

**ITEM 1
COVER PAGE**

Part 2A of Form ADV: Firm Brochure

LEVIN CAPITAL STRATEGIES, L.P.

March 30, 2012

Levin Capital Strategies, L.P.
595 Madison Avenue, 17th Floor
New York New York 10022
Telephone: 212-259-0800
Fax: 212-259-0859

John Levin, C.E.O.
Glenn Aigen, President
Grace Bosserman, Chief Operating Officer

This brochure (this “Brochure”) provides information about the qualifications and business practices of Levin Capital Strategies, LP (“LCS”). If you have any questions about the contents of this brochure, please contact LCS at 212-258-0800 and/or ROttusch@levincap.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

LCS is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about LCS also is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2

MATERIAL CHANGES

LCS is required to identify and discuss any material changes made to its Brochure since its last annual update which was filed on March 31, 2011. This is LCS's annual updating amendment for 2011. LCS may provide additional ongoing disclosure information about material changes as warranted.

Since its last annual update, LCS has updated Item 14 (Client Referrals and Other Compensation: to reflect the fact that (i) LCS may enter into various arrangements pursuant to which unaffiliated third parties may be compensated for referring clients to LCS and (ii) LCS, NJS Capital LLC, LCS Event Partners LLC, and Levcap Event Partners, LLC may from time to time utilize third-party placement agents.

LCS has also updated other sections of its Brochure, including Item 4 (Advisory Business), Item 5 (Fees and Compensation) and Item 10 (Other Financial Industry Activities and Affiliations). Please review this Brochure carefully and in its entirety.

ITEM 3
TABLE OF CONTENTS

ITEM 1 COVER PAGE	i
ITEM 2 MATERIAL CHANGES.....	ii
ITEM 3 Table of Contents.....	iii
ITEM 4 Advisory Business	1
ITEM 5 Fees and Compensation	4
ITEM 6 Performance – Based Fees and Side-by-Side Management	7
ITEM 7 Types of Clients.....	8
ITEM 8 Methods of Analysis, Investment Strategies and Risk of Loss.....	9
ITEM 9 Disciplinary Information	24
ITEM 10 Other Financial Industry Activities and Affiliations	25
ITEM 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	26
ITEM 12 Brokerage Practices	28
ITEM 13 Review of Accounts.....	34
ITEM 14 Client Referrals and Other Compensation	35
ITEM 15 Custody	36
ITEM 16 Investment Discretion.....	37
ITEM 17 Voting Client Securities.....	38
ITEM 18 Financial Information	39

ITEM 4

ADVISORY BUSINESS

Who is LCS

Levin Capital Strategies, LP (“LCS”) provides discretionary or non-discretionary investment advice and/or management services according to the stated investment objectives, restrictions and policies of each client.

LCS enters into an executed investment management agreement with each of its separate account clients (each, a “Managed Account”). LCS maintains full power and authority to supervise and make investment decisions on behalf of each Managed Account with and without prior consultation with the client.

LCS generally follows a “large-cap” (defined as an issuer’s market capitalization is greater than seven (7) billion dollars) “bottom up” value investment strategy and LCS invests client assets primarily in equity securities, both foreign and domestic issuers traded on a U.S. exchange. Similarly, LCS’s investment decisions and advice with respect to the Managed Accounts are made in accordance with the applicable client’s investment objectives and guidelines, as well as any written instructions or restrictions provided by the client to LCS and the information provided in the client’s investment management agreement.

LCS for its Managed Accounts following long only strategies primarily invests in equity securities, ADR’s (including large foreign issuers whose ADR’s trade “over-the counter”), foreign equity securities traded on a foreign or U.S. exchange, U.S. Treasury obligations, corporate debt, warrants, convertible securities, Exchange Traded Fund’s (“ETF”), and “money market” mutual fund shares. LCS may invest certain managed accounts that follow strategies similar to our private pooled investment vehicles (“hedge funds”). On a limited basis, LCS also offers a municipal bond investment program where LCS has contracted with Strategic Partners Investment Advisors, Inc. (“Strategic Partners”), a registered SEC investment advisor, who acts as a sub-adviser to LCS. Strategic Partners will make the investment decisions to invest in municipal securities obligations. LCS pays Strategic Partners a fee for their services. This service is offered on a limited basis to high net worth clients.

LCS also manages model portfolios (the “Model Portfolios”) of securities for financial intermediaries. LCS does not execute security transactions for any Model Portfolio, nor is LCS aware of when actual transactions occur, if at all.

LCS also manages the accounts of certain family members, employees, affiliates and affiliates of family members of LCS personnel on a discretionary basis pursuant to a fixed dollar or reduced fee arrangement.

LCS also provides investment management services to private pooled investment vehicles that are offered to investors on a private placement basis. In connection with providing these investment management services, LCS has been appointed as investment adviser with discretionary trading authorization for private investment funds organized under the laws of the State of Delaware (the “U.S. Funds”) and for private investment funds organized under the laws of the Cayman Islands (the “Offshore Funds” and collectively with the U.S. Funds, the “Funds”). Additional detailed information about LCS is provided in this Brochure, including information about LCS’s advisory services, investment approach, personnel, affiliations and brokerage practices. The Funds do not issue “market calls.”

This Brochure generally includes information about LCS and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.

This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended (the “Securities Act”), and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. Shares in the Offshore Funds are offered on a private placement basis to U.S. tax-exempt entities, and in accordance with Regulation S of the Securities Act with respect to non-U.S. persons, and subject to certain other conditions, which are fully set forth in the offering documents for the Offshore Funds. The interests in the U.S. Funds are offered on a private placement basis, pursuant to Section 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940, as amended (the “Company Act”), to persons who are “accredited investors” as defined under the Securities Act and, if applicable, “qualified purchasers” as defined under the Company Act, and subject to certain other conditions, which are set forth in the offering documents for the U.S. Funds. Persons reviewing this Brochure should not construe this as an offer to sell or solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential offering memorandum.

Brief History

LCS, a Delaware limited partnership, commenced its operations in December 2005/January 2006. Prior to such dates, most of the research team was employed by BKF Capital Group, Inc. (“BKF”). Pursuant to John A. Levin’s (“JAL”) separation agreement with BKF, he was able to hire all of the research staff under his direct supervision. Additionally, he was able to hire key trading and operations personnel from BKF. LCS hired several additional key analysts since its inception, including several analysts that worked with John Levin for several years (certain former BKF employees, who JAL was not able to hire under the terms of his separation agreement.).

LCS offers four (4) “long only” investment strategies with a market oriented value bias, a utilities strategy, utilities high yield strategy, and a clean energy strategy, in addition to various private investment “hedge fund” strategies. The “long only” investment strategy may either be a concentrated style having few names with higher capital weightings than a diversified strategy. A concentrated strategy may have additional risks including higher volatility and increased loss of capital than a more diversified strategy. These strategies leverage the research team across different portfolios that are all based on the same value orientation, bottom-up fundamental research, and feature a commitment to capital preservation, downside protection, and controlled volatility.

The Fund strategies include a short biased (Island Drive), long-short (Trilogy), utilities long-short non-directional (NS Capital)), an event driven strategy (Levcap Alternative) ,and a long/short investment strategy (LCS Long/Short) which was launched in February 2012 and is not offered or available to outside investors.

Ownership

John Levin and related entities	99.2%
Other (Employees of LCS)	0.8%

John A. Levin owns and controls LCS through the 2005 GRAT Separation Trust. Elisabeth Levin, the wife of John Levin, is the trustee over the 2005 GRAT Separation Trust.

As used herein, the term “client” generally refers to each Fund and each beneficial owner of a Managed Account.

The descriptions set forth in this Brochure of specific advisory services that LCS offers to clients, and investment strategies pursued and investments made by LCS on behalf of its clients, should not be understood to limit in any way LCS’s investment activities. LCS may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that LCS considers appropriate, subject to each client’s investment objectives and guidelines. The investment strategies LCS pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

LCS’s investment decisions and advice with respect to each Fund are subject to each Fund’s investment objectives and guidelines, as set forth in its offering documents. Similarly, LCS’s investment decisions and advice with respect to each Managed Account are subject to each client’s investment objectives and guidelines, as set forth in the client’s investment management agreement, as well as any written instructions provided by the client to LCS.

Management of Client Assets

LCS manages client assets on a discretionary and for on a non-discretionary basis for Model accounts. Below is the amount of assets under management that can also be found in LCS Form ADV Part I Item 5:

	U.S. Dollar Amount	Total Number of Accounts
Discretionary assets	\$ 4,963,911,493	343
Non-discretionary assets	\$ 225,584,507	2
Total:	\$ 5,189,496,000	345

The above amounts represent assets under management as of February 29, 2012. Updated information is available from LCS upon request.

ITEM 5 FEES AND COMPENSATION

The fees applicable to each Managed Account are set forth in detail in each Managed Account's investment management agreement. The fees applicable to each Model Portfolio are set forth in detail in each Model Portfolio's investment management agreement. The fees applicable to each Fund are set forth in detail in each Fund's offering documents. A brief summary of such fees is provided below.

Separately Managed Accounts and Model Portfolios

LCS generally charges each Separately Managed Account and each Model Portfolio a management fee of up to 1.0% per annum of assets under management. The management fee is typically charged quarterly in arrears, and actual fees or rates charged by clients may vary. Certain Managed Accounts and Model Portfolios are also charged an annual incentive fee of up to 20% of any realized and unrealized capital appreciation over a specific benchmark(s) and/or hurdle in some cases. Subject to negotiation, certain large qualified Managed Accounts and Model Portfolios may obtain different fee schedules which may include a significant performance based fee structure. All fees for Managed Accounts and Model Portfolios are subject to negotiation and established pursuant to each account's investment management agreement. LCS, at its option may, not charge a Managed Account or Model Portfolio a management fee on a portion of the client's portfolio where in LCS's opinion the account has a "high cash" or "high cash equivalent" (money market securities or short term Treasury obligations) position that equal or exceed 20% of the client's portfolio. Fees are paid to LCS by a client either by a custodian deducting fees from a client's account or billing a client for fees incurred, as authorized by the applicable client.

Set forth in the below chart is the standard investment management fee structure for Managed Accounts following a "long-only" investment strategy, which is subject to negotiation:

<u>Net Asset Value</u>	<u>Rate</u>
Under \$5 Million	1.00% annually
\$5 million - \$15 million	0.75% annually on entire account
\$15,000,001 - \$99,999,999 million:	0.75% for the first \$15 million 0.50% for additional amounts
Over \$100 million	Negotiable

Generally, the investment management agreement between the Managed Account client and LCS is terminable upon receipt by either LCS or the client of written notice of termination. The client will be entitled to any unearned portion of the management fee.

Certain family members, employees, affiliates and affiliates of family members of LCS personnel have fixed managed management fee arrangements or incur a lower fee amount from others accounts.

Certain qualified and eligible accounts may have a performance-based fee.

Any performance-based compensation (including the performance-based compensation set forth below under "The Funds") will be charged or allocated, as applicable, in accordance with Section 205 of the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") and Rule 205-3.

The Funds

The management fee and incentive fees and allocations applicable to each Fund are set forth in detail in the Funds' respective confidential offering memorandum. A brief summary of those fees and allocations is provided below. Please refer to the respective Funds' offering memorandum for a more complete description of the applicable fees and allocations.

LCS receives a monthly or quarterly management fee equal to up to 1.5% per annum from the Funds. Fees accrue monthly or quarterly in arrears and are payable at the end of each quarter or month, as applicable (except in cases where a Fund pays the management fee in advance). LCS or its affiliates reserve the right to waive or impose different management fees or otherwise modify the management fee arrangements of an existing investor with the consent of such investor.

LCS or its affiliates is generally entitled to, at the end of each fiscal year, up to 20% of the net annual profits of each U.S. Fund. Any incentive allocation will only be allocated with respect to the net profits which generally include both realized gains and losses and unrealized appreciation and depreciation of securities held in an applicable Fund's portfolio, generally subject to a "high water mark." LCS or its affiliates reserve the right to waive or impose different incentive allocations or otherwise modify the incentive allocation arrangements of an existing investor with the consent of such investor.

LCS or its affiliates is generally entitled to, at the end of each fiscal year, up to 20% of the annual net realized and unrealized appreciation in the NAV of each series of shares of the Offshore Funds as an incentive fee. Any incentive fee will only be paid with respect to the net realized and unrealized appreciation in the NAV of a series of shares, generally subject to a "high water mark." LCS or its affiliates reserves the right to waive or impose different incentive fees or otherwise modify the incentive fee arrangements of an existing investor with the consent of such investor.

LCS and its personnel may invest in one or more of the Funds. LCS employees and certain family related accounts may not incur the management fee or incentive allocation/fee of the applicable Fund(s).

Each Fund has the authority to enter into agreements or other similar arrangements (collectively, "Side Letters") with one or more investors that provide such investors with additional and/or different rights than other investors (including with respect to access to information).

Fund Expenses

LCS's management fee with respect to each Fund does not include (a) brokerage charges, which are paid on a transactional basis for the Funds or client's account, (b) dealer mark-ups or mark-downs on securities purchased or sold for an account through third party dealers, (c) Fund expenses that include director fees, administrator fees, or other professional Fund expenses, and (d) taxes or regulatory fees. In addition, if the account holds a registered investment company (open-end, closed-end, or ETF's), the managers of such investment companies may charge management fees and expenses, which would be in addition to LCS's investment advisory fee.

Not all of the Funds bear all of the expenses set forth below, however the following sets forth the expenses that the Funds may bear: To the extent permitted under the applicable offering documents, each Fund bears its own expenses, including, but not limited to, the investment advisory management fee; investment expenses (e.g., expenses that LCS reasonably determines to

be related to the investment of the Fund's assets, such as brokerage commissions (see Item 12 for more information on brokerage expenses), research expenses, interest on margin accounts, administration fees, expenses relating to short sales, clearing and settlement charges, custodial fees, bank service fees and interest expenses); legal expenses; insurance expenses; compliance expenses; professional fees (including, without limitation, expenses of consultants) relating to investments; accounting expenses (including the cost of accounting software packages); auditing and tax preparation expenses; costs of printing and mailing reports and notices; entity-level taxes; corporate licensing; regulatory expenses (including filing fees); organizational expenses; expenses incurred in connection with the offering and sale of the Fund interests and other similar expenses related to the Fund; and extraordinary expenses. Please refer to the Funds offering memorandum for additional information.

In certain cases, LCS has agreed to cap certain Fund's operating expenses (excluding management fees and incentive compensation, if any) in excess of 0.50% per annum of the Fund's net assets, calculated monthly. This voluntary arrangement is subject to change without prior notice and may vary by Fund.

Each Managed Account and Model Portfolio may bear certain of the fees and expenses described above. The expenses borne by a managed account are set forth in the Managed Account's or Model Portfolio's investment management agreement. In addition, each Managed Account and Model Portfolio will directly incur other expense fees that include brokerage commissions, custodian fees (if applicable), and management fees incurred by Exchange Traded Fund's ("ETFs") and "money market" mutual fund shares.

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

LCS manages management fee only, management fee and performance compensation, and performance compensation only accounts. The variation of the incentive compensation structures among LCS's clients may create an incentive for LCS to direct the best investment ideas to, or to allocate or sequence trades in favor of, clients that pay or allocate performance compensation to LCS or its affiliates.

To help address this conflict, at the time of the investment decision, LCS will treat advisory account fairly and equitably given their investment strategy, risk tolerance, investment objective, suitability, and account restrictions, if any. This conflict is addressed by maintaining a daily trading rotation and each trading group executes their orders and generally receives the same execution price. Please see the heading "Trade Allocation and Aggregation Policies and Procedures" under Item 8 below.

ITEM 7
TYPES OF CLIENTS

As previously noted, LCS generally provides investment advice to the Managed Accounts, Funds, and Model Portfolios on either a discretionary or non-discretionary basis. LCS's Managed Account clients include corporations and pension plans (both U.S. and foreign), public plans, large institutional accounts, sovereign wealth funds, high net worth individuals, foundations, trusts, estates and endowments.

LCS generally requires a minimum account size of \$1 million in order to establish a Managed Account for a prospective investor, although LCS may in its sole discretion require a larger or smaller amount of initial assets from a potential client.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The descriptions set forth in this Brochure of specific advisory services that LCS offers to clients, and investment strategies pursued and investments made by LCS on behalf of its clients, should not be understood to limit in any way LCS's investment activities. LCS may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that LCS considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies LCS pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

To construct the portfolio of the Managed Accounts, Model Portfolios and the Funds, LCS generally utilizes a fundamental, bottom-up methodology that generally seeks to identify situations where in LCS's opinion there are (i) significant gaps between market perceptions and economic realities and (ii) identifiable catalysts that could close such gaps. In addition, the Funds may buy or sell securities for the purpose of seeking to generate gains from short-term price fluctuations. The Funds may engage in foreign currency spot and/or forward transactions to hedge against currency fluctuations.

In addition, a Fund may invest in (i) merger arbitrage and event arbitrage transactions, (ii) corporate restructuring and other event-driven situations, (iii) convertible securities on an outright and hedged basis, (iv) subordinated debt, debt claims, bank debt and other loans that are potentially volatile, including securities in undervalued, vulnerable, distressed and bankrupt entities, and (v) other securities or instruments in which such Fund may realize value based on fundamentals.

LCS, on a limited basis offers management services to municipal advisory accounts which are managed based upon the issuer's credit quality, financial strength, and client's home state for state income tax purposes. LCS has contracted with Strategic Partners, a SEC registered investment advisor who as sub-advisor will construct client municipal portfolios. Municipal bond portfolios maturities are constructed based upon the current and anticipated interest rate environment, client's needs and access to their portfolio, and other macro-economic and political events beyond LCS's or Strategic Partners control.

The Funds pursue a long/short or short investment strategy that primarily invests in U.S. publicly traded issues. LCS believes that the fundamental approach to select attractive long and short equity positions is the key to achieving sustained and substantial appreciation. In evaluating potential investments, LCS will engage in a detailed, bottom-up analysis of potential investments. In implementing its strategy, the Funds also may utilize derivative instruments such as put and call options or swap transactions on particular securities, futures contracts on market indices and put and call options on market indices.

The Funds may utilize leverage to take advantage of perceived market opportunities. The use of leverage entails certain risks (including, without limitation, the potential of increased losses and performance volatility) and expenses.

Certain Managed Accounts may at the option of their beneficial owner also invest in the Funds. Absent specific authority, LCS does not exercise discretionary authority with respect to such clients' decision to invest in the Funds.

Principal Risks

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in a Fund or through a Managed Account or Model Portfolio. The following risk factors may not be applicable to all clients. Investments by a client is speculative and involves a substantial degree of risk, including the risk that an investor could lose some or all of its investment in a client. Prospective investors should carefully consider the risks of investing, which include, without limitation, those set forth below which are more fully described in the applicable Fund's offering documents. These risk factors include only those risks LCS believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by LCS and do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by LCS.

Equity Securities. LCS generally follows a "large-cap" value "bottom-up" approach towards managing client assets. LCS defines these types of issuers having a market capitalization greater than seven (7) billion U.S. dollars. LCS will primarily invest in equity securities trading in the United States, however certain "family member" accounts may also invest in foreign traded securities which are perceived to have a greater risk. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, a client may suffer losses if LCS invests on behalf of such client in equity instruments of issuers whose performance diverges from LCS's expectations or if equity markets generally move in a single direction and such client has not hedged against such a general move. A client also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Market Risk. Prices of securities (and stocks in particular) have historically fluctuated. Managed Accounts returns and principal value will fluctuate, and the original investment may be worth more or less than the original cost.

Investments in Undervalued Securities. LCS may invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities may offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

LCS may make certain speculative investments in securities which are believed to be undervalued; however, there are no assurances that the securities purchased will in fact be undervalued. In addition, a client may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of a client's assets would be committed to the securities purchased, thus possibly preventing such client from investing in other opportunities. In addition, a client may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such holding period.

Style Risk. LCS frequently identifies opportunities in various sectors that appear to be temporarily depressed or in LCS's opinion may be undervalued. The prices of securities with these types of characteristics may tend to go down more than those of companies in other sectors. LCS has a disciplined and deliberate investing approach, there may be times when LCS clients have a significant cash position. A substantial cash position can adversely impact a client's performance in certain market conditions, and may make it more difficult for a client to achieve its investment objective.

Focus and Non-Diversification Risk. Certain clients may be non-diversified and follow a concentrated investment strategy. This means that a client may have investments in fewer issuers, and can be more volatile and may increase or decrease potential gains or losses than that a diversified Managed Account of comparable size.

Foreign Securities/Non-U.S. Investments. The success of a client's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a client's investments), trade barriers, currency exchange controls, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of a client's investments. Volatility or illiquidity could impair such client's profitability or result in losses.

The economies of non-U.S. countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. Further, certain non-U.S. economies are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain non-U.S. countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

With respect to certain countries, there is a possibility of expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, gains, gross sale or disposition proceeds or other income, limitations on the removal of funds or other assets of a client, political or social instability or diplomatic developments that could affect investments in those countries. An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other.

Interest Rate Risk: In general, the value of bonds and other debt securities falls when interest rates rise. Longer term obligations are usually more sensitive to interest rate changes than shorter term obligations. While bonds and other debt securities normally fluctuate less in price than common stocks, there have been extended periods of increases in interest rates that have caused significant declines in bond prices.

Credit Risk: The issuers of the bonds and other debt securities held in Managed Accounts may not be able to make interest or principal payments. Even if these issuers are able to make interest or principal payments, they may suffer adverse changes in financial condition that would lower the credit quality of the security, leading to greater volatility in the price of the security.

Currency. A client may invest a portion of its assets in instruments denominated in currencies other than the U.S. dollar, the price of which is determined with reference to currencies other than the U.S. dollar. Each client account will, however, value its securities and other assets in U.S. dollars. To the extent unhedged, the value of a client account's assets will fluctuate with U.S. dollar exchange rates as well as the price changes of such client account's investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which a Fund makes its investments will reduce, all other economic factors being constant, the effect of increases and magnify the effect of decreases in the prices of

the client account's securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the client account's non-U.S. dollar securities.

The Funds:

In addition to the risks described above under "Principal Risks," the Funds are subject to additional risks which include the following:

Investment and Trading Risks in General. An investor should be aware that it may lose all or part of its investment in a Fund. All investments risk the loss of capital. No guarantee or representation is made that a Fund's investment program will be successful. A Fund's investment program may utilize such investment techniques as concentrating its portfolios in the securities of particular companies, or industries, or engaging in short sales, option transactions, limited diversification, margin transactions, leverage and futures contracts, which practices can, in certain circumstances, maximize the impact of adverse market moves to which such Fund may be subject.

Necessity for Counterparty Trading Relationships; Counterparty Risk. The Funds expect to establish relationships to obtain prime brokerage and derivative intermediation services that permit the Funds to trade in any variety of markets or asset classes over time; however, there can be no assurance that each Fund will be able to establish or maintain such relationships. An inability to establish or maintain such relationships would limit a Fund's trading activities and could create losses, preclude a Fund from engaging in certain prime brokerage and derivative intermediation services and prevent a Fund from trading at optimal rates and terms. Moreover, a disruption in the derivative intermediation and prime brokerage services provided by any such relationships before a Fund establishes additional relationships could have a significant impact on such Fund's business due to such Fund's reliance on such counterparties.

Counterparty Default. The stability and liquidity of certain financial transactions including, but not limited to, swap transactions, forward transactions, futures transactions, options and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. If there is a default by the counterparty to such a transaction, a Fund will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the applicable Fund being less than if such Fund had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings and maybe unable to fulfill its contractual obligations. If one or more of a Fund's counterparties were to become insolvent or the subject of insolvency proceedings in the United States (either under the Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of a Fund's securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, a Fund may use counterparties located in jurisdictions outside the United States. Such local counterparties are subject to the laws and regulations in foreign jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to a Fund's assets are subject to substantial uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on a Fund and its assets. Investors should assume that the insolvency of any counterparty would result in a loss to such Fund, which could be material.

Use of Leverage. The Funds may incur leverage to potentially increase investment return, including with the use of options. While leverage presents opportunities for increasing a Fund's total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by a Fund would be magnified to the extent the investment is leveraged. The cumulative effect of the use of leverage by a Fund in a market that moves adversely to such Fund's investments could result in a substantial loss to such Fund which would be greater than if such Fund was not leveraged.

In general, a Fund's anticipated use of short-term margin borrowings results in certain additional risks to such Fund. For example, should the securities pledged to brokers to secure a Fund's margin accounts decline in value, a Fund could be subject to a "margin call," pursuant to which a Fund must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of such Fund's assets, such Fund might not be able to liquidate assets quickly enough to satisfy its margin requirements.

A Fund may borrow by entering into reverse repurchase agreements. Under a reverse repurchase agreement, a Fund sells securities and agrees to repurchase them at a mutually agreed date and price. Reverse repurchase agreements may involve the risk that the market value of the securities retained in lieu of sale by a Fund may decline below the price of the securities such Fund has sold but is obligated to repurchase. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, such buyer or its trustee or receiver may receive an extension of time to determine whether to enforce a Fund's obligation to repurchase the securities and such Fund's use of the proceeds of the reverse repurchase agreement may effectively be restricted pending such decision. To the extent that, in the meantime, the value of the securities that a Fund has purchased has decreased, a Fund could experience a loss. The financing used by a Fund to leverage its portfolio is currently extended by securities brokers and dealers in the marketplace in which such Fund invests. While a Fund attempts to negotiate the terms of these financing arrangements with such brokers and dealers, its ability to do so is limited. A Fund is therefore subject to changes in the value that the broker-dealer ascribes to a given security or position, the amount of margin required to support such security or position, the borrowing rate to finance such security or position and/or such broker-dealer's willingness to continue to provide any such credit to a Fund.

Trading is Leveraged. The banks and dealers that provide financing to the Partnership can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks and dealers in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. In addition, money borrowed by a Fund will be subject to interest costs, which will be an expense of such Fund, and, to the extent not covered by income attributable to the investments acquired, will adversely affect the operating results of a Fund. Irrespective of the risk control objectives of a Fund, the use of leverage necessarily entails some degree of risk.

Short Selling. A Fund's investment program may include short selling of securities. Short sales may occur if it is believed that the market price of a company's securities is likely to decline. In addition, a short position may be taken in an effort to reduce the risk inherent in taking long positions. LCS may establish an absolute short position in expectation of a price decline. Also, LCS may establish a short position pursuant to an event-driven strategy in anticipation of a particular event. The extent to which a Fund engages in short sales depends upon its investment strategy and perception of market direction. Such practices can, in certain circumstances, substantially increase the impact of adverse price movements on the Fund's portfolio. Short

selling involves selling securities that may or may not be owned by the seller and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in the value of securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Securities may also be sold short by a Fund in a long/short strategy to hedge a long position, or to enable such Fund to express a view as to the relative value between the long and short positions. There is no assurance that the objectives of these strategies will be achieved, or specifically that the long position will not decrease in value and the short position will not increase in value, causing a Fund losses on both components of the transaction. In addition, when a Fund effects a short sale, it may be obligated to leave the proceeds thereof with the broker and also deposit with the broker an amount of cash or other securities (subject to requirements of applicable law) that is sufficient under any applicable margin or similar regulations to collateralize its obligation to replace the borrowed securities that have been sold.

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

Call Options. The Funds may incur risks associated with the sale and purchase of call options, a type of derivative. The seller (writer) of a call option which is covered (*i.e.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

Put Options. The Funds may incur risks associated with the sale and purchase of put options, a type of derivative. The seller (writer) of a put option which is covered (*i.e.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its

entire investment in the put option. Options on securities may be cash settled, settled by physical delivery or settled by entering into a closing purchase transaction. In entering into a closing purchase transaction, a Fund may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

Other Derivative Instruments. The Funds may enter into other derivative instruments, such as credit derivatives. It may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Funds and legally permissible. Special risks may apply to instruments that are invested in by the Funds in the future that cannot be determined at this time or until such instruments are developed or invested in by the Funds. For example, risks with respect to credit derivatives may include determining whether an event will trigger payment under the contract and whether such payment will offset the loss or payment due under another instrument. In the past, buyers and sellers of credit derivatives have found that a trigger event in one contract may not match the trigger event in another contract, exposing the buyer or the seller to further risk. Other swaps, options, and other derivative instruments may be subject to various types of risks, including market risk, regulatory risk, tax risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk, and operations risk. In addition, as new derivative instruments are developed, documentation may not be standardized, leading to potential disputes or misunderstanding with counterparties.

Swap Agreements. A Fund may enter into swap agreements and options on swap agreements (“swaptions”). These agreements can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. A Fund, for instance, may enter into swap agreements with respect to foreign and domestic equity securities, interest rates, credit defaults, currencies, securities, indexes of securities, CFD’s (Contracts for Differences) and other assets or other measures of risk or return that may be used to reduce the Funds exposure to market risk. Depending on their structure, swap agreements may increase or decrease a Fund’s exposure to, for example, equity securities, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. Each Fund is not limited to any particular form of swap agreement if consistent with the Funds’ investment objective.

Whether a Fund’s use of swap agreements or swaptions will be successful will depend on LCS’s ability to select appropriate transactions for such Fund. Swap transactions may be highly illiquid and may increase or decrease the volatility of a Fund’s portfolio. Moreover, a Fund may bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. Each Fund will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of such Fund to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect a Fund’s ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

Convertible Securities. Convertible securities are bonds, debentures, notes, preferred stocks, or other securities that may be converted into, or exchanged for, a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or

accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted, or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics, and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by a Fund is called for redemption, such Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock, or sell it to a third party. Any of these actions could have an adverse effect on such Fund’s ability to achieve its investment objective.

Convertible Trading and Arbitrage. Convertible trading and arbitrage strategies involve investing in convertibles that appear incorrectly valued relative to their theoretical value. The strategy consists of the purchase (or short sale) of a convertible security coupled with the short sale (or purchase) of the underlying security for which the convertible security can be exchanged to exploit price differentials. LCS typically will seek to hedge out the risk inherent in the stock; the remaining interest rate risk may or may not be hedged.

Convertible arbitrage strategies generally involve spreads between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss on the position will occur. Such positions do, however, entail a substantial risk that the price differential could change unfavorably, causing a loss to the spread position. Substantial risks also are involved in borrowing and lending against such investments. The prices of these investments can be volatile, market movements are difficult to predict, and financing sources and related interest and exchange rates are subject to rapid change. Certain corporate securities may be subordinated (and thus exposed to the first level of default risk) or otherwise subject to substantial credit risks. Government policies, especially those of the Federal Reserve Board and foreign central banks, have profound effects on interest and exchange rates that, in turn, affect prices in areas of the investment and trading activities of convertible arbitrage strategies. Many other unforeseeable events, including actions by various government agencies and domestic and international political events, may cause sharp market fluctuations.

Derivative Agreements. LCS, on behalf of a Fund, may enter into derivative agreements and options on derivative agreements. These agreements can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. LCS, on behalf of a Fund, for instance, may enter into derivative agreements with respect to interest rates, credits, currencies, securities, indexes of securities and other assets or other measures of risk or return. Depending on their structure, derivative agreements may increase or decrease such Fund's exposure to, for example, equity securities, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Derivative agreements can take many different forms and are known by a variety of names. The Funds are not limited to any particular form of derivative agreement if consistent with the Fund's investment objective. Whether the Fund's use of derivative agreements will be successful will depend on LCS's ability to select appropriate transactions for the Fund. Derivative transactions may be highly illiquid and may increase or decrease the volatility of the Fund's portfolio. Moreover, a Fund bears the risk of loss of the amount expected to be received under an agreement in the event of the default or insolvency of its counterparty (which may be mitigated by collateral posted by such counterparty). A Fund will also bear the risk of loss related to defaults that it makes under such derivatives agreements, for example, breaches of such agreements or the failure of such Fund to post or maintain required collateral. Many derivative markets are relatively new and still developing. It is possible that developments in the markets, including potential government regulation, could adversely affect the Fund's ability to trade such derivatives.

Stock Index Options. The Funds may also purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market for the purpose of realizing its investment objectives or for the purpose of hedging its portfolio. A stock index fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes will depend upon the extent to which price movements in a Fund's portfolio correlate with price movements of the stock indices selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether a Fund will realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by a Fund of options on stock indices will be subject to LCS's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

Commodity Futures Contracts. Transactions in futures contracts carry a high degree of risk. Though the futures contract may require a much smaller amount of margin to be provided in comparison to the economic exposure which the futures contract provides to the relevant investment, index, rate, currency or physical commodity, investment in a futures contract creates a "gearing" or "leverage" effect. This means that a small margin payment can lead to enhanced losses as well as enhanced gains. It also means that a relatively small movement in the underlying reference investment, index, rate, currency or physical commodity can lead to a much larger proportional movement in the value of the futures contract. This may be to the financial benefit of the Master Fund as well as to its detriment.

Futures positions may be illiquid because, for example, many commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits.

Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. There is no assurance that a liquid secondary market will exist for commodity futures contracts or options on commodity futures purchased or sold, and the Master Fund may be required to maintain a position until exercise or expiration, which could result in losses. Similar occurrences could prevent the Master Fund from promptly liquidating unfavorable positions and subject the Master Fund to substantial losses. In addition, the Master Fund may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, the Commodity Futures Trading Commission ("CFTC") and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally required in such trading may provide a large amount of leverage, and in such circumstances, a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.

The price of stock index futures contracts may not correlate perfectly with the movement in the underlying stock index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, investors may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market may be less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause temporary price distortions. Successful use of stock index futures contracts by a Fund also is subject to the Portfolio Manager's ability to correctly predict market movements.

Risks of Event-Driven Investing. LCS expects certain of the Funds to engage in event-driven investing, which often involves the purchase of a company's securities after the announcement or disclosure of a significant event, including, but not limited to, a spin-off, auction of the company or subsidiary, merger, tender offer or other type of restructuring.

A Fund may also invest and trade in securities of a company that, although not the subject of an announced spin-off, merger, tender offer or other restructuring transaction, is in LCS's view, a potential candidate for such a transaction. Alternatively, investments may be made in a company experiencing accounting problems, in anticipation of a potential corporate transaction or in a company being impacted by possible legislative activity or litigation. In any such a case, if the anticipated transaction or event does not in fact occur, or if events occur in a sequence not anticipated by LCS, a Fund may close out the investment at a loss.

The price offered for securities of a company involved in an announced deal generally represents a significant premium above the market price prior to the announcement. Therefore, the value of such securities held by a Fund will decline in the event the proposed transaction is not consummated and if the market price of the securities returns to a level comparable to the price prior to the announcement of the deal. Furthermore, the difference between the price paid by a Fund for securities of a company involved in an announced deal and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be very

small. If the proposed transaction appears likely not to be consummated or, in fact, is not consummated or is delayed, the market price of the securities will usually decline, perhaps by more than the Fund's anticipated profit. In addition, when a Fund has sold short the securities it anticipates receiving in an exchange or merger, and the proposed transaction is not consummated, a Fund may be forced to cover its short position in the market at a higher price than its short sale, with a resulting loss. If a Fund has sold short securities that are the subject of a proposed cash tender offer or cash merger and the transaction is consummated, such Fund also may be forced to cover its short position at a loss.

Where a Fund has purchased put options with respect to the securities it anticipates receiving in an exchange or merger, if the proposed transaction is not consummated, the exercise price of the put options held by such Fund may be lower than the market price of the underlying securities, with the result that the cost of the options will not be recovered. If a Fund has purchased put options with respect to securities which are the subject of a proposed cash tender offer or cash merger and the transaction is consummated, a Fund also may not exercise its options and may lose the premiums paid therefor. Since options expire on defined dates, in the event consummation of a transaction is delayed beyond the expiration of a put option held by the Fund, it may lose the anticipated benefit of the option.

A Fund may determine that the offer price for a security which is the subject of a tender offer is likely to be increased, either by the original bidder or by another party. In those circumstances, such Fund may purchase securities above the offer price, and such purchases are subject to the added risk that the offer price will not be increased or that the offer will be withdrawn.

The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a regulatory agency; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable securities laws; and (vii) inability to obtain adequate financing.

Often a tender or exchange offer will be made for less than all of the outstanding securities of an issuer or a higher price will be offered for a limited amount of the securities, with the provision that, if a greater number is tendered, securities will be accepted pro rata. Thus, a portion of the securities tendered by a Fund may not be accepted and may be returned to the Fund. After completion of the tender offer, the market price of the securities may have declined below the Fund's cost, and a sale of any returned securities may result in a loss.

Risks of Investments in the Energy Industry. A Fund may invest in companies involved in, or supporting, the production and distribution of power and the related infrastructure. These companies are sensitive to fluctuations in fuel supply and demand, interest rates, special risks of constructing and operating facilities (including nuclear facilities), lack of control over pricing, merger and acquisition activity, and regulation. Such fluctuations may, among other things, increase compliance costs and the costs of doing business, and in the past have tended to limit the growth potential of utility companies. Historically, regulations have limited many utility companies to certain geographic areas and to certain lines of business. Investments in the energy industry may be subject to a variety of risks, not all of which can presently be foreseen or quantified. Examples of such risks may include, but are not limited to: (i) the risk that technology employed in an energy project will not be effective or efficient; (ii) uncertainty about the availability or efficacy of energy sales agreements or fuel supply agreements that

may be entered into in connection with a project; (iii) risks that regulations affecting the energy industry will change in a manner detrimental to the industry; (iv) environmental liability risks related to energy properties and projects; (v) risks of equipment failures, fuel interruptions, loss of sale and supply contracts or fuel contracts, decreases or escalations in power contract or fuel contract prices, bankruptcy of key customers or suppliers, tort liabilities in excess of insurance coverage, inability to obtain desirable amounts of insurance at economic rates, acts of God and other catastrophes; (vi) uncertainty about the extent, quality and availability of oil and gas reserves; (vii) risks that interest rate increases may make project financing more difficult to obtain, or impair the cash flow of projects which are leveraged; (viii) political, social and economic uncertainties affecting energy producing regions and countries; (ix) weather conditions; (x) the competitive position of oil or gas as a source of energy as compared with other energy sources; and (xi) the refining capacity of oil purchasers. The occurrence of events related to the foregoing could have a material adverse effect on a Fund and its investments. The energy industry is subject to comprehensive federal, state and local laws and regulations. Present, as well as future, statutes and regulations could cause additional expenditures, restrictions and delays that could materially and adversely affect the prospects of a Fund. In addition, estimates of hydrocarbon reserves by qualified engineers are often a key factor in valuing certain energy companies. These estimates are subject to wide variances based on changes in commodity prices and certain technical assumptions. Accordingly, it is possible for such reserve estimates to be significantly revised from time to time, creating significant changes in the value of the company owning such reserves.

Highly Volatile Markets. The prices of each Fund's investments, including, without limitation, common equity and related equity derivative instruments, high yield securities, convertible bonds, and other derivatives, including futures and option prices, can be highly volatile. Price movements of forward, futures and other derivative contracts in which the Fund's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in government bonds, currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Funds are also subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses.

Debt Securities. A Fund may invest in U.S. and non-U.S. corporate and sovereign debt securities and instruments. It is likely that many of the debt instruments in which a Fund invests may be unrated, and whether or not rated, the debt instrument may have speculative characteristics. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Such instruments are dependent on the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these securities and may have an adverse impact on the value of such instruments. It is also likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Risks Associated with Investments in Distressed Securities. Each Fund intends to invest in distressed securities and obligations of domestic and foreign companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant

returns to a Fund, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that LCS will correctly evaluate the value of a company's assets or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which a Fund invests, such Fund may lose its entire investment, may be required to accept cash or securities with a value less than the Fund's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Fund's investments may not compensate the investors adequately for the risks assumed.

Troubled company and other asset-based investments require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by LCS or its affiliates. To the extent this occurs, a Fund may have a more active participation in the affairs of the issuer than that assumed generally by an investor; however, such Fund will not be involved in the day-to-day management of the issuer. In addition, involvement by LCS or its affiliates in an issuer's reorganization proceedings could result in the imposition of restrictions limiting their ability to liquidate their position in the issuer.

Each Fund invests in debt, including, without limitation, "higher yielding" (and, therefore, higher risk) debt securities, when it believes that such debt securities offer opportunities for capital appreciation. In most cases, such debt is rated below "investment grade" or is unrated and faces ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer's failure to make timely interest and principal payments. The market values of certain of these debt securities may reflect individual corporate developments. It is likely that a major economic recession could have a materially adverse impact on the value of such securities. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these debt securities.

Non-Performing Nature of Debt. It is anticipated that certain of the debt purchased by the Funds will be, or in the future may become, non-performing and possibly in default. Furthermore, the obligor(s) and/or relevant guarantor(s) may also be, or come to be, in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to the debt.

Hedging Transactions. The Funds may from time to time or sell futures, forwards, swaps, options, securities, indices, or other products in order to hedge the risk of an existing position. A Fund may utilize financial instruments, both for investment purposes and for risk management purposes, in order to (i) protect against possible changes in the market value of such Fund's investment portfolio resulting from fluctuations in the securities and commodity markets and changes in currencies and interest rates, (ii) protect such Fund's unrealized gains in the value of such Fund's investment portfolio, (iii) facilitate the synthetic sale of any such investments, (iv) enhance or preserve returns, spreads, or gains on any investment in such Fund's portfolio, (v) hedge the interest rate or currency exchange rate on any of such Fund's liabilities or assets, (vi) protect against any increase in the price of any securities a Fund anticipates purchasing at a later date, or (vii) for any other reason that LCS deems appropriate. Each Fund may engage in certain transactions as a way to mitigate risk associated with its investments; however, it may be impossible to fully hedge an investment given the uncertainty as to the amount and timing of projected cash flows and investment returns, if any, on a Fund's investments. This may lead to losses on both such Fund's investment and the related hedging transaction. Conversely, there will be times in which a Fund believes that it is not advisable to enter into hedging transactions;

accordingly, such Fund may be exposed to fluctuations in currencies and other market conditions specific to the underlying asset.

The success of a Fund's hedging transactions will be subject to its ability to predict correlations between the value of the portfolio's assets and the direction of currency exchange rates, interest rates and equity prices. Therefore, while a Fund may enter into such transactions to seek to reduce currency exchange rate, interest rate or equity value or commodity risks, unanticipated changes in risk may result in a poorer overall performance for a Fund than if it had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary.

Concentration of Investments. Certain of the Funds do not have fixed quantitative guidelines for diversification and may for any given period of time be concentrated in particular positions. As a consequence, such Funds' returns as a whole may be adversely affected by the unfavorable performance of even a single investment or strategy by a portfolio.

Lender Liability Considerations; Equitable Subordination. In recent years, a number of judicial decisions in the U.S. have upheld the right of borrowers to sue lenders or bondholders on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender or bondholder has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or Shareholders. Because of the nature of certain of the investments that may be made by a Fund, such Fund may be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (i) intentionally takes an action that results in the undercapitalization of an obligor to the detriment of other creditors of such obligor, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a stockholder to dominate or control an obligor to the detriment of other creditors of such obligor, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." Because of the nature of certain of the investments made by a Fund, such Fund may be subject to claims from creditors of an obligor that investments in such obligor that are held by such Fund should be equitably subordinated.

Contingent Liabilities. A Fund may from time to time incur contingent liabilities in connection with an investment. For example, the Partnership may purchase from a lender a participation or assignment of a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, a Fund would be obligated to fund its *pro rata* share of the amounts sought to be borrowed. A Fund may also enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third party, and may, on the other hand, enter into agreements through which third parties offer default protection to such Fund.

Risks Associated with Bankruptcy Cases. There may be instances where the borrowers of the loans in which a Fund invests seek protection under U.S. bankruptcy law. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no

assurance that a bankruptcy court would not approve actions which may be contrary to the interests of a Fund.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a debtor usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the debtor and a Fund; it is subject to unpredictable and lengthy delays; and during the process the debtor's competitive position may erode, key management may depart and the debtor may not be able to invest adequately. In some cases, the debtor may not be able to reorganize and may be required to liquidate assets. Although each Fund intends to invest in loans, the debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental value. Such investments can result in a total loss of principal.

U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that a Fund's influence with respect to a class of debt can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high.

LCS, on behalf of each Fund, may elect to serve on creditors' committees or other groups to ensure preservation or enhancement of a Fund position as a creditor. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If LCS concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to a Fund, it will resign from that committee or group, and such Fund may not realize the benefits, if any, of participation on the committee or group. In addition, and also as discussed above, if a Fund is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of or increasing its investments in such company while it continues to be represented on such committee or group.

Borrower Fraud. Of paramount concern in investing in securities backed by loans and other debt instruments is the possibility of fraud, material misrepresentation or omission on the part of the borrower or the lack of adequate documentation or any documentation regarding such loans and debt obligations. Such occurrences may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of a Fund to perfect or effectuate a lien on the collateral securing the loan. A Fund will rely upon the accuracy and completeness of representations made by borrowers and lenders to the extent reasonable, but cannot guarantee such accuracy or completeness or the adequacy or existence of required documentation. Under certain circumstances, payments to a Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

LCS encourages its clients to consider all of the risk factors LCS has explained in this Brochure as well as those enumerated in the relevant offering documents.

ITEM 9
DISCIPLINARY INFORMATION

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of LCS's advisory business or the integrity of LCS's management.

ITEM 10

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

U.S. Funds

As previously noted, LCS, LLC, an affiliate of LCS serves as the general partner of the U.S. Funds with the exception of NS Capital Partners L.P., and NS Capital Partners II, L.P., where LCS serves as the managing general partner and Levcap Alternative Fund L.P., where LCS Event Partners, LLC serves as the managing general partner. NJS Capital LLC, and LCS LLC serves as the co-general partner of NS Capital Partners L.P., and NS Capital Partners II, L.P. Levcap Event Partners LLC, LCS, and LCS Event Partners, LLC, serves as the co-general partner of Levcap Alternative Fund L.P. LCS L/S LLC, serves as the general partner of LCS L/S Fund, L.P.

Broker/Dealer Affiliation

LCSS, a wholly owned subsidiary of LCS, is a SEC and Financial Industry Regulatory Authority (“FINRA”) registered broker/dealer, and Mr. Levin is an executive officer of LCSS. Certain LCS management personnel and employees maintain security registrations with LCSS and also engage in various responsibilities for LCSS which could take a significant portion of the employee’s time. No individual has yet received commissions from security transactions, however LCSS may pay registered and qualified personnel commissions from the sale of privately placed LCS proprietary fund interests.

Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration Status.

LCS and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities. Based upon recent elimination of CFTC rule 4.13(a)(4) LCS believes other exemptions are available that would not require registration as a commodity pool operator or commodity trading advisor. LCS will continue to monitor regulatory developments, and if its business operations or no other regulatory exemptions are available, LCS will register with the National Futures Association and the Commodities Futures Trading Commission.

Tax Preparation Services

LCS wholly owned subsidiary, LCS Tax LLC (“LCST”), is a tax preparation and tax service for Levin family related individuals and entities (trusts, foundations, GRATS, etc.) and prepares tax returns of individuals and related entities. LCST tax professional personnel are Certified Public Accountants who may also as part of their service offer tax advice to help minimize potential tax liabilities. LCST receives a tax preparation fee separate from all other fees, and this service is not available unless the individual(s) or entity is related to John A. Levin by blood or by marriage. Certain LCS management personnel and employees may also engage in various responsibilities for LCST which could take a significant portion of the employee’s time.

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

Investment Activities of LCS and its Personnel

LCS, its partners and employees may from time to time make personal investments in securities or instruments in which LCS may invest the Funds' and/or Managed Accounts' assets. LCS and its personnel may buy, sell, or hold securities or other instruments for its own or their own accounts while entering into different investment decisions for one or more Funds and/or Managed Accounts. In addition, LCS and its personnel may also invest in eligible Funds of its or their choosing and are not required to invest in all Funds. It is expected that, if such investments are made, the size and nature of these investments will change over time. Neither LCS nor its personnel are required to keep any minimum investment in any of the Funds.

Code of Ethics and Statement on Personal Trading

From time to time, various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of LCS, its affiliates, and personnel (each, including LCS, an "Advisory Affiliate"). LCS has established policies and procedures to monitor and resolve conflicts and will endeavor to resolve conflicts with respect to investment opportunities in a manner it deems equitable to the extent possible under the prevailing facts and circumstances. The Advisory Affiliates may invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or may fall within the investment guidelines of the Funds and/or Managed Accounts. The Advisory Affiliates may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for the Funds and/or Managed Accounts. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Funds and/or Managed Accounts. Potential conflicts also may arise due to the fact that the Advisory Affiliates may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

LCS strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, LCS has adopted a Statement on Personal Trading and a Code of Ethics (collectively, the "Code"). The Code incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of clients first; all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions; information concerning the identity of securities and financial circumstances of the clients, including the Funds' investors, must be kept confidential; and independence in the investment decision-making process must be maintained at all times.

In addition, the Code places restrictions on personal trades by all employees, including that they notify LCS of any new personal brokerage accounts, disclose their personal securities holdings and transactions to LCS on a periodic basis, and pre-clear certain types of personal securities transactions. As discussed above, LCS, its affiliates and its employees may invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or may fall within the investment guidelines of clients. *Clients and investors in a client may request a copy of the Code by contacting Levin Capital Strategies, Attn: Compliance Department, 595 Madison Avenue, 17th Floor, New York, NY 10022.*

LCS also maintains Insider Trading policies and procedures (the “Insider Trading Policies”) that are designed to prevent the misuse of material, non-public information. LCS’s Employees are required to certify to their compliance with the Code and the Insider Trading Policies, on a periodic basis.

LCS has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

The Advisory Affiliates may also have ongoing relationships with companies whose securities are in or are being considered for the Funds and/or Managed Accounts. From time to time, LCS may acquire securities or other financial instruments of an issuer for one Fund or Managed Account which are senior or junior to securities or financial instruments of the same issuer that are held by, or acquired for, another Fund or Managed Account (e.g., one Fund may acquire senior debt while another Fund may acquire subordinated debt). LCS recognizes that conflicts may arise under such circumstances and will endeavor to treat all Funds and Managed Accounts fairly and equitably.

Cross Trades and Principal Transactions

LCS and its personnel do not purchase or sell any securities for their own accounts to or from the Funds or Managed Accounts. However, under unusual circumstances, LCS may determine that it is in the best interest of the Funds or Managed Accounts to effect securities trades through crosses and/or internal crosses between or among the Funds and/or Managed Accounts, subject to Fund and/or Managed Account investment guidelines and restrictions. This could occur, for example, in connection with a rebalancing transaction. In such cases, one Fund and/or Managed Account will purchase securities held by another Fund and/or Managed Account. If LCS decides to engage in a cross trade, LCS will determine that the trade is in the best interests of each client involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those clients.

LCS generally does not execute cross trades; however, if it does so, it will generally do so with the assistance of a broker-dealer who executes and books the transaction at the close of the market on the day of the transaction. Alternatively, a cross trade between two clients may occur as an “internal cross”, where LCS instructs the custodian for the clients to book the transaction at the price determined in accordance with LCS’s valuation policy. If LCS effects an internal cross, LCS will not receive any fee in connection with the completion of the transaction.

LCS will effect these transactions based on the then current independent market price and consistent with valuation and other procedures established by LCS. Neither LCS nor any related party will receive any compensation in connection with these rebalancing transactions.

To the extent that a cross trade may be view as a principal transaction due to the ownership interest in a Fund by LCS and its personnel, LCS will comply with the requirements of Section 206(3) of the Advisers Act, including that LCS will notify the applicable Fund (or an independent representative of such Fund) or the underlying investor of a Managed Account in writing of the transaction and obtain the consent of the applicable Fund (or an independent representative of the Fund) or the underlying investor of a Managed Account.

ITEM 12

BROKERAGE PRACTICES

As noted previously, LCS usually has full discretionary authority to manage the Managed Accounts and the Funds, including authority to make decisions with respect to which securities are bought and sold with and without prior consultation from the client, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. LCS's authority is limited by its own internal policies and procedures and each Fund's investment guidelines and each Managed Account's investment management agreement/guidelines. LCS does not execute any transactions for the Model Portfolios, and the financial intermediary is under no obligation to follow LCS's recommendations. LCS has no discretionary authority or control over security transactions, if any, for any Model Portfolio.

Certain clients with Managed Accounts may direct LCS to use a specified broker-dealer to execute the Managed Account's securities transactions and may have made separate arrangements with such broker-dealers regarding the commissions to be paid with respect to such transactions. As described below, clients who direct LCS to use a particular broker-dealer may not always participate in aggregated trades and may thereby receive prices that are not the same or as favorable as other clients or Funds and may pay commissions that are different from or not as favorable as other clients or the Funds for similar transactions.

LCS wholly owned subsidiary, LCS Securities LLC ("LCSS"), a SEC and FINRA registered broker/dealer, charges commission fees for brokerage transactions, and no LCS individual directly or indirectly receives commissions from client's brokerage transactions. Clients choose their custodian, bank, trust company, or brokerage firm where the client assets will be held providing LCS is able to operationally perform investment advisory services. Clients are not obligated to maintain a brokerage account with LCSS nor obligated to purchase any investment products affiliated with LCS. However, LCS personnel may suggest without any compensation to open a brokerage account at LCSS.

Where LCS does not have discretion to select broker-dealers:

- LCS shall not negotiate commission rates. Rather, the commission rates will be as negotiated by the client with the broker-dealer and this will not change as a result of LCS serving as investment adviser;
- LCS shall not be responsible for obtaining competitive bids on directed trades done on a net basis; and
- LCS may be unable to obtain a more favorable price based on transaction volume on transactions that cannot be aggregated with transaction of its other advisory clients.

Portfolio transactions for each client will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to LCS and/or certain clients, but not beneficial to all clients. In selecting an appropriate broker-dealer to effect a client trade, LCS seeks to obtain best execution, taking into consideration the price of a security offered by the broker-dealer, as well as a broker-dealer's full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to LCS, brokerage and research services provided to LCS (e.g., research ideas, analysis, and

investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the Funds and Managed Accounts by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. LCS does not deem it practicable and in its clients' best interest to solicit competitive bids or commission rates on each transaction. However, consideration is regularly given to information concerning the prevailing level of commissions charged on comparable transactions by other qualified brokers and dealers. Generally, neither LCS nor the Funds separately compensate any broker or dealer for any of these other services.

If LCS decides, based on the factors set forth above, to execute over-the-counter transactions on an agency basis through Electronic Communications Networks ("ECNs"), it will also consider the following factors when choosing to use one ECN over another: the ease of use, the flexibility of the ECN compared to other ECNs, and the level of care and attention that will be given to smaller orders. LCS maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals. LCS has agreements in place with various Fund investors, where LCS will not submit or execute any Fund related portfolio transaction with its affiliated broker/dealer LCS Securities LLC. LCS does not believe this impacts its ability to achieve best execution for portfolio related fund transactions.

Soft Dollar Usage and Commission Sharing Arrangements

From time to time, LCS may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting Fund and/or Managed Account transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. LCS will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e). LCS believes it is important to its investment decision-making processes to have access to independent research.

Generally, research services provided by broker-dealers may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, computer software, and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives. In some cases, research services are generated by third parties but are provided to LCS by or through broker-dealers.

Also, consistent with Section 28(e), research products or services obtained with "soft dollars" or commission sharing arrangements ("CSA") (herein used interchangeably) generated by one or more Fund or Managed Accounts may be used by LCS to service one or more other Funds and/or Managed Accounts, including clients that may not have paid for the soft dollar benefits. LCS does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the client accounts generate. Where a product or service obtained with soft dollars

provides both research and non-research assistance to LCS (e.g., a “mixed use” item), LCS will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of LCS’s allocation of the costs of such benefits and services between those that primarily benefit LCS and those that primarily benefit the Funds and/or Managed Accounts.

When LCS uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, LCS receives a benefit because it does not have to produce or pay for such products or services. LCS may have an incentive to select or recommend a broker-dealer based on LCS’s interest in receiving research or other products or services, rather than on its clients’ interest in receiving most favorable execution.

In the past, including in the last year, LCS or its related persons acquired the following types of products and services with client brokerage commissions (or markups or markdowns): information on the economy, industries, groups of securities, individual companies, statistical information, accounting, regulatory and tax law interpretations, political developments, legal developments affecting portfolio securities, pricing services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, computer hardware and software, and meetings arranged with corporate and industry spokespersons, economists, academics, and government representatives. In some cases, research services are generated by third parties but are provided to LCS by or through broker-dealers.

At least annually, LCS considers the amount and nature of the research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its clients on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will LCS make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

Additional Brokerage Considerations

LCS has entered into agreements with certain brokers-dealers that act as prime brokers on behalf of the Funds. From time to time, LCS personnel may speak at conferences and programs for potential investors interested in investing in hedge funds which are sponsored by those prime brokers. These conferences and programs may be a means by which LCS can be introduced to potential investors in the Funds. Currently, neither LCS nor the Funds directly compensate prime brokers for organizing such “capital introduction” events or for any investments ultimately made by prospective investors attending such events (although either may do so in the future). While such events and other services provided by a prime broker may influence LCS in deciding whether to use such prime broker in connection with brokerage, financing and other activities of the Funds, LCS will not commit to allocate a particular amount of brokerage to a broker-dealer in any such situation.

Trade Allocation and Aggregation Policies and Procedures

Trade Allocation Policies and Procedures

LCS may give advice or take action with respect to the investments of one or more Funds or Managed Accounts that may not be given or taken with respect to other Funds or Managed Accounts with similar investment programs, objectives, and strategies. Accordingly, Funds and Managed Accounts with similar strategies may not hold the same securities or instruments or achieve the same performance. LCS also may advise Funds or Managed Accounts with conflicting programs, objectives or strategies. These activities also may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Funds or Managed Accounts. Finally, LCS and its personnel may have conflicts in allocating their time and services among the Funds and/or Managed Accounts. LCS will devote as much time to each Fund and/or Managed Account as LCS deems appropriate to perform its duties in accordance with its management agreements.

LCS manages investments on behalf of a number of clients. Certain clients have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. It is the policy of LCS to allocate investment opportunities for the Funds and/or Managed Accounts fairly and equitably, to the extent possible, over a period of time. LCS, however, will have no obligation to purchase, sell or exchange any security or financial instrument for one Fund or Managed account which LCS may purchase, sell or exchange for another Fund or Managed Account if LCS believes in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for a particular Fund or Managed Account.

LCS generally makes investment decisions among the Funds and/or Managed Accounts depending on the particular investment strategy pursued by each Fund and/or Managed Account. Allocations among Funds and/or Managed Accounts within a particular strategy are then made generally on a pro rata basis in proportion to the relative value of each Fund's or Managed Account's eligible net assets, or on a pro rata basis in proportion to the actual position size held by each Fund and/or Managed Account. LCS may, however, take into consideration a number of additional factors, including, among others, the nature and size of the proportion of a securities issue likely to be available to LCS or the nature and size of the proposed sale; the investment objectives and/or investment strategy, tax consequences (if applicable), risk tolerances and restrictions of the Funds and/or Managed Accounts; the eligibility to invest in Initial Public Offerings ("IPOs"); the relative size and cash availability of the applicable strategy within a Fund and/or Managed Account; the ability to borrow and the cost of borrowed funds; tax consequences; legal restrictions, including those that may arise in foreign jurisdictions; the liquidity of the investment relative to the need of each Fund and/or Managed Account; the degree of specialization of a Fund and/or Managed Account relative to the investment offered; the relative historical participation of a Fund and/or Managed Account in the investment; the difficulty of liquidating an investment for more than one client; the possibility that an allocation may result in a small or odd lot; new clients with a substantial amount of investable cash; and other factors consider relevant.

LCS acts as the investment adviser to Model Portfolios where LCS does not exercise trading discretion, numerous Managed Accounts and the Funds. Investment opportunities considered by LCS to be appropriate for the Fund(s) and certain of the Managed Accounts following similar investment strategies will be equitably allocated based on considerations such as relative capital, specific investment guidelines, composition of the portfolios at the time of purchase and tax considerations. LCS may combine purchase or sale orders on behalf of the Fund(s) with orders for other Managed Accounts and allocate the securities or other assets so purchased or sold, on an

average price basis, among such accounts. LCS may enter into arrangements with brokers to open such “average price” accounts wherein orders placed during a trading day are placed on behalf of the Fund(s) and/or Managed Accounts and are allocated among such accounts using an average price.

Separately Managed Accounts are traded within a relevant investment strategy group and investment decisions are made for that group following a similar strategy. Generally, Funds may trade at different times (or use derivative instruments (such as option contracts)) from Managed Accounts, and may receive different prices than other accounts.

Mr. Levin and the investment team for the Funds are responsible for the investment decisions made on behalf of the Funds, and are also responsible for the management of other investment vehicles which follow various investment strategies. Mr. Levin and members of the investment team for the Funds are also responsible for the management of other Managed Accounts and may work with members of LCS’s investment team responsible for Managed Accounts following different investment strategies. There may be times when differences between the investment strategies and objectives of a Fund and certain of the Managed Accounts, or differences in view between LCS and other portfolio managers at LCS, result in a Fund holding short positions in issuers in which Managed Accounts hold long positions, or a Fund buying (or selling) securities which are being bought (or sold) for other Managed Accounts. LCS’s trading desk follows documented procedures to limit conflicts among accounts and to ensure that all accounts are treated fairly over time.

Aggregation Policies and Procedures

If LCS determines that the purchase or sale of the same security is in the best interest of more than one Fund and/or Managed Account (including Funds and/or Managed Accounts in which LCS personnel have a direct or indirect ownership interest), LCS may, but is not obligated to, aggregate orders to reduce transaction costs to the extent permitted by applicable law.

Because certain Managed Accounts are held with a specified broker-dealer, including accounts in which LCS personnel have a direct or indirect ownership interest, and certain Managed Accounts have directed LCS to execute their securities transactions through a specified broker-dealer, LCS generally will not be able to aggregate orders across all accounts in all circumstances. To address this situation, LCS typically treats its client accounts as falling within separate trading groups depending on where their accounts are held and generally aggregates appropriate trades across accounts within each trading group.

In addition, to avoid placing competing trades for each separate trading group in the market simultaneously, LCS generally places orders for different trading groups using a daily rotational method, but may deviate from this approach where LCS believes that this approach will result in fundamental unfairness to all client accounts. This approach will result where trades in the same security for client accounts in one separate trading group (including Funds and/or Managed Accounts in which LCS personnel have a direct or indirect ownership) receive priority with respect to a purchase or sale of a particular security and also receive a different price, which may, and in some cases will, be more favorable than the price received by client accounts in another trading group. LCS intends to monitor its trade’s overtime to determine that no Funds and/or Managed Accounts are systematically disadvantaged by this approach to trade order priority. LCS may, depending upon market conditions, time of day, and difficulty of compiling investment advisory orders go out of its scheduled daily trading rotation if in the opinion of LCS the circumstances warrant such action to obtain best execution, take advantage of news announcements, or prevent potential harm to other investment advisory clients.

When an aggregated order is filled through multiple trades at different prices on the same day, each participating Fund and/or Managed Account within a particular trading group generally will receive the average price with transaction costs allocated pro rata based on the size of each Fund's and/or Managed Account's participation in the order (or allocation in the event of a partial fill) as determined by LCS. In the event of a partial fill, allocations generally will be made pro rata based on the initial order, but may be modified on a basis that LCS deems to be appropriate, including, for example, in order to avoid odd lots, *de minimis* allocations, or accounts subject to minimum ticket charges, LCS may use a random allocation. Smaller client account(s) or accounts with small portfolio positions (usually less than \$5,000) may or may not participate with other accounts where LCS deems the transactional costs prohibitive. This may result in either higher or lower portfolio returns than other client accounts with similar investment objectives.

When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by LCS. As a result, certain trades in the same security for one client (including a client in which LCS and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

Trade Errors

LCS may on occasion experience errors with respect to trades executed on behalf of its clients. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, but for the wrong account, or the wrong quantity is purchased or sold (e.g., 1,000 shares instead of 10,000 shares are traded). Trade errors may result in losses or gains. LCS will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a counterparty, such as a broker-dealer, LCS will strive to recover any losses associated with such error from the counterparty. To the extent that LCS determines that it is responsible for a trade error, LCS intends to bear the loss caused by such trade errors, but may on a case-by-case basis and subject to client disclosure and consent not credit the client's account for gains resulting from a trade error. LCS will not be responsible for errors that arise in the investment management process, including those that do not result in transactions in a client account (such as transactions that result in loss of an investment opportunity) and clerical mistakes not resulting in transactions in client accounts.

ITEM 13

REVIEW OF ACCOUNTS

LCS performs various daily, weekly, monthly, quarterly and periodic reviews of each client's portfolio. Such reviews are conducted by the members of LCS's management committee, portfolio managers and research associates. A review of a client account may be triggered by any unusual activity or special circumstances.

LCS generally provides annual audited financial statements to the Funds within 120 days of the applicable Fund's fiscal year end.

Investors in the Funds generally receive a monthly letter from LCS documenting the performance of the fund, along with a commentary letter by LCS, although LCS may provide certain investors with information on a more frequent and detailed basis if agreed to by LCS. In addition, LCS issues investors tax reports and audited financial statements concerning their respective Funds within 120 days of the end of the Fund's fiscal year.

Each beneficial owner and interested parties upon the client's authorization of a Managed Account typically receive a quarterly commentary letter from LCS, as well as monthly or quarterly account statements directly from their respective broker-dealer or custodian.

In addition, LCS's personnel may participate in periodic portfolio reviews with Fund investors or clients with Managed Accounts at LCS's discretion, which are attended by the appropriate members of LCS's investment staff.

While all investors generally receive similar information, to the extent an investor receives additional information (that other investors have not received), which is in addition to information provided in a Fund's regular reports to investors, such information may provide such investor with greater insight into the Fund's activities.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

LCS or its affiliates may from time to time utilize third-party placement agents that receive compensation which may be borne by LCS, including through a portion of the fees and allocations set forth in Item 5 above, for referring investors to the Funds.

LCS may enter into various arrangements pursuant to which unaffiliated third parties may be compensated for referring clients to LCS. Compensation is typically either a percentage of assets initially invested, or remaining invested over time, or a percentage of LCS's advisory fees received from the referred clients.

LCS, LCS, LLC, NJS Capital LLC, Levcap Event Partners LLC, and LCS Event Partners, LLC may from time to time utilize third-party placement agents that receive compensation, which may be borne by LCS, for referring investors to a Fund or other investment vehicles managed by LCS. In addition, LCS may from time to time maintain incentive compensation arrangements with certain of its employees in connection with referrals of Managed Accounts, which may be deemed to constitute indirect compensation in this regard. All such referrals shall conform to SEC rule 206(4)-3.

LCS may from time to time for certain Managed Accounts refer clients or potential clients to their wholly owned broker/dealer subsidiary, LCS Securities LLC. No referral fees or commissions are paid to firm personnel or third parties by LCS or LCSS for clients who open an LCSS brokerage account. LCSS clears and introduces client asset on a fully disclosed basis to J.P. Morgan Clearing Corporation ("JPMCC"). LCS, LCSS and its affiliates are not affiliated with JPMCC and any statements to the contrary are not true.

ITEM 15 CUSTODY

With respect to the Funds only, LCS is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to LCS.

LCS is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

For certain Levin family related accounts by blood or by marriage and upon the client's direction, LCS or LCSS may hold clients brokerage statements and confirmations at its main office for safekeeping. LCS or LCSS will forward this information upon request and this service will not be offered or given to any unaffiliated Levin family member. LCS has engaged EisnerAmper LLP to perform a surprise yearly audit of this business practice to comply with the Custody Rule. LCS, LCSS or any of its affiliates does not physically hold or possess client assets.

ITEM 16

INVESTMENT DISCRETION

LCS serves as investment manager with discretionary trading authority to each Fund. In addition, LCS serves as the investment adviser with discretionary trading authority and also provides discretionary advisory services for the Managed Accounts.

LCS, investment decisions and its advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

LCS also serves as discretionary investment adviser to clients who open separate Managed Accounts with full power and authority to supervise and make investment decisions on behalf of the Managed Accounts without prior consultation with clients. LCS has the ability to determine the amount of securities to be purchased or sold, broker or dealer to be used unless directed otherwise by the client, and the commission rate paid for those accounts that settle transaction on a DVP/RVP basis. Clients may impose, in LCS's opinion, any reasonable guideline or restriction upon LCS's ability to invest on their behalf. This restriction includes types of securities to be purchased or sold, avoiding specific industries or issuers, various tax considerations, broker/dealers that can be used for DVP institutional clients, and the limit of soft dollar usage. Similarly, LCS's investment decisions and advice with respect to each Managed Account are subject to each client's investment objectives and guidelines, as set forth in the client's investment management agreement/guidelines, as well as any written instructions provided by the client to LCS.

LCS or an affiliate of LCS entered into an investment management agreement, or similar agreement, with each Fund or beneficial owner of each Managed Account, pursuant to which LCS or an affiliate of LCS was granted discretionary trading authority.

LCS also manages Model Portfolios of securities for financial intermediary. LCS does not execute security transactions for any Model Portfolios, nor is LCS aware of when actual transactions occur, if at all.

LCS also manages the accounts of certain family members, employees, affiliates and affiliates of family members on a discretionary basis pursuant to a fixed dollar fee arrangement.

ITEM 17

VOTING CLIENT SECURITIES

LCS will, if authorized by the client, vote proxies on their behalf. LCS is responsible for voting such shares of client's discretionary securities under management. However, in certain cases, in accordance with the agreement governing the account, the client may expressly retain the authority to vote proxies or instruct LCS how to vote any given proxy. Such clients should receive their proxies or other shareholder notifications and solicitations directly from their custodian. Please note that in such cases, the proxy voting policies and procedures described below would not apply.

The SEC adopted Rule 206(4)-6 under the ~~Advisers~~ Act, which requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. In compliance with such rules, LCS has adopted proxy voting policies and procedures (the "Policies"). The general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities, including interests in private investment funds, if any (collectively, "proxies"), in a manner that serves the best interests of the Funds and Managed Accounts, as determined by LCS in its discretion. LCS believes this alleviates potential conflicts of interests that may exist between LCS and the clients with respect to proxy voting. Generally, LCS will utilize the proxy voting guidelines set forth by Glass Lewis, Inc. ("GL") with respect to a wide range of matters. These guidelines address a range of issues, including corporate governance, executive compensation, capital structure proposals and social responsibility issues and are meant to be general voting parameters on issues that arise most frequently. If LCS determines that it may have, or is perceived to have, a conflict of interest when voting proxies, LCS will vote in accordance with its Policies. LCS may vote certain proxies on a case by case basis contrary to GL proxy voting guidelines if LCS believes that such vote would be in the best interest of LCS's clients. If such action is undertaken by LCS, it will usually vote with management's recommendation. If GL does not have a recommendation or holdings are only related to family related accounts, LCS will vote in favor of management's recommendation provided that there are no material conflicts of interests present. If management or GL has no recommendation, LCS may vote the client shares where LCS believes would best reflect management's ability to enhance shareholder value. This may result in LCS voting what may be perceived in management's favor. In limited circumstances, LCS may refrain from voting proxies where LCS believes that voting would be inappropriate taking into consideration the cost of voting the proxy and the anticipated benefit to the Funds and Managed Accounts.

LCS shall maintain required records relating to votes cast, client requests for information and LCS's proxy voting policies and procedures in accordance with applicable law.

A copy of LCS, voting policies and the proxy voting record relating to a client may be obtained by a client by contacting LCS at 595 Madison Avenue, 17th Floor, New York, NY 10022 or by calling LCS at 212.259.0800.

ITEM 18
FINANCIAL INFORMATION

LCS is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time since inception.