

Mustang Capital Management, LLC

Part 2A Form ADV

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Mustang Capital Management, LLC is an investment adviser that is registered with the United States Securities and Exchange Commission. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Mustang Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at (713) 520-0911 and/or jlinnartz@mustang-capital.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.

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

Material Changes

Because much of the information in this Part 2A of Form ADV is additional information not previously provided in our Part II of Form ADV, we recommend that you read this Part 2A of Form ADV in its entirety.

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ADVISORY BUSINESS

Advisory Firm Description

Mustang Capital Management, LLC ("Mustang Capital" or the "Firm") has been in business since November 2002. The principal owner is John K.H. Linnartz.

Types of Advisory Services

Mustang Capital provides investment supervisory services on a discretionary basis to individually managed accounts ("Clients"). Investment supervisory services include:

- Establishing each Client's investment objective
- Buying or selling portfolio securities on behalf of each Client, tailoring each portfolio according to the investment objective and risk tolerance of each Client
- From time to time, reallocating securities within Client portfolios

Tailored Advisory Services

The Client will inform the Firm of any matters that may cause securities purchased or sold in the account to be deemed "restricted" securities under applicable federal or state securities law. Clients may restrict the Firm from purchasing or selling particular securities or sectors by notifying the Firm in writing. Restrictions, if any, will also be stated in each Client's investment management agreement ("Client Agreement").

Client Assets Under Management

At December 31, 2010, the Firm managed \$43 million on a discretionary basis and \$18.5 million on a nondiscretionary basis.

FEES AND COMPENSATION

Mustang Capital charges a quarterly fee (the "Management Fee"), in advance, at an annual rate not to exceed 2% of the value of the account. This fee is negotiated at the time the Client signs the Client Agreement and is not based on any specific formula, but rather on the Manager's view of each Client's individual situation. This fee is deducted from Client's assets. Fees are calculated based on the portfolio valuation as determined by the account custodian ("Custodian") at the close of market on the last business day of each period.

Neither Mustang Capital nor any of its principals or employees receives any compensation for the sale of securities or other investment products.

Termination

Each Client Agreement allows for the Client or Mustang Capital to terminate the Agreement upon five business days prior written notice to the other party. The Client may terminate the Agreement without penalty within five (5) business days after entering

the Agreement. Otherwise, at the date of termination, any prepaid and unearned fees will be refunded to the Client on a pro rata basis.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

This section does not apply to Mustang Capital, as it does not collect a portion of capital gains of any managed account.

TYPES OF CLIENTS

Mustang Capital provides investment advisory services to:

- Individuals
- High net worth individuals
- Trusts, estates or charitable organizations

The minimum amount for individually managed accounts is negotiable.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis

Mustang Capital seeks capital appreciation for Client accounts by investing in securities it believes are underpriced by some form of fundamental analysis.

Fundamental Analysis includes but is not limited to the following: price-to-earnings ratios, cash flow, return on equity, asset values, debt, dividend yield, etc.

Mustang Capital uses the following sources of information in its analysis:

- Financial newspapers and magazines
- Inspections of corporate activities
- Research materials prepared by others
- Annual reports, prospectuses and other filings with the Securities and Exchange Commission
- Company press releases and conference calls

Investment Strategies

The investment strategies Mustang Capital uses to implement investment advice may include:

- Large Capitalization Stocks
- Small Capitalization Stocks
- Special Situations
- Turnarounds
- Municipal and Corporate Bonds

Risk of Loss

Mustang Capital does not guarantee the future performance of the account or any specific level of performance, the success of any investment decision or strategy that the Firm may use, or the success of the Firm's overall management of the account. The Client understands that investment decisions made for the Client's account by the Firm are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable. Investing in any security entails risk of loss.

More specifically, these risks include, but are not limited to:

- *Leverage*: Managed accounts may trade on margin, engage in other forms of borrowing to finance its operations and use other forms of financial leverage. A small change in the market price of a contract can produce major losses for the account. Fluctuations in the market value of the portfolio of a heavily leveraged account can have a disproportionately large effect in relation to the capital of that account. Any event which may adversely affect the value of positions held by the account could significantly affect the value of the account.
- *Option Writing*: Managed accounts may write and sell covered call option contracts. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Options written by the account must be covered (meaning that the fund holds an offsetting position). Options on specific investments may be used by accounts to seek enhanced profits with respect to a particular investment. Alternatively, they may be used for various defensive or hedging purposes.

DISCIPLINARY INFORMATION

Neither Mustang, nor any of its officers or principals has been involved in any investment-related criminal or civil actions in a domestic, foreign or military court.

Neither Mustang, nor any of its officers or principals has been found (1) to have caused an investment-related business to lose its authorization to do business or (2) to have been involved in a violation of an investment-related statute or regulation and the subject of an order in connection with any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither Mustang, nor any of its officers or principals has been involved in any self-regulatory organization proceedings.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither Mustang, nor any of its officers or principals is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither Mustang nor any of its officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

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

Code of Ethics

Mustang Capital has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all Firm personnel (collectively referred to as “employees”) including specific areas where employee conduct has the potential to adversely affect the Client:

- Personal securities trading
- Outside business activities

Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination with the Firm. Any Client or prospective Client may request a copy of the Firm’s Code of Ethics which will be provided at no cost by contacting John Linnartz at 713.520.0911.

The following basic principles guide all aspects of the Firm’s business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients’ interests come before employees’ personal interests and before the Firm’s interests.
- The Firm must fully disclose all material facts about conflicts of interest of which it is aware between itself and Clients as well as between Firm employees and Clients.
- Employees must operate on the Firm’s behalf and on their own behalf consistently with the Firm’s disclosures and to manage the impacts of those conflicts.
- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to Clients.
- The Firm and its employees must always comply with all applicable securities laws.

Personal Securities Trading

Mustang Capital and its members and employees may invest in securities in which the Firm may have invested Client funds. Mustang Capital’s members and employees may purchase or sell such securities only contemporaneously with or after all Clients’ purchase or sale of such securities, as the case may be, as long as the Client receives the same or better pricing. The purchase of an IPO or a new private placement is only allowed with prior permission from Mr. Linnartz, the Firm’s Chief Compliance Officer.

Personal trading is prohibited in certain securities or instruments. See “Other Financial Industry Activities and Affiliations.”

Employees are required to submit reports of personal securities trades on a quarterly basis, and securities holdings annually. These are reviewed by the Chief Compliance Officer to ensure compliance with the Firm’s policies.

Outside Business Activities

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with Clients, such conflicts will be fully disclosed or the employee will be directed to cease this activity.

BROKERAGE PRACTICES

Selection of Brokers

Mustang Capital selects brokers for its direct securities transactions based on a number of factors, including the following:

- Ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any).
- Operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution.
- Financial strength, integrity and stability of the broker; the broker's risk in positioning a block of securities.
- Quality, comprehensiveness and frequency of available research services and other services considered by Mustang Capital to be of value.
- Competitiveness of commission rates in comparison with other brokers satisfying Mustang Capital's other selection criteria.

When engaging in direct securities transactions, Mustang Capital may pay broker commissions that are higher than another broker might have charged for the same transaction, in recognition of Mustang Capital's assessment of the value of the research and other services provided to Mustang Capital by the broker. However, Mustang Capital must believe that commission costs borne by Client accounts are reasonable in relation to the overall services provided. The Client account that bears the cost of such a commission for a particular trade will not necessarily be the sole beneficiary of such research.

Brokerage for Client Referrals

Subject to being satisfied that it is obtaining best execution, Mustang Capital may consider referrals of investors in selecting among brokers that otherwise satisfy Mustang Capital's selection criteria.

Research and Other Soft-Dollar Benefits

Mustang Capital currently has no formal soft-dollar arrangements, where specific products or services are paid for with soft dollars generated for the Firm by individual trades the Firm places in client accounts. However, the custodian provides the Firm with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act").

Directed Brokerage

If the Client has engaged Mustang Capital to provide asset management services, Mustang Capital will select broker-dealers to execute transactions involving the account, *unless the Client directs otherwise in writing*. If this is the case, the Client is reminded that Mustang Capital may be unable to attain best execution for that account, and will be unable to aggregate that account with others when aggregating trades.

Order Aggregation

In general, the portfolio manager attempts to aggregate multiple orders for the purchase or sale of the same security into block transactions, subject to the overall obligation to achieve best price and execution for the Client accounts. There is no obligation to include any Client account in a bunched order unless the portfolio manager believes it is in the Client account's best interest. In making this determination, the portfolio manager may consider a number of factors, including, but not limited to: the Client account's investment objectives and policies, investment guidelines, liquidity requirements, legal or regulatory restrictions, tax considerations, and the nature and size of the bunched order. Aggregated trades all receive an average price and are often charged transaction fees at a lower rate than if trades had been enacted on an account by account basis, depending upon the broker/dealer.

REVIEW OF ACCOUNTS

Each account is reviewed by John K.H. Linnartz, Managing Member, weekly or more frequently if triggered by economic or market conditions. Such reviews entail evaluating holdings of each portfolio and cash flows in light of each Client's investment objective.

Mustang Capital sends written quarterly informational invoices to Clients.

CLIENT REFERRALS AND OTHER COMPENSATION

The Firm does not pay outside individuals or entities for referring Clients. Mustang Capital does not, nor do any of its principals or employee, receive any economic benefit from non-clients for providing advisory services to its clients.

CUSTODY

Because Mustang Capital generally has the authority to instruct the account custodian to deduct the investment management fee directly from the Client's account, Mustang

Capital is considered to have “custody” of Client assets. Custody is defined as having any access to Client funds or securities. This limited access is monitored by the Client through receipt of account statements directly from the custodian. These statements all show the deduction of the management fee from the account. Otherwise, Mustang Capital may only direct the movement of funds from one account in the Client’s name to another such titled account, but has no other access to funds.

Managed accounts receive monthly statements from their custodian and a quarterly informational invoice from Mustang Capital. When Clients receive their statements from the account custodian, Clients should carefully review those statements and take the time to compare them with those they receive from Mustang Capital. If the Client finds significant discrepancies, the custodian and Mustang Capital should be notified.

INVESTMENT DISCRETION

For discretionary accounts, the Firm has full trading authority under a limited power of attorney assigned to Mustang Capital in the investment management agreement. As a result, Mustang Capital will determine both the investments, and how much of each, should be purchased or sold on each Client’s behalf. The Firm follows the investment strategy as set forth in the Client Agreement. Clients may place restrictions on the Firm’s discretion in writing.

Nondiscretionary accounts are managed for Clients who prefer to have yes/no decision capability regarding potential investments as well as the ability to make certain investment decisions themselves. These restrictions are set forth in writing in the Client Agreement.

VOTING CLIENT SECURITIES

Mustang Capital does not vote Client securities for its Clients. Clients receive proxy material directly from their account custodian by either email or U.S. mail. Clients may address questions concerning a proxy matter to Firm personnel.

FINANCIAL INFORMATION

There is no financial condition that is reasonably likely to impair Mustang Capital’s ability to meet its contractual commitments to its Clients.