealer. In making that determination, the Advisor may consider not only the particular transaction, and not only the value of brokerage and research services and products to a particular Client, but also the value of those services in the Advisor's performance of its overall responsibilities to all of its Clients. In some cases, the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge. Additionally, in some cases, a Client's transaction may be executed by a broker in recognition of services or products that are not used in managing that Client's account. Broker-dealers are not excluded from a Client's business simply because they have not provided research services or products, although the Advisor may not be willing to pay the same commission to such broker as the

Advisor might have been willing to pay had the broker provided research products and services.

When the Advisor uses Client brokerage commissions to obtain research or other products or services, the Advisor receives a benefit because it does not have to produce or pay for the research, products or services that it might otherwise have to pay for itself. The Advisor has an incentive to select or recommend a particular broker based on its interest in receiving the research or other products or services rather than its Clients' interest in receiving the most favorable execution.

#### *Aggregated Trades*

The Advisor's policy is to require that all trades are allocated in a manner that treats each account fairly. If the Advisor has determined to invest in the same direction in the same security at the same time for more than one of its Clients, it will generally place orders for all such accounts simultaneously. If all such orders are not filled at the same price, the Advisor will, to the greatest extent possible, allocate the trades such that the order for each account is filled at the same average price. Similarly, if an order on behalf of one or more Client accounts cannot be fully executed under prevailing market conditions, the Advisor will allocate the trades among the different accounts on a basis that it considers equitable.

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

Client accounts will be actively monitored by the Advisor on at least a monthly basis. In monitoring the performance of the investments, the Advisor will perform various levels of review. Among other items, the Advisor will consider investment diversification and risk allocations as part of its regular review. Catherine Sellman, the Managing Member of the Advisor, will be responsible for monitoring the Client accounts.

#### *Funds*

The Advisor has engaged Strata Fund Solutions to maintain and update the Funds' portfolio accounting system and produce unaudited monthly statements to investors directly, which Catherine Sellman will review prior to distribution. With regard to accounting matters, KPMG will conduct an annual audit of the Funds.

The Advisor will provide each investor in the Funds with digital and/or hardcopies of the audited annual reports and unaudited monthly reports on the performance of the Funds in which it invests.

### *Accounts*

The Advisor will provide (or cause to be provided) unaudited monthly and/or quarterly performance reports and account statements to Account Clients. The Advisor will also provide (or cause to be provided) information with respect to the Account necessary for annual audited financial statements and, if necessary, annual tax information to be delivered to the Account Client. The Advisor, in its discretion, may provide more frequent reports and/or more detailed information to all or any of the Account Clients.

The Advisor will provide each Account Client with digital and/or hardcopies of the reports as agreed to with the applicable Account Client.

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

The Advisor does not provide an economic benefit to any person or entity for Client referrals. Furthermore, except with regard to soft dollar benefits as discussed in Item 12 above, the Advisor does not receive any economic benefit from any non-Client person or entity for providing investment services or advice.

## **Item 15      Custody**

### *Funds*

Because the Advisor, in its capacity as general partner of the Funds, has access to the Funds' funds and has the authority to deduct fees and other expenses from their accounts, the Advisor is deemed to have custody of the Funds' assets. The Advisor will maintain the assets of the Funds in accounts with a "qualified custodian" pursuant to Rule 206(4)-2 under the Advisers Act. The qualified custodians presently utilized by the Advisor are Fidelity Prime Services and Pershing Prime Services. The Advisor does not use a qualified custodian to send quarterly account statements directly to the investors in the Funds.

To ensure compliance with Rule 206(4)-2 under the Advisers Act, the Advisor will be required to reasonably believe that all investors will be provided with audited financial statements for the Funds prepared by an independent accounting firm that is registered with and subject to review by the Public Company Account Oversight Board, in accordance with GAAP, within 120 days of the end of each such Fund's fiscal year. The Advisor urges investors to carefully review the audited financial statements of the Funds in which they are invested.

### *Accounts*

The Advisor will not maintain possession or custody of the funds or securities placed in an Account; rather, Account Clients retain a custodian or other third party to hold their assets. Such custodian or other third party provides its own reporting directly to Account Clients. Account Clients should compare the account statement that they receive from their custodian or other third party with the reports prepared by the Advisor.

## **Item 16 Investment Discretion**

### *Funds*

Pursuant to the investment management agreements, Memoranda, limited partnership agreements, and articles of association, as applicable, of each Fund, the Advisor has complete and exclusive discretion in the management and control of all aspects of the Funds' business, including investment decision making. The Advisor's discretionary authority is derived from an express grant of authority under one or more of these agreements. There are no limitations on the Advisor's investment authority on behalf of the Funds.

### *Accounts*

The Advisor generally has discretion over the selection of securities and the amount of securities to be purchased or sold for an Account. However, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the Account Client and agreed to by the Advisor in writing.

Discretionary authority will only be provided upon full disclosure to the Account Client. The Advisor's discretionary authority is derived from an express grant of authority under the Advisory Agreement with the Account Client.

## **Item 17 Voting Client Securities**

Rule 204-2 of the Advisers Act requires that investment advisers adopt and implement policies and procedures for voting proxies in the best interest of clients, to describe the procedures to clients, and to tell clients how they may obtain information about how the Advisor has actually voted their proxies. The Advisor's proxy voting policies and procedures are designed to vote proxies in the best interests of Clients in accordance

of its own judgment. The Advisor determines how to vote (or abstain from voting) proxies on a case by case basis. Where a proxy proposal raises a material conflict between the Advisor's interests and the interests of a Client, the Advisor will seek to resolve the conflict. This proxy voting policy, together with information regarding how the Advisor has voted past proxies, is available to Clients and investors in the Funds upon written request.

#### Voting Guidelines

While the Advisor's policy is to review each proxy proposal on its individual merits, the Advisor has adopted guidelines for certain types of matters to assist in the review and voting of proxies.

- Corporate Governance and the Election of Directors and Similar Matters – In an uncontested election, the Advisor will generally vote in favor of management's proposed directors. In a contested election, the Advisor will evaluate proposed directors on a case-by-case basis. With respect to proposals regarding the structure of a company's board of directors, the Advisor will review any contested proposal on its merits.
- Audit Committee – The Advisor generally supports proposals that help to ensure that a company's auditors are independent and capable of delivering a fair and accurate opinion of a company's finances. The Advisor will generally vote to ratify management's recommendation and selection of auditors.
- Shareholder Rights – The Advisor may consider all proposals that will have a material effect on shareholder rights on a case-by-case basis.
- Anti-takeover Measures, Corporate Restructurings and Similar Matters – The Advisor may review any proposal to adopt an anti-takeover measure, to undergo a corporate restructuring or take similar action by reviewing the potential long and short-term effects of the proposal on the company. These effects may include, without limitation, the economic and financial impact the proposal may have on the company, and the market impact that the proposal may have on the company's stock.
- Capital Structure Proposals – The Advisor will seek to evaluate capital structure proposals on their own merits on a case-by-case basis.
- Compensation – The Advisor generally supports proposals that encourage the disclosure of a company's compensation policies

and link executive compensation to performance. The Advisor may consider any contested proposal related to a company's compensation policies on a case-by-case basis.

- **Stock Option Plans and Share Issuances** – The Advisor evaluates proposed stock option plans and share issuances on a case-by-case basis. The Advisor may consider, without limitation, the potential dilutive effect on shareholders and the potential short and long-term economic effects on the company.
- **Corporate Responsibility and Social Issues** – The Advisor generally believes that ordinary business matters are primarily the responsibility of a company's management that should be addressed solely by the company's management. These types of proposals, often initiated by shareholders, may request that the company disclose or amend certain business practices.

**Item 18      Financial Information**

The Advisor does not require or solicit pre-payment of more than \$1,200 in fees per Client six months or more in advance.

The Advisor is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Clients.

The Advisor has not been the subject of a bankruptcy proceeding at any time since inception of its operations.

**Item 19      Requirements for State-Registered Advisors**

The Advisor is not registered with any state as an investment adviser.