

Item 1 Cover Page

Cephus Capital Management, LLC
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March 28, 2012

This brochure provides information about the qualifications and business practices of Cephus Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 415-785-3190. 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. Registration as a registered investment advisor does not imply a certain level of skill or training.

Additional information about Cephus Capital Management, LLC also is available on the SEC's website at <http://www.adviserinfo.sec.gov>.

Item 2 Material Changes

There have been no material changes to this Brochure since the date of the last annual update noted below.

The material changes discussed above are only those changes that have been made to this brochure since the firm's last annual update of the brochure. The date of the last annual update of the brochure was March 31, 2011.

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Brochure

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Item 4 Advisory Business

Cephus Capital Management, LLC (“Cephus”) is a registered investment adviser registered with the Securities and Exchange Commission (“SEC”) with its principal place of business located in California. Cephus’ registration was effective June 14, 2004. The firm’s principal owner is Christopher C. Young, Managing Member.

Cephus manages client accounts on a discretionary basis by providing continuous investment supervisory services and provides financial planning.

Investment Advisory Services

Cephus provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, Cephus establishes a client's personal investment strategy and manages a portfolio based on that strategy. During the data-gathering process, Cephus determines the client’s individual objectives, time horizons, risk tolerance, and liquidity needs. Cephus may also review and discuss a client’s prior investment history, as well as family composition and background.

Cephus manages advisory accounts on a discretionary basis. Account supervision is guided by, amongst other considerations discovered during the data-gathering process, the client's stated objectives (i.e., capital appreciation, growth, income, growth and income, or capital preservation).

Financial Planning

Cephus offers financial planning services to its clients. Financial planning involves an evaluation of a client’s current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Cephus gathers required information through in-depth personal interviews. Information gathered may include the client's current financial status, tax status, future goals, objectives and attitudes towards risk. Cephus carefully reviews information supplied by the client in preparing recommendations. Should the client choose to implement the recommendations made, Cephus suggests the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion. Financial Planning recommendations are typically not limited to any specific product or service offered by a broker dealer or insurance company. All recommendations are generally of a generic nature.

Cephus will tailor its advisory services to its client’s individual needs based on meetings and conversations with the client. If clients wish to impose certain restrictions on investing in certain securities or types of securities, the Advisor will address those restrictions with the client to have a clear understanding of the client’s requirements.

Cephus does not provide portfolio management services to wrap fee programs.

Cephus manages client assets and as of December 31, 2011 had \$24,134,180 in discretionary assets under management:

Item 5 Fees and Compensation

For clients whose assets are managed in-house, Cephus will receive a fee of up to 1.25% per annum, billed quarterly in advance. This fee is negotiated with each client, and is calculated as a percentage of the market value of assets under management as of the last business day of the previous calendar quarter. Cephus may negotiate a fixed fee.

Cephus, at its discretion, may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

For clients starting a relationship within the quarter, fees will be prorated and billed within five days of engagement based on the market value of the assets at the custodian. No adjustments to fees will be made for additions or withdrawals.

Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

All fees paid to Cephus for investment advisory services are separate and distinct from the expenses charged by mutual funds to their shareholders and the product sponsor in the case of variable insurance products. These fees and expenses are described in each fund's or variable product's prospectus. These fees will generally include a management fee and other fund expenses.

At no time will Cephus accept or maintain custody of a client's funds or securities except for authorized fee deduction. Client is responsible for all custodial and securities execution fees charged by the custodian and executing broker-dealer. The Advisors fee is separate and distinct from the custodian and execution fees.

Cephus' management fee is payable in advance. Upon termination, any fees paid in advance will be prorated to the date of termination and any excess will be refunded to client.

Neither Cephus nor its supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

Cephus does not charge performance-based fees.

Item 7 Types of Clients

The Advisor will offer its services to individuals, pension and profit sharing plans, and trusts.

The Advisor's cumulative minimum account requirement for opening and maintaining an account is \$250,000. However, based on facts and circumstances The Advisor may, at its sole discretion, accept accounts with a lower value.

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

The Advisor may utilize fundamental, technical or cyclical analysis techniques in formulating investment advice or managing assets for clients, using various information sources.

Fundamental analysis of businesses involves analyzing its financial statements and health, its management and competitive advantages and its competitors and markets. Fundamental analysis is performed on historical and present data but with the goal of making financial forecasts. There are several possible objectives; to conduct a company stock valuation and predict its probable price evolution; to make a projection on its business performance; to evaluate its management and make internal business decisions and to calculate its credit risk.

Technical analysis is a method of evaluating securities by relying on the assumption that market data, such as charts of price, volume and open interest can help predict future (usually short-term) market trends. Technical analysis assumes that market psychology influences trading in a way that enables predicting when a stock will rise or fall.

Cyclical analysis of economic cycles is used to determine how these cycles affect the returns of an investment, an asset class or an individual company's profits. Cyclical risks exist because the broad economy has been shown to move in cycles, from periods of peak performance followed by a downturn, then a trough of low activity. Between the peak and trough of a business or other economic cycle, investments may fall in value to reflect the uncertainty surrounding future returns as compared with the recent past.

The investment strategies the Advisor will implement may include long-term purchases of securities held at least for one year, short-term purchases for securities sold within a year, or trading of securities sold within 30 days.

Clients need to be aware that investing in securities involves risk of loss that clients need to be prepared to bear.

The methods of analysis and investment strategies followed by the Advisor are utilized across all of the Advisors clients, as applicable. One method of analysis or investment strategy is not more significant than the other as the Advisor is considering the client's portfolio, risk tolerance, time horizon and individual goals. However, the client should be aware that with any trading that occurs in the client account, the client will incur transaction and administrative costs.

Investing includes the risk that the value of an investment can be negatively affected by factors specifically related to the investment (e.g., capability of management, competition, new inventions by other companies, lawsuits against the company, labor issues, patent expiration, etc.), or to factors related to investing and the markets in general (e.g., the economy, wars, civil unrest or terrorism around the world, concern about oil prices or unemployment, etc.). Clients need to be aware that investing in securities involves risk of loss of some or all of their investment that clients need to be prepared to bear.

Risks of fundamental analysis may include risks that market actions, natural disasters, government actions, world political events or other events not directly related to the price or valuation of a specific company's fundamental analysis can adversely impact the stock price of a company causing a portfolio containing that security to lose value. Risks may also include that the historical data and projections on which the fundamental analysis is performed may not continue to be relevant to the operations of a company going forward, or that management changes or the business direction of management of the company may not permit the company to continue to produce metrics that are consistent with the prior company data utilized in the fundamental analysis, which may negatively affect the Advisor's estimate of the valuation of the company.

In cyclical analysis, economic or business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions. Also, the lengths of the economic cycles may be difficult to predict with accuracy. Therefore, the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

The primary risks in technical analysis are that the factors used to analyze the price, trends and volatility of a security may not be replicated, or the outcomes of such analysis will not be the same as in past periods where similar combinations existed. Because of the reliance on trends, technical analysis can signal buying at market peaks and selling at market troughs.

The Advisor does not primarily recommend a particular type of security. However, clients are advised that many unexpected broad environmental factors can negatively impact the value of portfolio securities causing the loss of some or all of the investment, including changes in interest rates, political events, natural disasters, and acts of war or terrorism. Further, factors relevant to specific securities may have negative affects on their value, such as competition or government regulation. Also, the factors for which the company was selected for inclusion in a client portfolio may change, for example, due to changes in management, new product introductions, or lawsuits.

Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

The following are disciplinary events relating to our firm and/or our management personnel:

- In September 2008, a hedge fund client alleged breach of contract in 2007 in a civil action against Cephus (advisor to the Hedge Fund) that was dismissed, pursuant to a settlement agreement. The firm settled the case in February for \$125,000.00. The court ordered no other sanctions. The entire action and all causes of action were dismissed with prejudice. It was found that the client signed all forms and understood all risks associated with the hedge fund. The firm did not charge a fee nor receive any compensation from the hedge fund. All principals of the firm invested in the same hedge fund and lost more money than the client.

- In September 2009, a client sued in a civil proceeding for allegations that the portfolio manager used margin, excessive trading, and an unsuitable trading strategy. Cephus emphatically denies the claims made by the client and the matter is still pending.

Item 10 Other Financial Industry Activities and Affiliations

Neither Cephus nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Cephus nor any of its management persons are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Christopher C. Young is the President & CEO of Cooper Young & Associates Ltd. (“CYA Pensions”). CYA Pensions is a Third-Party Administrator firm that provides recording keeping services for pension plans and is located in Bermuda. Cephus has been appointed as Investment Manager of the CYA Registered Pension Plan Trust. While these duties are still in the investment advisory business, potential conflicts of interest could arise. Mr. Young will attempt to resolve all such conflicts in a manner that is generally fair to all clients. No accounts will be systematically favored and Mr. Young will follow a strict code of ethics with full disclosure.

Cephus does not recommend or select other investment advisers for clients.

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

Cephus is registered with the SEC and maintains a Code of Ethics pursuant to SEC rule 204A-1. Cephus has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the adviser. In addition, the Code of Ethics governs personal trading by each employee of Cephus deemed to be an Access Person and is intended to ensure that securities transactions effected by Access Persons of Cephus are conducted in a manner that avoids any conflict of interest between such persons and clients of the adviser or its affiliates. Cephus collects and maintains records of securities holdings and securities transactions effected by Access Persons. These records are reviewed to identify and resolve conflicts of interest. Cephus will provide a copy of the Code of Ethics to any client or prospective client upon request.

Cephus and/or its investment advisory representatives may from time to time purchase or sell products that they may recommend to clients. Cephus and/or its investment advisory representatives have a fiduciary duty to put the interests of their clients ahead of their own.

Cephus requires that its investment advisory representatives follow its basic policies and ethical standards as set forth in its Code of Ethics.

Item 12 Brokerage Practices

If requested by the client, Cephus may suggest brokers or dealers to be used based on execution and custodial services offered, cost, quality of service and industry reputation. Cephus will consider factors such as commission price, speed and quality of execution, client management tools, and convenience of access for both the Advisor and client in making its suggestion.

Cephus may receive proprietary research services or other products as a result of recommending a particular broker which may result in the client paying higher commissions than those obtainable through other brokers. If Cephus does receive such products or services, it will follow procedures which ensure compliance with Section 28(e) of the Securities Exchange Act of 1934 or applicable state securities rules.

The firm seeks to obtain the most favorable net results for clients' price, execution quality, services and commissions. Although the firm seeks competitive commission rates, it may pay commissions on behalf of clients which may be higher than those available from other brokers in order to receive other services. The firm may enter into such transactions so long as it determines in good faith that the amount of commission paid was reasonable in relation to the value of the brokerage and research services provided by the broker. The services that may be considered in this determination of reasonableness may include (1) advice, either directly or through publications or writing, as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; (2) analysis and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts; or (3) effecting securities transactions and performing functions incidental thereto. Such research furnished by broker-dealers may be used to service any or all of Cephus' clients and may be used in connection with accounts other than those that pay commissions to the broker-dealers providing the research. In particular, third-party research provided by broker-dealers may be used to benefit all of the firm's clients. This creates a conflict of interest in that the firm has an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on the clients' interest in receiving most favorable execution.

Trading commissions may be used as soft dollars provided that:

- The service is primarily for the benefit of Cephus' clients
- The commission rates are competitive with rates charged by comparable broker-dealers; and
- Cephus does not guarantee a minimum amount of commissions to any broker-dealer.

Cephus does not receive client referrals from any broker-dealer or third party as a result of the firm selecting or recommending that broker-dealer to clients.

Cephus recommends that all clients use a particular broker-dealer for execution and/or custodial services. The broker-dealer is recommended based on criteria such as, but not limited to, reasonableness of commissions charged to the client, tools and services made available to the client and the Advisor, and convenience of access to the account trading and reporting. The

client will provide authority to Cephus to direct all transactions through that broker-dealer in the investment advisory agreement.

As an investment advisory firm, Cephus has a fiduciary duty to seek best execution for client transactions. While best execution is difficult to define and challenging to measure, there is some consensus that it does not solely mean the achievement of the best price on a given transaction. Rather, it appears to be a collective consideration of factors concerning the trade in question. Such factors include the security being traded, the price of the trade, the speed of the execution, apparent conditions in the market, and the specific needs of the client. Cephus' primary objectives when placing orders for the purchase and sale of securities for client accounts is to obtain the most favorable net results taking into account such factors as 1) price, 2) size of order, 3) difficulty of execution, 4) confidentiality and 5) skill required of the broker. Cephus may not necessarily pay the lowest commission or commission equivalent as specific transactions may involve specialized services on the part of the broker.

Cephus will allow clients to direct brokerage at the firm's sole discretion. Clients should be aware that if they direct Cephus to a particular broker-dealer for execution Cephus may be unable to achieve most favorable execution of client transactions. Directing brokerage may cost clients more money than if Cephus were to execute transactions at the broker-dealer where it has an established relationship. The client may pay higher brokerage commissions because Cephus may not be able to aggregate orders to reduce transaction costs or the client may receive less favorable prices.

Cephus may combine orders into block trades when more than one account is participating in the trade. This blocking or bunching technique must be equitable and potentially advantageous for each such account (e.g. for the purposes of reducing brokerage commissions or obtaining a more favorable execution price). Block trading is performed when it is consistent with the duty to seek best execution and is consistent with the terms of Cephus' investment advisory agreements. Equity trades are blocked based upon fairness to client, both in the participation of their account, and in the allocation of orders for the accounts of more than one client. Allocations of all orders are performed in a timely and efficient manner. All managed accounts participating in a block execution receive the same execution price (average share price) for the securities purchased or sold in a trading day. Any portion of an order that remains unfilled at the end of a given day will be rewritten on the following day as a new order with a new daily average price to be determined at the end of the following day. Due to the low liquidity of certain securities, broker availability may be limited. Open orders are worked until they are completely filled, which may span the course of several days. If an order is filled in its entirety, securities purchased in the aggregated transaction will be allocated among the accounts participating in the trade in accordance with the allocation statement. If an order is partially filled, the securities will be allocated pro rata based on the allocation statement. Cephus may allocate trades in a different manner than indicated on the allocation statement (non-pro rata) only if all managed accounts receive fair and equitable treatment.

Item 13 Review of Accounts

Christopher C. Young (Managing Member and Chief Compliance Officer) reviews all accounts at least annually for overall adherence with the investment philosophy employed by Cephus and any specific requirements of the client.

Market activity and/or investment policy statements may trigger quarterly reviews of client accounts. Account holdings will also be reviewed at any time changing market conditions warrant or as dictated by changes to clients' specific situations as communicated to Cephus by clients.

Written investment reports are provided not less often than quarterly, containing at least current investment holdings, transaction summaries, and market values. The custodian of the client's assets issues these reports.

Cephus provides a quarterly report that includes an Asset Allocation report, a Portfolio Valuation Report, a Performance Report with index returns, the invoice detailing the quarterly fee, and a notes page with definitions and disclosures. We urge our clients to carefully compare brokerage account statements provided by the custodian against the information Cephus provides in these reports to ensure that all account transactions, holdings and values are correct and current.

Item 14 Client Referrals and Other Compensation

Cephus is not compensated by anyone for providing investment advice or other advisory services except as previously disclosed in this Brochure.

Cephus does not directly or indirectly compensate any person who is not a supervised person for client referrals.

Item 15 Custody

Cephus does not have custody of client funds or securities, except for the withdrawal of advisory fees directly from client accounts. However, as noted in Item 13 above, clients will receive statements not less than quarterly from the qualified custodian, and we encourage you to review those statements carefully. Any discrepancies should be immediately brought to the firm's attention.

Item 16 Investment Discretion

Cephus generally has discretion over the selection and amount of securities to be bought or sold in client accounts without obtaining prior consent or approval from the client for each transaction. However, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the client and agreed to by Cephus.

Discretionary authority will only be provided upon full disclosure to the client. The granting of such authority will be evidenced by the client's execution of an Investment Advisory Agreement

containing all applicable limitations to such authority. All discretionary trades made by Cephus will be in accordance with each client's investment objectives and goals.

Item 17 Voting Client Securities

Cephus exercises proxy-voting authority over client securities for those clients electing Cephus to perform such tasks. Cephus has adopted and implemented written policies and procedures that are reasonably designed to ensure that Cephus votes proxies in the best interest of its clients. To the best of its ability and based on the knowledge it has about its clients, Cephus attempts to vote client proxies only in a manner that is in the clients' best interest. In general, Cephus will vote in a manner it believes will benefit shareholders. There may be times when refraining from voting a proxy is in the client's best interest, such as when Cephus determines that the cost of voting the proxy exceeds the expected benefit to the client.

Cephus currently does not have any material conflicts of interest with clients and does not represent the management or boards of public companies held in its clients' accounts. Cephus and its associated persons, however, may own issues held in client accounts (in an amount that is less than 1% of the market capitalization). Cephus and its associated persons are prohibited from participating in management or having board positions with the issuers whose public securities are held by its clients. In the event that a material conflict of interest exists between the client and Cephus, we will disclose in writing to the client and obtain their consent before voting.

Client may submit written requests for a complete copy of Cephus' proxy voting policies and procedures or information for how the requesting client's proxies were voted to Cephus Capital Management LLC, P.O. Box 1060, Larkspur CA, 94977, Attention Proxy Administrator.

Item 18 Financial Information

Cephus does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and is not required to file a balance sheet.

Cephus has discretionary authority over client accounts and is not aware of any financial condition that will likely impair its ability to meet contractual commitments to clients. If Cephus does become aware of any such financial condition, this brochure will be updated and clients will be notified.

Cephus has never been subject to a bankruptcy petition.