

FIRM BROCHURE

(Part 2A of Form ADV)

March 29, 2011

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Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Lido Advisors, Inc. If you have any questions about the contents of this Brochure, please contact us at (310) 278-8232 and/or gkushner@lidoadvisors.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Lido Advisors, Inc. is a registered investment adviser with the U.S. Securities and Exchange Commission; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.

Additional information about Lido Advisors, Inc. and its investment adviser representatives also is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 1: COVER PAGE

Please refer to previous page.

ITEM 2: MATERIAL CHANGES

This Brochure dated March 29, 2011 is a new document prepared in accordance with the new requirements and rules adopted by the United States Securities and Exchange Commission ("SEC"). Previously, investment advisers provided clients and prospective clients with a copy of Form ADV Part II, which was in a "check-the-box" format with certain narrative explanations included on Schedule F. On July 28, 2010, the SEC adopted revisions to Form ADV, which require investment advisers to provide narrative, plain English disclosures regarding their advisory business in order to provide clients and prospective clients with more meaningful information about the adviser and its business practices. Accordingly, this Brochure is materially different in structure and requires certain new information that the previous brochure did not require.

Because of the amount of new details provided within the brochure, Lido Advisors, Inc. ("LAI" or the "Firm") encourages each client to carefully read the brochure in its entirety and to call us with any questions you may have. In particular, please note the following Items either contain enhanced disclosures and/or new additions to Part 2, LAI's disclosure document:

Item 4 - Advisory Business

Item 5 - Fees and Compensation

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

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

Item 9 - Disciplinary Information

Item 10 - Other Financial Industry Activities and Affiliations

Item 15 – Custody

Item 18 – Financial Information

Pursuant to new SEC Rules, LAI will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of LAI's fiscal year. Additionally, as LAI experiences material changes in the future, we will send you a summary of our "Material Changes" under separate cover. For more information about the firm, please visit www.lidoadvisors.com.

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

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ITEM 4: ADVISORY BUSINESS

A. Description of Firm

LAI is a Los Angeles-based investment management firm founded in 2001. LAI offers customized investment management services to individuals, high net worth clients, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other types of business entities. As discussed more fully below, LAI assists clients in investment management, financial planning and consultation services, which includes tax optimization advice, portfolio analysis, retirement and estate planning and selection of other advisers. Investment management services are offered primarily on a fully discretionary basis, unless otherwise noted. Some of the investment instruments LAI advises its clientele on include, among other things, investment company securities, equity exchange-traded funds (“ETFs”), equities, fixed income, third-party money managers and other investments, including private funds and reverse trust deeds.

LAI currently is registered with the SEC as an investment adviser and with the State of California as an S-Corporation. We conduct business in a number of states, which are reflected in Part 1 of our Form ADV, a copy of which can be found on www.adviserinfo.sec.gov.

The principal owner of LAI is Gregory P. Kushner, who also serves as the Firm’s President and Chief Compliance Officer. While Jason Ozur (Managing Director, Chief Operations Officer and Portfolio Manager) and Brandon Adrian (Managing Director and Portfolio Manager) are not principal owners, each has a very active participation in senior management decisions.

B. Types of Advisory Services Offered

As part of its investment management service offerings, LAI provides its clientele with a variety of options, including asset management by LAI, selection of third-party advisers (“TPAs”), financial planning and consultation services, which may include tax optimization, portfolio analysis, retirement planning and/or estate planning.

1. Asset Management by LAI

LAI provides its investment management services utilizing its proprietary Asset Management Program. LAI offers clients a tailored investment management solution that encompasses not only the traditional asset classes of fixed income and domestic equities, but also includes hybrid offerings, liquid and non-liquid alternative investments, non-liquid fixed income investments and cash. For purposes of these categorizations, equities may be defined as common stocks, ETFs based on stock indices, equity mutual funds, publicly traded master limited partnerships and publicly traded REITs. Fixed income may be defined as government bonds, municipal bonds, corporate bonds, high yield bonds, foreign bonds, CDs, loans, ETFs based on bond indices, fixed income mutual funds, short-term fixed income instruments and certain preferred stocks. The hybrid categorization generally includes merger funds, long-short commodities and hybrid mutual funds (based on equity volatility). Liquid alternative investments represent long-only investments which invest exclusively in a single sector or commodities, and may include ETF commodities or sector mutual funds. On the other hand, non-liquid alternative investments may

include hedge funds, fund of funds, private equities, private real estate investment trusts (REITs), private real estate holdings and oil and gas LPs. Non-liquid fixed income investments, defined as longer-term investments in loans secured by first trust deed mortgages, include first trust deed loans and client directed family mortgages. Cash represents either money market funds or cash equivalents.

Though use of an asset allocation approach, LAI provides investment management services based on a thorough understanding of each client's investment objectives. This begins with gathering pertinent information vis-à-vis a Client Profile Form, Investment Policy Statement or other similar documentation process. Based upon this information, the portfolio manager constructs a suitable portfolio, investing client assets in various allocations and types of securities as described above, or LAI may use certain TPAs to affect various strategies on behalf of a client's account; (see 4.B.2., below; also refer to Item 8 for more information on LAI's investment strategies and their associated risks).

LAI manages all client assets on a fully discretionary basis, but for select clients, may provide non-discretionary management upon request and at the sole discretion of LAI. In exercising full discretionary authority, LAI selects, without first obtaining client's permission: (1) the securities to be bought and sold; (2) the amounts of securities to be transacted and whether it will be individually or blocked traded; (3) the broker-dealer through which transactions will be executed; and where applicable, (4) the TPA to be used to manage a portion of the client's portfolio. LAI's discretionary authority may be subject to conditions imposed by a client. This may occur when a client restricts or prohibits transactions in a security for a specific company or for an industry sector, or requests that the Firm place trades with a specific broker-dealer (aka "directed brokerage"). While LAI generally allows Clients to impose reasonable restrictions on the types of securities and/or industries they do not want to be included in their portfolio, each client assumes responsibility for informing LAI in writing of any changes to these restrictions or to their overall investment objectives.

Although the investment advice provided by LAI is not limited to any to specific type of investment, LAI may, depending on the sophistication, risk tolerances, and qualifications of the client, recommend that a portion of such client's assets be invested in certain private investments. These may include, without limitation, hedge funds, real estate funds, managed futures funds, private equity funds, venture capital funds, and other types of private investment vehicles (collectively "Private Funds"). The Private Funds may invest in various types of instruments, including but not limited to equities, debt securities, commodities, futures contracts, and other private investment funds. The client accounts with each Private Fund are held at the custodian selected by each Private Fund's sponsor or investment manager and LAI tracks the performance of these securities separately from other securities purchased for client accounts. Clients are provided with private placement memorandums and other offering and subscription documentation that detail the nature, risks and associated fees of each Private Fund.

Each financial instrument used by LAI is selected based on an extensive analysis by LAI's Investment Committee, and once implemented, is monitored to ensure the security or fund continues to meet its overall objective and criteria for continuing on the Firm's investment platform.

For investment selection, LAI advises on investments based upon research of market data and ongoing market and performance analytics. Once this fundamental analysis is completed, securities may be added to client portfolios and thereafter, are continuously monitored for imbalances or shifts. In addition, LAI may select certain TPAs to manage a portion of clients' account assets. Please refer to Item 4.B.2 below for detailed information regarding these arrangements.

Notably, some of the mutual funds and ETFs selected by LAI may employ alternative or riskier strategies, such as the use of leverage, derivatives or hedging. Leverage is the use of debt to finance an activity. For example, leverage is used when one uses margin to buy a security. Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns. Hedging on the other hand occurs when an investment is made in order to reduce the risk of adverse price movements in a security. For example, hedging is used when one takes an offsetting position in a related security, such as an option or short sale. While leverage or hedging can operate to increase rates of return, it also increases the amount of risk inherent in an investment. Other funds may employ other alternative techniques which carry inherent higher degrees of risks. Please review these considerations carefully with your portfolio manager prior to investing.

The use of margin may also be used. Use of margin in an investment advisory account will likely increase a client's asset-based fee. If margin is used to purchase additional securities, the total value of eligible program assets increases, as does your asset-based fee. In addition, clients will be charged margin interest on the debit balance in their account. Notably, the increased asset-based fee that a client may pay presents a potential conflict since there may be an incentive for LAI to recommend the use of margin. However, please note that using margin is not suitable for all investors; the use of margin increases leverage in a client's account and therefore increases overall risk.

2. Selection of Third-Party Advisers ("TPAs")

LAI may select certain TPAs based on select strategies (such as international or precious metals) and to meet various investment objectives based upon the overall asset allocation needs for a client. Once a TPA is selected, LAI continues to monitor the chosen manager to ensure the TPA adheres to the philosophy and investment style for which they were selected. LAI's ongoing review may include, but is not limited to, assessment of the TPA's disclosure brochures, performance information, on-site visits, materials supplied by the TPA (including questionnaire responses), evaluation of the manager's investment strategies, personnel turnover, regulatory events, and ownership changes.

3. Financial Planning

LAI may provide financial planning to its clientele who desire such services. Generally, such services are provided for no additional fee and includes, but is not limited to, providing advice regarding asset allocation; risk management; portfolio analysis; and evaluation and review of investment accounts. To begin the process, LAI generally collects, organizes and assesses various client data including information concerning the client's lifestyle, risk tolerance, and cash flow, as well as identification of the client's financial concerns, goals, and objectives. The primary objective of this process is to allow LAI to assist the client in developing a strategy for the successful management of income, assets, and liabilities in order to meet the client's individual financial goals and objectives.

As applicable, Clients will receive LAI's recommendations about available alternatives and will have the option of utilizing LAI to implement those plan recommendations. Advice may be given on non-securities matters and any implementation of LAI's recommendations is entirely at the client's discretion. Clients are advised that a potential conflict of interest exists if LAI recommends its own investment management services or if a LAI representative recommends products or services offered in such representative's capacity as a registered representative of a broker-dealer. Furthermore, there can be no assurance that LAI's financial planning services or any products recommended by a financial plan are at the lowest available cost.

Clients are free at all times to accept or reject any of LAI's recommendations provided under a financial planning engagement and further retain the authority and discretion over all such implementation decisions. However, it is likely that through the financial planning process, LAI may advise a client to use LAI for its Asset Management Services. Clients are advised that this poses a potential conflict of interest since LAI and its principals will receive remuneration if/when LAI's Asset Management Services are utilized by the client. Should a client decide to implement any recommendations contained in their financial plan, the client may, but is under no obligation to, utilize LAI to implement those recommendations.

4. Consultation Services

LAI may provide its clients with a broad range of consultation services, which may include non-investment related matters, such a review of estate and tax planning issues. LAI or its investment adviser representatives do not provide specific estate or income tax advice but will introduce CPAs or attorneys if client desires or work directly with client's advisors as needed.

Clients who initially engage LAI for consultation services only and later wish to engage LAI for discretionary investment management services may be required to enter into a separate written agreement with LAI for such services, for which LAI will be paid a separate and additional fee based on assets under management in accordance with the fee schedule set forth under Item 5, below. Similarly, to the extent that clients desire to implement securities transactions recommended in a financial plan through a LAI representative in his/her capacity as a registered representative of a broker-dealer, such representatives may receive usual and customary

commissions or fees for effecting such transactions (See Item 5 “Fees and Compensation—Compensation for Sales of Securities or Other Investment Products”).

C. Information Relating to All LAI Services

1. Gathering Individual Client Information

The investment advice provided by LAI is customizable, with each client’s portfolio managed based upon the individual needs, objectives, and other financial goals of the client. At the onset of the client relationship, LAI memorializes each client’s investment objectives, risk tolerance, investment guidelines, time horizons and other important and necessary information in a Client Risk Profile. The information provided in the Client Risk Profile, together with any other information relating to the client’s overall financial circumstances, will be used by LAI to determine the appropriate portfolio asset allocation and investment strategy or to formulate a customized financial plan (as applicable) for each client.

LAI will not assume any responsibility for the accuracy of the information provided by the client. LAI is not obligated to verify any information received from the client or from the client’s other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Under all circumstances, clients are responsible for promptly notifying LAI in writing of any material changes to the client’s financial situation, investment objectives, time horizon, or risk tolerance. In the event that a client notifies LAI of changes in the client’s financial circumstances or to the information in their Client Risk Profile, LAI will review such changes and recommend any necessary revisions to the client’s portfolio. LAI representatives will generally meet with all clients no less than annually to review the client’s investment goals and current advisory portfolios. Advisory representatives are also available during normal business hours to consult with clients.

2. Advisory Agreements

Prior to engaging LAI to provide investment advisory services, the client will be required to enter into one or more written agreements with LAI setting forth the terms and conditions under which LAI shall render its services (collectively the “Agreement”).

In accordance with Rule 204-3 under the Investment Advisers Act of 1940, as amended (“Advisers Act”), LAI will provide a brochure and one or more brochure supplements to each client or prospective prior to or contemporaneously with the execution of an investment advisory agreement. Any client who has not received a copy of LAI’s brochure at least forty-eight (48) hours prior to executing the Agreement shall have five (5) business days subsequent to executing the agreement to terminate LAI’s services without penalty. Thereafter, the Agreement between LAI and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. LAI’s annual fee shall be prorated through the date of termination as defined in the Agreement and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

Neither LAI nor the client may assign the Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of LAI shall not be considered an assignment.

D. Assets Under Management

As of February 28, 2011, the following represents the amount of client assets under management by LAI on a discretionary and non-discretionary basis:

Type of Account	Assets Under Management ("AUM")
Discretionary	\$367,976,806.00
Non-Discretionary	\$33,522,889.00
Total:	\$401,499,695.00

ITEM 5: FEES AND COMPENSATION

A. Advisory Fees

LAI charges fees based on a percentage of assets under management as well as hourly charges and fixed fees, depending on the particular types of advisory services to be provided. The specific fees charged by LAI for its advisory services will be set forth in each client's written agreement with LAI. Although LAI believes its advisory fees are competitive, clients should be aware that lower fees for comparable services may be available from other sources.

1. Asset Management Fees

LAI generally charges a quarterly asset management fee based on the account's assets under management (AUM) as of the close of business on the last business day of the preceding calendar quarter. Asset management fees are calculated and paid quarterly in advance based on the following annual percentages:

1.00% of first \$10,000,000
0.75% on next \$10,000,000
0.50% on next \$30,000,000
0.25% over \$50,000,000

A Minimum Fee of \$2,500 per quarter applies. The minimum fee level may be waived at the sole discretion of LAI. Lower fees for comparable services may be available from other sources. These fees may be negotiated by LAI under certain circumstances, and at the sole discretion of LAI.

The above mentioned fees will be charged on assets that are managed by LAI. Clients may have assets in accounts or portfolios which are not managed by LAI but which are included in clients' statements. LAI may charge a quarterly fee of 0.0625% (0.25% annual fee) for this service.

Should a client open an account during the quarter, management fees will be prorated for assets held for a partial quarter based on the number of days that the account was open during the quarter. In the event that LAI's services are terminated mid-quarter, the annual fee shall be prorated through the date of termination as defined in the Agreement and any earned, unpaid balance will be immediately due and payable by client.

Please note that the fees charged by mutual funds, Private Funds, and third party managers may be exclusive of, and in addition to, LAI's investment advisory fee.

2. Consultation Fees

LAI may offer consultation services at a negotiable hourly rate that does not exceed \$500 per hour. Alternatively, clients may elect to receive financial planning services on a fixed fee basis.

In accordance with the client's advisory agreement, LAI debits fees directly for all Asset Management Services and bills clients directly for Financial Planning Services on a monthly basis.

B. Other Fees and Expenses

Clients should understand that the advisory fees described in the sections above do not include certain charges imposed by third parties such as custodial fees, mutual fund fees and expenses, fees charged by third party separate account managers, and Private Fund management fees. Client assets may also be subject to transaction costs, retirement plan administration fees (if applicable), deferred sales charges on mutual funds initially deposited in the account, 12b-1 fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Client assets invested in mutual funds will be subject to certain fees and expenses imposed directly by mutual funds to their shareholders, which shall be described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the sponsor also imposes sales charges, a client may pay initial or deferred sales or surrender charge. In addition, client assets invested with third party separate account managers recommended by LAI will be subject to management fees charged by those third party separate account managers, as described in each manager's disclosure brochure. Client assets invested in hedge funds or other Private Funds will be also be subject to management fees, performance fees and other expenses as described in each fund's offering materials.

These fees and expenses are separate from and in addition to the fees charged by LAI. Accordingly, the client should review the fees charged by any third party separate account managers, mutual funds and hedge funds or other Private Funds in which the client's assets are invested, together with the fees charged by LAI, to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Additionally, clients may incur brokerage commissions and other execution costs charged by the custodian or executing broker-dealer in connection with transactions for a client's account.

Clients should further understand that all custodial fees and any other charges, fees and commissions incurred in connection with transactions for a client's account will be paid out of the assets in the account and are exclusive of and in addition to the fees charged by LAI. LAI does not share in any of these fees but may elect at its option, to bear the cost of certain transactions under certain circumstances. Please refer to Item 12 of this Brochure entitled "Brokerage Practices" for additional important information about the brokerage and transactional practices of LAI.

C. Important Considerations

1. Compensation for Sales of Securities or Other Investment Products

Certain representatives of LAI, in their individual capacities, are also registered representatives of Investment Security Corp. ("ISC"), a securities broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority ("FINRA"). In this capacity, these individuals may transact in various types of securities or investment products and may receive separate and typical compensation for doing so.

While LAI does not sell securities or other investment products to its advisory clients, clients may implement securities transactions through certain of LAI's investment adviser representatives, in their respective individual capacities as registered representatives of ISC. These individuals may receive commissions or fees for the sale of hedge funds or other securities purchased for a client's advisory account. In addition, certain LAI representatives (as applicable), may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment. LAI will generally reduce the advisory fees payable by clients to offset the amount of any net commissions received by LAI representatives.

2. Conflicts of Interest

Clients should be aware that the receipt of additional compensation itself creates an inherent conflict of interest, and may affect the judgment of these individuals when making recommendations. LAI and ISC are separate, nonaffiliated entities. Nevertheless, to the extent that a LAI representative recommends the purchase of securities or other investment products where the representative receives commissions for doing so, a conflict of interest exists because the representative may have an incentive to make recommendations based on the compensation received rather than on a client's needs. As more fully described below, to mitigate this conflict of interest, LAI will generally reduce the advisory fees payable by clients to offset the amount of any net commissions received by LAI representatives.

LAI has also adopted certain procedures designed to mitigate the effects of these conflicts. For example, as part of LAI's fiduciary duty to clients, LAI and its representatives will endeavor at all times to put the interests of the clients first, and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, the conflicts presented by these practices are disclosed to clients at the time of entering into an advisory agreement. Clients are not obligated to implement recommended transactions through

any LAI representative or any particular broker-dealer. Clients have the option to purchase any recommended investment products or services through brokers or agents other than ISC.

3. Advisory Fee Reduced to Offset Commissions

As noted above, LAI charges a quarterly advisory fee based on assets under management and such advisory fee is in addition to commissions, if any, received by LAI representatives on sales of securities or investment products. However, LAI generally reduces the advisory fees payable by clients with respect to any securities purchased for the client's account to offset the amount of any net commissions received by advisory representatives of LAI for such securities.

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

LAI does not charge performance-based fees (*i.e.*, fees calculated based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client). Consequently, LAI does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management). As described above, LAI provides investment management services for a fixed fee, hourly charges and/or based upon a percentage of assets under management, in accordance with SEC Rule 205(a)(1). Notably, accounts that are managed in the same style (*e.g.*, moderately aggressive) may not be managed the same way due to the client's overall investment objective, discretion of the investment professional assigned to the account, asset size and account restrictions.

ITEM 7: TYPES OF CLIENTS

LAI provides investment management and financial planning services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

LAI imposes a minimum portfolio size or a minimum initial investment of \$1,000,000 to open an account, but does reserve the right to waive the minimum or accept or decline a potential client for any reason in its sole discretion. Prior to engaging LAI to provide any of the investment advisory services described in this Brochure, the client will be required to enter into one or more written agreements with LAI setting forth the terms and conditions under which LAI shall render its services. In addition, as noted above, LAI does charge a minimum fee of \$2,500 per quarter. The minimum fee level may be waived at the sole discretion of LAI.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies

Generally, LAI uses a variety of analytical information to assist with its security analysis. Such information may include fundamental and technical analysis. The primary sources of information used by LAI include market news reports, financial publications, outside research reports, prospectuses, and interpretation of exchange market data.

The investment strategies LAI may pursue on behalf of clients may include long- and short-term purchases, trading, short sales, trading on margin, and option writing including covered options, uncovered options or spreading strategies. LAI may recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk and increase performance. LAI may recommend specific investments to increase sector weighting and/or dividend potential, or may recommend employing cash positions as a possible hedge against market movement which may adversely affect a client's portfolio. Additionally, LAI may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position(s) in a client's portfolio, change in the risk tolerance of the client, or any risk deemed unacceptable for the client's risk tolerance.

As noted above, LAI may invest its clients' assets with third party separate account managers that pursue investment approaches that are diversified among multiple strategies, asset classes, regions, industry sectors and securities. When selecting a separate account manager for a client, LAI reviews information about the separate account manager such as its disclosure brochure and/or other material supplied by the manager or independent third parties for a description of the separate account manager's investment strategies, past performance and risk results to the extent available.

The Private Funds in which LAI clients may invest may pursue different investment processes and strategies than LAI, which may be considered riskier. The processes and strategies for the Private Funds are disclosed in each Private Fund's offering documents and may include leverage, short sales, uncovered options, futures, and forward foreign exchange contracts. Such strategies carry a risk of unlimited losses.

B. Material Risks

Investing in securities involves a significant risk of loss. LAI's investment recommendations are subject to various market, currency, economic, political and business risks, and such investment decisions may not always be profitable. Clients should be aware that there may be a loss or depreciation to the value of the Client's account, which Clients should be prepared to bear. There can be no assurance that the Client's investment objectives will be obtained and no inference to the contrary should be made. Clients are advised that they should only commit assets for management that can be invested for the long term, that volatility from investing can occur, and that all investing is subject to risk and consequently, the value of the client's account may at anytime be worth more or less than the amount invested.

Generally, the market value of stocks will fluctuate with market conditions, and small-stock prices generally will fluctuate more than large-stock prices. The market value of bonds will generally fluctuate inversely with interest rates and other market conditions prior to maturity and will equal par value at maturity. Interest rates for bonds may be fixed at the time of issuance, and payment of principal and interest may be guaranteed by the issuer and, in the case of U.S. Treasury obligations, backed by the full faith and credit of the U.S. Treasury. The market value of Treasury bonds will generally fluctuate more than Treasury bills, since Treasury bonds have

longer maturities. Investments in overseas markets also pose special risks, including currency fluctuation and political risks, and it may be more volatile than that of a U.S. only investment. Such risks are generally intensified for investments in emerging markets. Small-cap stocks may be subject to a higher degree of risk than more established companies' securities. The illiquidity of the small-cap market may adversely affect the value of these investments. In addition, there is no assurance that a mutual fund, ETF or Private Funds will achieve its investment objective. Past performance of investments is no guarantee of future results.

Prior to entering into an agreement with LAI, a client should carefully consider: (1) committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis, usually a minimum of three to seven years, (2) that volatility from investing in the stock market can occur, and (3) that over time the client's assets may fluctuate and at anytime be worth more or less than the amount invested.

LAI typically invests for the long-term and does not engage in high frequency trading. Nevertheless, third party investment managers selected by LAI may employ such strategies, and as a result, such frequent trading may result in increased brokerage and other transaction costs.

Depending on the sophistication and risk tolerances of its clients, LAI may recommend, as part of a client's overall investment strategy, that a portion of such client's assets be invested in private investment funds or other alternative investments. Such investments may present special risks for LAI's clients, including without limitation, limited liquidity, higher fees, volatile performance, heightened risk of loss, limited transparency, special tax considerations, subjective valuations and limited regulatory oversight. Therefore, private placements may not be suitable for all LAI clients and will be offered only to those qualifying clients for whom an investment therein is determined to be suitable. Generally, such investments are available for investment only to a limited number of sophisticated investors who generally meet the definition of "accredited investor" under Regulation D of the Securities Act of 1933, as amended (the "Securities Act"). It is important that each potential qualified investor fully read each offering or private placement memorandum prior to investing.

Private Funds often impose performance-based fees or incentive allocations payable to the fund manager or general partner. Such performance-based fee/incentive allocation structures may create an incentive for the managers of the Private Funds to make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee/incentive allocation structure. Additionally, the performance-based fee structure could also cause the portfolio managers responsible for the Private Funds to devote a disproportionate amount of time to the management of the Private Funds, and compensation may be larger than it otherwise would have been because the fee/incentive allocation will be based on account performance instead of a percentage of assets under management.

Some of these Private Funds may also employ alternative or riskier strategies, such as the use of leverage or hedging. Leverage is the use of debt to finance an activity. For example, leverage is used when one uses margin to buy a security. Hedging on the other hand occurs when an investment is made in order to reduce the risk of adverse price movements in a security. For example, hedging is used when one takes an offsetting position in a related security, such as an

option or short sale. While leverage or hedging can operate to increase rates of return, it also increases the amount of risk inherent in an investment. Other Private Funds may employ other alternative techniques which carry inherent higher degrees of risks.

LAI may recommend investments in Private Funds that are considered “funds of funds” and the investments and strategies for the underlying portfolio funds may include leverage, short sales, uncovered options, futures, derivative instruments, forward and swap foreign exchange contracts, non-U.S. securities, “junk” bonds, and illiquid investments. Such funds carry high costs, substantial risks, such as the risks inherent in an investment in securities, as well as specific risks associated with each particular underlying fund’s investment strategy.

ITEM 9: DISCIPLINARY INFORMATION

Registered investment advisers such as LAI are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client’s or prospective client’s evaluation of LAI or the integrity of its management. LAI does **not** have any such legal or disciplinary events and thus **has no information to disclose** with respect to this Item.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Other Financial Industry Activities

LAI’s President, Greg Kushner, is a registered representative and branch manager of Investment Security Corporation (“ISC”), an SEC registered broker-dealer and member of FINRA. Mr. Kushner conducts securities brokerage and related business through ISC and may receive separate and typical commissions or fees for doing so. As a registered representative of ISC, Mr. Kushner may introduce money managers to other broker-dealers, and introduces potential clients to money managers who may direct trades to such broker-dealers. Mr. Kushner may also refer clients to hedge funds or other Private Funds in his capacity as a registered representative of ISC. Mr. Kushner receives commissions on trades conducted through introduced broker-dealers and a portion of the fees charged by hedge funds or other Private Funds for clients who are referred to those funds.

Jake Kushner, who is an employee of LAI and provides marketing services for the Firm, is also a registered representative of ISC. From time to time, Mr. Jake Kushner may sell various private funds or other investments to ISC clients and receive commissions on such trades. However, Mr. Jake Kushner currently does not recommend investments or provide advisory services to LAI clients.

LAI and ISC are separate, nonaffiliated entities. Nevertheless, a conflict of interest exists to the extent that LAI recommends the purchase of securities where Mr. Greg Kushner or another LAI representative receives commissions or other compensation for doing so. LAI has adopted certain procedures designed to mitigate the effects of these conflicts. For example, as part of LAI’s fiduciary duty to clients, LAI and its representatives will endeavor at all times to put the interests of the clients first, and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, the conflicts presented

by these practices are disclosed to clients at the time of entering into an advisory agreement. Clients are not obligated to implement recommended transactions through any LAI representative or any particular broker-dealer. Clients have the option to purchase any recommended investment products or services through brokers or agents other than ISC. In addition, LAI charges a quarterly advisory fee based on assets under management and such advisory fee is in addition to commissions, if any, received by LAI representatives on sales of securities or investment products. However, LAI generally reduces the advisory fees payable by clients with respect to any securities purchased for the client's account to offset the amount of any net commissions received by advisory representatives of LAI for such securities.

Jason Ozur, LAI's Managing Director and Chief Operating Officer, provides back office and related services to several hedge funds including certain funds managed by Mapleton Capital Management, LLC and related entities, in which LAI clients may be solicited to invest. Please see LAI's Brochure Supplement for Mr. Ozur for additional information.

B. Affiliations

In addition to serving as a registered representative and branch manager of ISC, Mr. Kushner is also the founder and President of Lido Consulting, Inc., a personal services consulting firm specializing in providing consulting and other services to family offices and high net worth individuals. Mr. Kushner's workday is divided among his activities for LAI, ISC and Lido Consulting.

C. Recommendations of Third-Party Advisors and Related Conflicts

Mr. Greg Kushner and/or other LAI representatives, in their individual capacities as registered representatives of ISC, may have arrangements under which they receive a portion of the fees charged by Private Funds as compensation for referring clients to such Private Funds. This activity creates conflicts of interest. LAI has adopted certain procedures designed to mitigate the effects of these conflicts. For example, as part of LAI's fiduciary duty to clients, LAI and its representatives will endeavor at all times to put the interests of the clients first, and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, the conflicts presented by these practices are disclosed to clients at the time of entering into an advisory agreement. Clients are not obligated to implement recommended transactions through any LAI representative or any particular broker-dealer. Clients have the option to purchase any recommended investment products or services through brokers or agents other than ISC.

To the extent that any LAI representatives, in their capacity as registered representative of a broker-dealer, receive compensation for transactions in a client's account, LAI will generally reduce the advisory fee payable by such clients to offset the amount of any such compensation received by the LAI representative.

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

A. Code of Ethics Summary

LAI has adopted a Code of Ethics (“Code”) in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, as amended. The Code establishes standards of conduct for LAI’s supervised persons and includes general requirements that such supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It contains written policies reasonably designed to prevent the unlawful use of material non-public information by LAI or any of its associated persons. The Code also requires that certain of LAI’s personnel (called “Access Persons”) report their personal securities holdings and transactions and obtain pre-approval of certain investments, including initial public offerings and limited offerings. Other than certain exceptions that are outlined in the Code, LAI’s Access Persons may not effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of LAI’s clients.

The Code also requires supervised persons to report any violations of the Code promptly to the Firm’s Chief Compliance Officer (“CCO”). Each supervised person receives a copy of the Code and any amendments to it and must acknowledge in writing having received the materials. Annually, each supervised person must certify that he or she complied with the Code during that year. LAI will provide a copy of its Code of Ethics to any client or prospective client upon request.

B. Participation or Interest in Client Transactions

It is LAI’s policy not to enter into any principal transactions or agency cross transactions on behalf of client accounts. Principal transactions occur where an adviser, acting as principal for its own account, buys securities from or sells securities to any advisory client. Agency cross transactions occur where a person acts as an investment adviser in relation to a transaction in which the adviser, or an affiliate of the adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

Neither LAI nor any of LAI’s related persons act as general partner in a partnership in which clients are solicited to invest or as an investment adviser to a mutual fund or other investment company that is recommended to clients. Based upon a client’s stated objectives, LAI may, under certain circumstances, recommend the purchase or sale of securities in which LAI or its affiliates have also invested in personally. Such recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, as part of LAI’s fiduciary duty to clients, LAI and its associated persons will endeavor at all times to put the interests of the clients first and at all times are required to adhere to the Firm’s Code of Ethics.

LAI and its officers, directors, agents, and employees (“Associated Persons”) may invest personally in securities of the same classes that are purchased for clients and may own securities of the issuers whose securities are subsequently purchased for clients. LAI’s Code of Ethics contains certain requirements designed to address the conflicts that arise with regard to personal trading by LAI or its Associated Persons. For example, other than certain exceptions as outlined below, when LAI is purchasing or considering for purchase any security on behalf of a client, no Associated Person may knowingly effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when LAI is selling or considering the sale of any security on behalf of a client, no Associated Person may knowingly effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. The exceptions include: (i) de minimis amount of shares of any common stock listed on the S&P 500 Index; (ii) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Additionally, under the Code, if an issue is purchased or sold for clients on the same day that LAI or any of its Associated Persons purchase or sell the same security, either the clients and the Associated Persons shall receive or pay the same price or the clients shall receive a more favorable price. LAI and its Associated Persons may also buy or sell specific securities for their own accounts based on personal investment considerations, which LAI does not deem appropriate to buy or sell for clients.

ITEM 12: BROKERAGE PRACTICES

Except in limited situations where LAI permits clients to direct brokerage (as described below), LAI will determine the broker-dealer to be used and the commission rates at which transactions for client accounts will be effected. When LAI places orders for the execution of portfolio transactions for client accounts, transactions are allocated to brokers and dealers for execution in various markets at prices and commission rates that, based upon good faith judgment, will be in the best interest of the client. In addition to using brokers as “agents” and paying commissions, LAI may effect transactions in securities directly from or to dealers acting as principal at prices that include markups or markdowns and may purchase from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers. The following discussion summarizes the material aspects of LAI’s practices for the selection of broker-dealers to execute client transactions.

A. Selection Criteria

When performing Asset Management Services, LAI generally places all transactions through Fidelity Investments (“Fidelity”), the Schwab Institutional® division of Charles Schwab & Co., Inc. (“Schwab”) and/or another broker-dealer custodian. LAI periodically evaluates the commissions charged and the services provided by the custodian and compares those with other broker-dealers to evaluate whether overall best qualitative execution could be achieved by using

alternative custodians. Other factors LAI may consider when evaluating its choice of custodian include:

- Ability to trade mutual funds and other investments that LAI determines suitable for a client's portfolio;
- Any custodial relationship between the client and the broker-dealer;
- Quality of customer service and interaction with LAI;
- Discount transaction rates; and
- Reliability and financial stability.

For those clients who wish to direct brokerage and select broker-dealers not recommended by LAI, clients should be aware that LAI may not be able to negotiate specific brokerage commission rates with the broker on the client's behalf, or seek better execution services or prices from other broker-dealers. As a result, the client may pay higher commissions and/or receive less favorable net prices on transactions for their account than might otherwise be the case and LAI will have limited ability to ensure that the broker-dealer selected by the client will provide best possible execution.

B. Best Execution

Except as otherwise provided in the client's investment advisory agreement, LAI has full discretion to place buy and sell orders with or through such brokers or dealers as it may deem appropriate. It is the policy and practice of LAI to strive for the best price and execution that are competitive in relation to the value of the transaction ("best execution"). In order to achieve best execution, LAI will use its best judgment to choose the broker-dealer most capable of providing the brokerage services necessary to obtain the best overall qualitative execution. Although LAI will strive to achieve the best execution possible for client securities transactions, this does not require it to solicit competitive bids and LAI does not have an obligation to seek the lowest available commission cost. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among other things, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while LAI will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions. LAI is not required to negotiate "execution only" commission rates, thus the client may be deemed to be paying for research and related services (*i.e.*, "soft dollars") provided by the broker which are included in the commission rate.

To ensure that brokerage firms recommended by LAI are conducting overall best qualitative execution, LAI will periodically (and no less often than annually) evaluate the trading process and brokers utilized. LAI's evaluation will consider the full range of brokerage services offered by the brokers, which may include, but is not limited to price, commission, timing, research, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers and administrative ability.

1. Research and Other Soft Dollar Benefits

LAI may select a broker-dealer in recognition of the value of various services or products, beyond transaction execution, that such broker-dealer provides where, considering all relevant factors, it believes the broker-dealer can provide best execution. Selecting a broker-dealer in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with “soft dollars.” The amount of compensation paid to such broker-dealer (which may include disclosed markups and markdowns on riskless principal transactions with market-makers if LAI were to conduct such transactions) may be higher than what another, equally capable broker-dealer might charge. Except for the benefits received from Schwab and Fidelity as discussed below, LAI currently has no other soft dollar arrangements in place. The following discussion is intended to provide clients with certain important information regarding such practices, including the potential conflicts of interest that may arise should LAI enter into any soft dollar arrangements.

The receipt of such services may benefit LAI, because LAI does not have to produce or pay for the research or other products or services when it obtains such products and services by using client commissions. Although customary, these arrangements present potential conflicts of interest in allocating securities transactional business to broker-dealers in exchange for soft dollar benefits, including an incentive to select or recommend a broker-dealer based on LAI’s interest in receiving the research or other products or services, rather than on clients’ interest in receiving most favorable execution. Additionally, LAI may have an incentive to effect more transactions than might otherwise be the case in order to obtain those benefits. The agreements between LAI and its clients generally authorize LAI to use client soft dollars for a wide range of purposes. The extent of any such conflict depends in large part on the nature and uses of the services and products acquired with soft dollars.

LAI’s general policy is to comply with the provisions of Section 28(e) of the Securities Exchange Act of 1934 (“Section 28(e)”) when entering into soft dollar arrangements. Section 28(e) recognizes the potential conflict of interest involved in this activity, but generally allows investment advisers to use client commissions to pay for certain research and brokerage products and services under certain circumstances without breaching their fiduciary duties to clients. For these purposes, “research” means services or products used to provide lawful and appropriate assistance to LAI in making investment decisions for its clients. “Brokerage” services and products are those used to effect securities transactions for LAI’s clients or to assist in effecting those transactions.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research and brokerage products and services which assist LAI in its investment decision-making process. LAI may cause clients to pay commissions that are higher than those that another qualified broker-dealer might charge to effect the same transaction where LAI determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received.

Research and other products and services purchased with soft dollars will generally be used to service all of LAI's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio, as permitted by Section 28(e). In other words, there may be certain client accounts that benefit from the research services, which did not make the payment of commissions to the broker-dealer providing the services.

Brokerage services obtained with soft dollars may include, for example, quotation and communication equipment and services, other order management systems that provide trading software or provide connectivity to such software, trade analysis software, on-line pricing services, communication services relating to execution, clearing and settlement and message services used to transmit orders.

Research and related services furnished by brokers may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; recommendations as to specific securities; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; and discussions with research personnel, along with hardware, software, data bases and other technical and telecommunication services and equipment utilized in the investment management process. Research received by LAI under such soft dollar arrangements may include both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

There may be cases when LAI may receive both non-research (e.g. administrative or accounting services etc.) and research benefits from the services provided by broker-dealers. If and when this happens, LAI will make a good faith allocation between the non-research and research portion of the services received, and will pay "hard dollars" (*i.e.*, LAI will pay from their own monies) for the non-research portion. In making a good faith allocation between research services and non-research services, a conflict of interest may exist by reason of LAI's allocation of the costs of such services and benefits between those that primarily benefit LAI and those that primarily benefit clients. LAI strives to always put the client's interests first.

As stated above, LAI may recommend that clients establish brokerage accounts with Fidelity and/or Schwab to maintain custody of clients' assets and to effect trades for their accounts. Schwab and Fidelity are both SEC-registered broker-dealers and members FINRA/SIPC. While there is no direct link between the investment advice given to clients and LAI's recommendation to use the custodial or brokerage services of Fidelity or Schwab, certain benefits are received by LAI due to this arrangement.

For example, LAI receives from Fidelity, without cost to LAI, computer software and related systems support, which allow LAI to better monitor client accounts maintained at Fidelity. LAI may receive the software and related support without cost because LAI renders investment management services to clients that maintain assets at Fidelity that total at least \$10 million. Specifically, LAI may receive the following benefits from Fidelity through the Fidelity Institutional Wealth Services Group: receipt of duplicate client confirms and bundled duplicate statements; access to a trading desk that exclusively services its Institutional Wealth Services Group participants; access to block trading which provides the ability to aggregate securities

transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

Additionally, Schwab provides LAI with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a minimum total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional. These services are contingent upon LAI committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For LAI client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Schwab's products and services that assist LAI in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of LAI's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting. Schwab Institutional also makes available to LAI other products and services that benefit LAI but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of LAI's accounts, including accounts not maintained at Schwab.

2. Directed Brokerage

If requested by a client, LAI may accept written direction from a client regarding the use of a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and LAI will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by LAI (as described below) and LAI will have limited ability to ensure the broker-dealer selected by the client will provide best possible execution. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, LAI may decline a client's request to direct brokerage if, in LAI's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

C. Trade Aggregation and Allocation

Transactions for each client will be effected independently, unless LAI decides to purchase or sell the same securities for several clients at approximately the same time. LAI performs investment management services for various clients, some of which may have similar investment objectives. LAI may aggregate sale and purchase orders with other client accounts and proprietary (employee) accounts that have similar orders being made at the same time, if in

LAI's judgment such aggregation is reasonably likely to result in an overall economic benefit to the affected accounts. Such benefits may include better transaction prices and lower trade execution costs. LAI may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among LAI's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. If all aggregate orders do not fill at the same price, transactions will generally be averaged as to price and allocated among participating accounts pro rata to the purchase and sale orders placed for each participating account on any given day. If such orders cannot be fully executed under prevailing market conditions, LAI may allocate the securities traded among participating accounts and each similar order in a manner which it considers equitable, taking into consideration, among other things, the size of the orders placed, the relative cash positions of each account, the investment objectives of the accounts, and liquidity of the security.

D. Brokerage for Client Referrals

In selecting or recommending broker-dealers, LAI may receive client referrals from a broker-dealer, which creates a potential conflict of interest. This is because LAI may have an incentive to select or recommend a broker-dealer based on its interest in receiving client referrals rather than on the client's interest in receiving most favorable execution.

To mitigate this conflict, LAI reviews and monitors execution and services provided to all such LAI clients to help ensure that the client's accounts are managed as effectively as possible and are receiving best execution.

ITEM 13: REVIEW OF ACCOUNTS

A. Periodic Reviews

While asset management accounts are monitored on an ongoing basis, LAI's President, Chief Operating Officer, and Managing Director undertake reviews of client accounts not less than annually. Accounts are reviewed for consistency with the investment strategy and other parameters set forth for the account and to determine if any adjustments need to be made. Financial plans are reviewed only upon request unless LAI is retained to update the plan on a continuous basis.

B. Other Reviews and Triggering Factors

In addition to the periodic reviews described above, reviews may be triggered by changes in an account holder's personal, tax or financial status. Other events that may trigger a review of an account are material changes in market conditions as well as macroeconomic and company-specific events. Clients are encouraged to notify LAI and its advisory representatives of any changes in his/her personal financial situation that might affect his/her investment needs, objectives, or time horizon.

C. Regular Reports

Written brokerage statements are generated no less than quarterly and are sent directly from the account custodian. These reports list the account positions, activity in the account over the covered period, and other related information. Clients are also sent confirmations following each brokerage account transaction unless confirmations have been waived. In addition to the regular statements clients receive from their custodian, LAI may send clients detailed reports on a quarterly basis concerning relevant account and/or market-related information as well as an inventory of account holdings and account performance, as agreed to with the client. Clients are urged to compare the statements received from LAI to those received from the account custodian.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits Received

As discussed more fully under Item 12, LAI may enter into “soft dollar” arrangements whereby brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist LAI in its investment decision-making process. The receipt of such services may be deemed to be the receipt of an economic benefit by LAI, and although customary, these arrangements give rise to potential conflicts of interest, including the incentive to allocate securities transactional business to broker-dealers based on the receipt of such benefits rather than on a client’s interest in receiving most favorable execution.

Additionally, LAI generally recommends that clients use Schwab and/or Fidelity as their custodian and broker of record. While there is no direct link between the investment advice given to clients and LAI’s recommendation to use Schwab or Fidelity as their custodian, certain benefits are received by LAI due to these arrangements. Schwab and Fidelity make available to LAI other products and services that benefit LAI but may not benefit its clients’ accounts. Some of these other products and services assist LAI in managing and administering clients’ accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of LAI’s fees from its clients’ accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of LAI’s accounts, including accounts not maintained at Schwab Institutional or Fidelity. Schwab Institutional or Fidelity also make available to LAI other services intended to help LAI manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab or Fidelity may make available, arrange and/or pay for these types of services rendered to LAI by independent third parties. Schwab Institutional or Fidelity may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to LAI. While as a fiduciary, LAI endeavors to act in its clients’ best interests, LAI’s recommendation that clients maintain their assets in accounts at Schwab or Fidelity may be based in part on the benefit to LAI of the

availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

B. Compensation for Client Referrals

LAI may, from time to time, enter into agreements with individuals and organizations, some of whom may be affiliated or unaffiliated with LAI, that refer clients to LAI. All such agreements will be in writing and comply with the requirements of Rule 206(4)-3 of the Advisers Act. If a client is introduced to LAI by a solicitor, LAI may pay that solicitor a fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. While the specific terms of each agreement may differ, generally, the compensation will be based upon LAI's engagement of new clients and the retention of those clients and is calculated using a varying percentage of the fees paid to LAI by such clients. Any such fee shall be paid solely from LAI's investment management fee, and shall not result in any additional charge to the client.

Each prospective client who is referred to LAI under such an arrangement will receive a copy of LAI's firm brochure and a separate written disclosure document disclosing the nature of the relationship between the third party solicitor and LAI and the amount of compensation that will be paid by LAI to the third party. The solicitor is required to obtain the client's signature acknowledging receipt of LAI's disclosure brochure and the solicitor's written disclosure statement.

C. Other Compensation

Individual advisory representatives of LAI, in their capacities as registered representatives of ISC, receive commissions related to the sale of hedge fund securities, private accounts and other securities, including hedge fund and other securities sold to clients of LAI. They may also receive a portion of the management and incentive fees that are paid to the hedge fund manager. Advisory representatives of LAI, in their capacity as registered representatives of ISC, may also receive 12b-1 payments from certain mutual funds.

Generally, all commissions and other net compensation received by advisory representatives of LAI in their capacities as registered representatives of ISC from hedge funds in which clients of LAI invest or trading for clients of LAI are used to offset advisory fees payable by clients of LAI. Notwithstanding the fee offset, advisory representatives of LAI have a conflict of interest in recommending hedge funds, private accounts and other securities with respect to which ISC has selling agreements, due to the fact that the receipt of additional compensation may affect the judgment of these individuals when making recommendations. As part of LAI's fiduciary duty to its clients, LAI and its advisory representatives will endeavor at all times to put the interest of the clients first and will only make recommendations when they are reasonably believed to be in the best interests of the client.

ITEM 15: CUSTODY

Pursuant to Rule 206(4)-2 of the Advisers Act, LAI is deemed to have custody of client funds because the firm has the authority and ability to debit its fees directly from clients' accounts. To mitigate any potential conflicts of interests, all LAI client account assets will be maintained with an independent qualified custodian. Generally, LAI recommends Fidelity or Schwab for custodial services, but from time to time, other custodians may be used by LAI to custody assets. In the case of Asset Management Services utilizing a TPA, the TPA may select the custodian.

Notably, in most cases a client's broker-dealer also may act as the custodian of the client's assets for little or no extra cost. Clients should be aware, however, of the differences between having their assets held at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

LAI may only implement its investment management recommendations after the client has arranged for and furnished LAI with all information and authorization regarding its accounts held at the designated qualified custodian.

Clients will receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. Clients are urged to carefully review all custodial statements and compare them to the statements provided by LAI. LAI's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please refer to Item 12 for additional important disclosure information relating to LAI's practices and relationships with custodians.

ITEM 16: INVESTMENT DISCRETION

A. Discretionary Authority; Limitations

All Asset Management Services are performed by LAI on a discretionary basis, unless otherwise agreed upon at the inception of the client relationship and memorialized in the client's advisory agreement. In exercising its discretionary authority, LAI has the ability to determine the type and amount of securities to be transacted and whether a client's purchase or sale should be combined with those of other clients and traded as a "block." Such discretion is to be exercised in a manner consistent with each client's stated investment objectives, risk tolerance, and time horizon. In addition, LAI's authority to trade securities may be limited in certain circumstances by applicable legal and regulatory requirements. Clients are permitted to impose reasonable limitations on LAI's discretionary authority, including restrictions on investing in certain securities or types of securities. All such limitations, restrictions, and investment guidelines must be provided to LAI in writing.

B. Limited Power of Attorney

Unless clients specifically request in writing that LAI manage all or part of their account on a non-discretionary basis, by signing LAI's advisory agreement, clients authorize LAI to exercise

full discretionary authority with respect to all investment transactions involving the client's account. Pursuant to such agreement, LAI is designated as the client's attorney-in-fact with discretionary authority to effect investment transactions in the client's account which authorizes LAI to give instructions to third parties in furtherance of such authority.

ITEM 17: VOTING CLIENT SECURITIES

LAI's policy and practice is to not vote proxies on behalf of its clients and therefore, shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a client's account, unless the account is an ERISA account and such authority has not been delegated to another named fiduciary in the plan's written documents. Consequently, the client retains the responsibility for receiving and voting all proxies for securities held within the client's account. LAI shall not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client.

LAI typically does not advise or act for clients with respect to any legal matters, including bankruptcies and class actions, for the securities held in clients' accounts.

ITEM 18: FINANCIAL INFORMATION

LAI does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. LAI does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.