



Longboard Asset Management, LLC

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This Brochure provides information about the qualifications and business practices of Longboard Asset Management, LLC. If you have any questions about the contents of this Brochure, please contact us at 602-910-6954 or at info@longboard-am.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Longboard is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

Item 2 – Material Changes

Longboard Asset Management, LLC, is an SEC registered investment adviser and as such this Brochure, dated March 29, 2011 is a document prepared according to the SEC's requirements and rules.

This is our first annual update of our brochure. In this initial annual update, the following changes have taken place: In regards to strategy, we are no longer managing a Discretionary Special Situations Portfolio and are no longer employing Fundamental Value, Special Situation, Discretionary Global Macro strategies. The Investment Committee has chosen to pursue only systematic strategies in the Longboard Partners, LP.

Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure or an amendment to this Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Alex Condon, the firm's Operations Director and Administrative Officer at 602-910-6958 or alex@longboard-am.com.

Additional information about Longboard is also available via the SEC's web site www.adviserinfo.sec.gov.

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Item 4 – Advisory Business

Longboard Asset Management, LLC (“Longboard”) is a Delaware limited liability company formed on October 7, 2010 with its principal place of business in Scottsdale, Arizona. Longboard began its operations on August 1, 2011. The four founders and principal owners of Longboard are Cole Wilcox, Eric Crittenden, Chris Camberlango and Paul Boardman. Messrs. Wilcox, Crittenden and Camberlango each own more than 25% of Longboard.

Longboard is an alternative investment firm managing proprietary systematic strategies. These strategies, which are more fully discussed in Item 8 below, consist of alternative investment style categories including Quantitative Directional, Long/Short Equity, and Managed Futures. Longboard's strategies will be offered exclusively to qualified investors through a multi strategy private investment fund (the “fund”) over which Longboard will have full discretionary management authority. Longboard may consider providing investment management services to managed accounts which would be tailored to specific clients risk tolerance or other mandates. Longboard Asset Management currently manages in SEC regulated assets.

All discussions of the fund in this brochure, including but not limited to its investment strategies, risks, fees and conflicts of interests are qualified in their entirety by reference to the fund’s confidential private placement memorandum and limited partnership agreement (the “Offering Documents”). This Brochure does not constitute an offer or a solicitation with respect to the fund. The securities of the fund are sold on a private placement basis under the Securities Act of 1933, as amended, subject to certain conditions and qualifications as described in the Offering Documents. Any offer or solicitation of the fund will be made only by means of the confidential private placement memorandum and solely to eligible investors.

Item 5 – Fees and Compensation

As investment manager to the fund, Longboard receives a monthly management fee equal to 0.166% of the net asset value of an investor’s interest in the fund as of the last business day of each calendar month (approximately 2% per annum). Such management fee is generally payable in arrears and is deducted directly from each investor's account.

In addition to the management fee, Longboard receives an incentive allocation equal to a percentage of the net new profit in respect of an investor's capital account calculated in accordance with the terms of the Offering Documents. The percentage charged is generally 20% for investors choosing monthly liquidity and 15% for investors choosing annual liquidity. The incentive allocation is deducted directly from each investor's client account generally at the end of each calendar year or upon a withdrawal or distribution from the fund.

Longboard generally does not negotiate the fees charged to fund investors. Longboard, however, may not charge such incentive allocation on investments made by Longboard or its principals, employees or affiliates of any such person. Further, Longboard may agree to different incentive allocation arrangements, including waiving or reducing the incentive allocation in its discretion.

Fund investors may also incur fees and expenses, other than management fees and incentive allocations, including, but not limited to: (1) legal, accounting and operational fees incurred by the fund, (2) brokerage commissions and securities transactions costs, (3) fees and expenses of the Administrator and Custodian and (4) in certain circumstances, organizational expenses incurred in connection with the formation and organization of, and/or sale of interests in, the fund.

For more information on Longboard's brokerage practices, please see Item 12 below.

Item 6 – Performance-Based Fees and Side-By-Side Management

As detailed in Item 5 above, Longboard receives performance based compensation from the fund. Longboard structures any performance or incentive arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. All investors in the fund are “qualified clients” as such term is defined by Rule 205-3. In calculating performance-based compensation, Longboard will include realized and unrealized capital gains and losses.

Performance based arrangements may create an incentive for Longboard to recommend investments to the fund which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Underlying investors are unlikely to be able to monitor investment selection. Performance based compensation could create an incentive to favor higher fee paying accounts over other accounts in the allocation of

investment opportunities. At this time, however, Longboard does not manage any client accounts that are not subject to performance-based fees.

Item 7 – Types of Clients

Longboard provides portfolio management services to a private investment fund offered to high net worth individuals, charitable institutions, foundations, endowments, private investment funds, and other U.S. and international institutions. The fund currently requires an initial minimum investment of \$500,000. Longboard may change such requirements in its discretion. Longboard expects in the future it may also provide portfolio management services to managed accounts established by similar types of individuals and institutions.

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

Longboard emphasizes a multi-strategy investment portfolio that seeks to participate in large financial trends across exchange-traded assets including publicly traded equities, commodity, currency and financial futures. Longboard invests the fund in an actively-managed and diversified portfolio of securities, futures, and other financial instruments designed to manage market exposures. Longboard may invest the funds' assets either directly in such investment products or indirectly by allocating a portion of the fund's assets to other private investment funds or accounts managed by sub-managers chosen by Longboard (such other funds or accounts are referred to as "sub-funds"). In certain situations the fund may utilize leverage to enhance its returns.

Longboard's Hedged Equity Strategy's objective is to produce returns that exceed those of a diversified stock market index while maintaining a lower level of beta and volatility. Longboard anticipates that this strategy will primarily be invested in a portfolio of long positions in publicly traded equity and equity-like securities. Longboard focuses on securities that have a reasonable expectation of producing above average returns. Longboard invests in securities without regard to market capitalization, geographic location or market sector and investment positions are generally expected to be long biased. However, Longboard may sell index futures and/or securities short for hedging purposes in order to create a low beta, market neutral or short biased portfolio at various times, depending on general economic and equity market conditions and/or future trading strategy developments.

The investment processes, including buy and sell decisions, position sizing, risk management and portfolio rebalance decisions are systematic and rules based logic. The portfolio is managed using proprietary software and data base developed by Longboard. Investing in securities involves risk of loss that clients should be prepared to bear.

The Managed Futures Component seeks the potential opportunity to profit from a wide universe of global assets in both rising and falling markets. Longboard believes that the futures market exists for the transfer of risk. Professional hedgers are “hedging” price risk to protect underlying business needs. In essence, they seek insurance against adverse price moves and are willing to pay a premium for this insurance. Longboard’s allocation to this strategy is to collect the risk premiums paid by hedgers.

Currently, Longboard allocates to third party CFTC registered commodity trading advisor and to its own proprietary futures strategies. The systems employed for this portfolio are typically medium and long-term trend following in nature. The general investment processes, including buy and sell decisions, position sizing, risk management and portfolio rebalance decisions are systematic and rules based.

These strategies are rebalanced at the Investment Committee’s discretion.

Longboard’s investment strategies involve risk of loss that clients should be prepared to bear. No assurance can be given that Longboard will achieve its investment objective.

Risk of Loss

Longboard believes the following general types of risk should be considered with respect to its investment management style:

- General Investment Risk, *i.e.*, the risk of deterioration in the financial markets in general;
- Strategy Risk, *i.e.*, the risk that investment strategies and/or investment techniques may not work as intended;
- Sub-Manager Risk, *i.e.*, the risks associated with Longboard’s choice of third-party investment management firms, such as fraud, deviation from defined strategies, human or system error and poor judgment;
- Institutional Risk, *i.e.*, the risks due to: (i) the failure of counterparties to perform their contractual commitments; or (ii) the financial difficulty of brokerage firms, banks or other financial institutions that hold assets;

Certain special considerations and risk factors that fall under these general categories are described more fully below.

In addition to the risks described below, any potential investor in the fund is advised to read and consider carefully the Risk Factors and Conflicts of Interest sections in the Offering Document.

Investing in the fund is speculative and involves substantial risk, including the risk that an investor could lose some or all of its investment. No guarantee or representation is made that the fund's investments will be successful and investment results may vary substantially over time.

References to Longboard's use of a Sub-Manager should be understood to refer to both the indirect use of such Sub-Manager (through investing in a sub-fund managed by such Sub-Manager) and the direct use of such Sub-Manager (through establishing a Managed Account with such Sub-Manager).

GENERAL INVESTMENT OR MARKET RISK

All investments in securities and other financial instruments involve substantial risk of volatility (potentially resulting in rapid declines in market prices and significant losses) arising from any number of factors that are beyond the control of Longboard and any Sub-Managers to which Longboard may allocate. Such factors include but are not limited to: changing market sentiment; changes in industrial conditions, competition and technology; changes in inflation, exchange or interest rates; changing domestic or international economic or political conditions or events; changes in tax laws and governmental regulation; and changes in trade, fiscal, monetary or exchange control programs or policies of governments or their agencies (including their central banks). Changes such as these, as well as innumerable other factors, are often unpredictable and unforeseeable, rendering it difficult or impossible to predict or foresee future market movements.

STRATEGY RISK

Portfolio Concentration

Longboard and some Sub-Managers may have overlapping strategies or portfolios and thus could accumulate large positions in the same or related instruments at the same time. In many cases, however, Longboard will not be given access to information regarding the actual investments made by any particular sub-funds; as such information is considered

proprietary by the Sub-Managers of such funds. As a result, Longboard ordinarily will be unable to ascertain the degree of the overall hedged or directional positions, or the extent of concentration risk or exposure to specific markets or strategies. Even if it were able to ascertain these matters, Longboard ability to mitigate the associated risks would depend on its ability to reallocate capital among existing or new Sub-Managers. This might not be feasible for several months until withdrawals and contributions are permitted by the relevant sub-funds.

Because Longboard and each Sub-Manager will trade independently of the others, the trading losses of some Sub-Managers could offset trading profits achieved by the profitable Sub-Managers. Different Sub-Managers might compete for the same investment positions. Conversely, some Sub-Managers may take offsetting positions which would result in transaction costs for the fund without the possibility of profits.

Use of Leverage

Longboard may use leverage in its implementing its investment strategies. Leverage increases the opportunity for a higher return on investment, but also increases the magnitude of any loss. Sub-funds that purchase stocks on margin are subject to the margin rules of the Federal Reserve System and stock exchanges. If those margin rules become more restrictive, investment results may be adversely affected.

Additionally, the investment strategies of the Sub-Managers may require the use of substantial leverage. Such leverage may be achieved through, among other methods, borrowing funds, purchases of securities on margin and the use of options, futures and forward contracts, repurchase and reverse repurchase agreements and swaps. Longboard may open Managed Accounts with Sub-Managers. If a Sub-Manager uses leverage, its trading positions in a Managed Account may result in losses that exceed the assets committed to that Managed Account.

Use of Derivatives

Longboard and certain Sub-Managers may use derivative instruments, including without limitation, option contracts, swap agreements and forward contracts, that are traded over-the-counter ("OTC") as well as on exchanges and derivative techniques, including without limitation, synthetic short sales, for various hedging and/or speculative purposes.

Among other things, the prices of derivative instruments can be highly volatile. Price movements of derivative instruments are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene,

directly and by regulation, in certain markets, particularly those in currencies, financial 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.

Uncertainties remain as to how the markets for these instruments will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against the derivatives positions held by a trader, thereby causing substantial losses. Many of these instruments are not traded on exchanges but rather through an informal network of banks and dealers who have no obligation to make markets in them and can apply essentially discretionary margin and credit requirements (and thus in effect force a trader to close out its positions).

Futures

In the futures markets, margin deposits typically range between 2% and 15% of the value of the futures contract purchased or sold. Because of these low margin deposits, futures trading is inherently highly leveraged. As a result, a relatively small price movement in a futures contract may result in immediate and substantial losses to the trader. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. A decrease of more than 10% would result in a loss of more than the total margin deposit.

Futures positions may be illiquid because certain 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 limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent Longboard or a Sub-Manager from promptly liquidating unfavorable positions. In addition, Longboard or a Sub-Manager may not be able to execute futures contract trades at favorable prices if little trading in the contracts involved is taking place. It also is possible that an exchange or the CFTC 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.

Certain commodity exchanges have also established limits, referred to as “position limits,” on the maximum net long or net short positions which any person may hold or control in particular commodity futures contracts. Longboard or a Sub-Manager may have to modify its investment and trading decisions, and might have to liquidate positions, in order to avoid exceeding such limits.

Longboard and Sub-Managers also may trade options on futures contracts. Such an option is a right, purchased for a certain price, to either buy or sell the underlying futures contract during a certain period of time for a fixed price. Trading options on futures is speculative and highly leveraged. Specific market movements of the futures contracts underlying an option cannot accurately be predicted. If Longboard or Sub-Managers purchase an option, it will be subject to the risk of losing the entire purchase price of the option. On the other hand, if Longboard or a Sub-Manager writes (sells) an option, it will be subject to the risk of loss resulting from the difference between the amount received for the option and the price of the futures contract underlying the option which Longboard or Sub-Manager must purchase or deliver upon exercise of the option.

Options

There are various risks inherent in options trading. For example, the seller (writer) of a covered call option (*i.e.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security to a level below the purchase price of the security, less the premium received by the writer for writing the option. The writer of a covered call option also gives up the opportunity for gain on the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium invested in the option. The seller (writer) of a covered put option (*e.g.*, 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 below the exercise price of the option less the premium received on the put option. The buyer of a put option assumes the risk of losing the premium it paid to purchase the put option.

The options markets have the authority to prohibit the exercise of particular options, which if imposed when trading in the option has also been halted, would lock holders and writers of that option into their positions until one of the two restrictions has been lifted.

Combination Transactions

Longboard and Sub-Managers may engage in spreads or other combination options transactions involving the purchase and sale of related options and futures contracts. These transactions are considerably more complex than the purchase or writing of a single option. They involve the risk that executing simultaneously two or more buy or sell orders at the desired prices may be difficult or impossible, the possibility that a loss could be incurred on both sides of a multiple options transaction, and the possibility of significantly increased risk exposure resulting from the hedge against loss inherent in most spread positions being lost as a result of the assignment of an exercise to the short leg of a spread while the long leg remains outstanding. Also, the transaction costs of combination options transactions can be especially significant because separate costs are incurred on each component of the combination.

Straddles

In straddle writing, where the investor writes both a put and a call on the same underlying interest at the same exercise price in exchange for a combined premium on the two writing transactions, the potential risk of loss is unlimited. To the extent the price of the underlying interest is either above or below the exercise price by more than the combined premium, the writer of a straddle will incur a loss when one of the options is exercised. If the writer is assigned an exercise on one option position in the straddle and fails to close out the other position, subsequent fluctuations in the price of the underlying interest could cause the other option to be exercised as well, causing a loss on both writing positions.

Forward Trading

Longboard and Sub-Managers may utilize forward contracts and options thereon which, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market in which Longboard and Sub-Managers trade due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which

Longboard or a Sub-Manager would otherwise recommend. Market illiquidity or disruption could result in major losses.

In the forward markets, margin deposits may be even lower than in other markets or may not be required at all. Such low or non-existent margin deposits are indicative of the fact that any trading in the forward markets typically is accompanied by a high degree of leverage.

Investing in the forward markets typically is accompanied by a high degree of leverage.

New Strategies

Investment strategies used by Longboard and Sub-Managers may not have been in existence during periods of major market stress, disruption or decline of the type that may be experienced in the future. As a result, it is not known how these strategies will perform in adverse market conditions.

Hedged and Arbitrage Strategies

The use by Longboard or Sub-Managers of “hedged” or arbitrage strategies does not necessarily mean these strategies are relatively low risk. Substantial losses may be recognized on hedge or arbitrage positions, and illiquidity and default on one side of a position can effectively result in the position being transformed into an outright speculation. Every hedge or arbitrage strategy involves exposure to some second order risk of the markets, such as the implied volatility in convertible bonds or warrants, the yield spread between similar term government bonds or the price spread between different classes of stock for the same issuer. Further, there are few examples of “pure” hedge or arbitrage Sub-Managers. Many such Sub-Managers probably employ limited directional strategies which expose them to market risk. Among the risks of arbitrage transactions are that two or more buy or sell orders may not be able to be executed simultaneously at the desired prices, resulting in a loss being incurred on both sides of a multiple trade arbitrage transaction. Also, the transaction costs of arbitrage transactions can be especially significant because separate costs are incurred on each component of the combination. Consequently, a substantial favorable price movement may be required before a profit can be realized.

Short Selling

Longboard and some Sub-Managers may engage in selling securities short, which involves the sale of borrowed securities. In order to sell a security short, the seller must borrow the security from a securities lender and deliver it to the buyer. The seller is then obligated to

return the security to the lender at its request (although the seller remains free to return the security to the lender at any time prior to the lender's request). The seller ordinarily fulfills its obligation to return a security previously sold short by acquiring it in the open market.

A short sale by Longboard or a Sub-Manager ordinarily involves a judgment on its part that, subsequent to the sale, the price of the security will fall over time, resulting in profits equal to the difference between the net proceeds of the sale and the cost of acquiring the security (or a security exchangeable for or convertible into such security) at a later date to fulfill the obligation to return the security to the lender.

The principal risk in selling a particular security short is that, contrary to Longboard's or the Sub-Manager's expectation, the price of the security will rise, resulting in a loss equal to the difference between the cost of acquiring the security (for return to the lender) and the net proceeds of the short sale. (This risk of loss is theoretically unlimited, since there is theoretically no limit on the price to which the security sold short may rise.)

Another risk is that the short seller may be forced to unwind a short sale at a disadvantageous time for any number of reasons. For example, a lender may call back a stock at a time the market for such stock is illiquid or additional stock is not available to borrow. In addition, some traders may attempt to profit by making large purchases of a security that has been sold short. These traders hope that, by driving up the price of the security through their purchases, they will induce short sellers to seek to minimize their losses by buying the security in the open market for return to their lenders, thereby driving the price of the security even higher.

Trend Following

Some Sub-Managers may use computer pricing models to identify apparently overpriced or underpriced options in relationship to an assumed norm. In addition, analyses of price and other fluctuations over time may be relied upon which utilize charts and computers in order to discern and predict trends. Trading based on such analyses is subject to the risks that options premiums will not increase or decrease as predicted by the analysis, or that trades dictated by the analysis may not be executed in time to take advantage of the price disparities. This latter risk is likely to materialize when numerous market makers use similar analyses, all of which dictate the desirability of executing identical or similar contracts. In the past, there have been periods without identifiable trends and, presumably, such periods will continue to occur. Trading models or analyses that depend upon the forecasting of trends will not be profitable if there are not identifiable trends of the kind that the models or analyses seek to follow. Any factor which would make it more

difficult to execute trades in accordance with the models or analyses signals, such as a significant lessening of liquidity in a particular market, would also be detrimental to profitability.

Below “Investment Grade” Securities

Longboard and/or some Sub-Managers may invest in bonds or other fixed income securities, including, “high yield” (and, therefore, high risk) debt securities. These securities may be below “investment grade” and are subject to uncertainties and exposure to adverse business, financial or market conditions which could lead to the issuer’s inability to make timely interest and principal payments. The market values of these securities tend to be more sensitive to individual corporate developments and general economic conditions than do higher rated securities.

Distressed Investing

Longboard and/or some Sub-Managers may invest in securities and private claims and obligations of entities that are experiencing significant financial or business difficulties. One of the risks of investing in distressed entities is the difficulty of obtaining information as to the true condition of such issuers. Distressed company investments may also be adversely affected by state and federal laws relating to fraudulent conveyances, voidable preferences, lender liability and a court’s discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such securities are also subject to erratic changes and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than normally expected.

Restricted Securities

The sub-funds may purchase securities in private placements (*i.e.*, offerings that are not registered under the Securities Act in reliance on the exemption from registration in Reg. D under the Securities Act). Securities purchased in private placements are generally described as “restricted” because they cannot be resold unless the securities are subsequently registered or an exemption from registration is available, such as under SEC Rule 144. Securities purchased pursuant to Reg. D are often illiquid and difficult to value. The Sub-Managers will generally have complete discretion as to how to value the restricted securities and may have an incentive to overvalue them to increase their income.

Replacement of Sub-Managers or Sub-Funds

Except as set forth in the relevant offering memorandum for the fund which it manages, Longboard is not restricted in appointing or replacing Sub-Managers or sub-funds.

Investments with a particular Sub-Manager or sub-fund may be replaced for a variety of reasons, such as a more favorable investment opportunity or other circumstances bearing on the desirability of a continued position with such Sub-Manager or sub-fund. Replacement of Sub-Managers or sub-fund may involve greater fees.

Trading in Non-U.S. Companies and Markets

Longboard and/or some Sub-Managers may invest in non-U.S. companies and/or trade in non-U.S. markets. Trading in the securities of non-U.S. companies involves certain considerations not usually associated with trading in securities of U.S. companies, including political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gains or other income; the small size of the some markets in foreign countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict investment opportunities. In addition, accounting and financial reporting standards that prevail in foreign countries generally are not equivalent to United States standards and, consequently, less information may be available to investors in companies located in foreign countries than is available to investors in companies located in the United States.

There is also less regulation, generally, of the financial markets in foreign countries than there is in the United States. For example, some foreign exchanges, in contrast to domestic exchanges, are “principals’ markets” in which performance is the responsibility only of the individual member with whom the trader has entered into a contract and not of an exchange or clearing corporation. In such a case, an investor is subject to the risk of the inability of, or refusal by, the counterparty to perform with respect to such contracts.

Illiquid Investments

Despite the generally heavy volume of trading in most of the instruments traded by Longboard and the Sub-Managers, the markets for some of those instruments may have limited liquidity and depth. This lack of depth could be a disadvantage, both in the realization of the prices which are quoted and in the execution of orders at desired prices. In addition, a sub-fund may have the ability to suspend, gate or otherwise limit Longboard’s ability to withdraw or redeem, as applicable, from the sub-fund due to illiquidity of the sub-fund’s portfolio.

Increased Costs of Frequent Trading

Longboard and/or some Sub-Managers' investment strategies may require frequent adjustments to its trading positions. The portfolio turnover and brokerage commission expenses may therefore significantly exceed those of other investment entities of comparable size.

"Uninvested" Capital

Longboard or a Sub-Manager may from time to time invest assets in high quality short-term instruments such as U.S. Treasury securities and shares of "money market" mutual funds because suitable investments are not then available. It is not possible to determine or even estimate the degree to which assets will be "uninvested" from time to time, but the percentage of assets invested in short-term instruments may be high from time to time. Such periods of "uninvestment" are likely to have a negative impact on the rate of return.

SUB-MANAGER RISK

Trading Decisions Based on Sub-Manager Judgment

The success of each Sub-Manager in which Longboard recommends an investment depends in large part on the ability of the Sub-Manager to accurately assess the markets in which it trades. An accurate assessment of financial markets depends on a complex analysis of a number of financial and legal factors. No assurance can be given that a Sub-Manager will be in a position to assess the nature and magnitude of all material factors having a bearing on the markets in which it trades, or that a Sub-Manager will accurately assess the impact of all factors of which it is aware.

Sub-Manager Misconduct

Neither Longboard, nor the fund which it manages, will have custody or control over the assets it allocates to Sub-Managers. As a result, it will be difficult, and likely impossible, for Longboard to protect from the risk of Sub-Manager fraud or misrepresentation. Among other things, a Sub-Manager could divert or abscond with the assets allocated to it, fail to follow its stated investment strategy and restrictions, issue false reports or engage in other misconduct.

Wide Investment Discretion

The governing documents of the sub-funds typically will not impose significant restrictions on the manner in which the Sub-Managers of such funds may invest and trade for such funds, and often will permit the Sub-Managers to invest and trade in a broad range of securities and other financial instruments. As a result, the Sub-Managers may from time to time modify their investment strategies in response to changing market conditions, in some cases without notice to Longboard. Any such modification could involve changes in the types of securities and other instruments a Sub-Manager uses to implement its strategy, as well as changes in the markets in which such securities and other instruments trade.

There can be no assurance that any such modification would be successful or not result in losses.

Lack of Information Concerning Sub-Managers

Longboard may not learn of significant Sub-Manager structural events, such as personnel changes, major asset withdrawals/redemptions or substantial capital growth, until after the fact.

Competition

The Sub-Managers will engage in investment and trading activities which are highly competitive with other investment and trading programs including those of mutual funds and other financial institutions, investment banks, broker/dealers, commercial banks, insurance companies and pension funds, as well as private investors, all of whom may have investment objectives similar to those of the Sub-Managers. These competitors may have substantially greater resources and substantially greater experience than the Sub-Managers.

Misuse of Confidential Information

In trading public securities, there are consequences for trading on insider information, and Longboard expects that Sub-Managers will use only public information. Sub-Managers may be charged with misuse of confidential information. If that were the case, the performance records of these Sub-Managers could be misleading. Furthermore, if a Sub-Manager or entity with which Longboard has placed an investment has engaged in the past or engages in the future in such misuse, any such investment could be exposed to losses.

Change in Amount of Assets Under Management

Longboard may invest with Sub-Managers who are experiencing a major increase in the assets they manage. It is not known what effect, if any, an increase in the amount of assets under management will have on their trading strategies or investment results, but it could impair the ability of their strategies and operations to perform up to historical levels.

Conversely, Longboard may invest with one or more Sub-Managers who, subsequent to Longboard's investment, experience significant decreases in assets under management. The Sub-Managers will generally have broad authority to suspend or otherwise restrict withdrawals from the sub-funds and, therefore, a decrease in the assets under management at a sub-fund may restrict Longboard's ability to withdraw from such a Sub-Fund.

Other Clients of Sub-Managers

The Sub-Managers used by Longboard have responsibility for investing the funds allocated to them. The Sub-Managers also manage other accounts (including other accounts in which the Sub-Managers may have an interest) and may have financial and other incentives to

favor such accounts over Longboard. In investing on behalf of other clients, as well as Longboard, Sub-Managers must allocate their resources, as well as limited market opportunities. Doing so not only could increase the level of competition for the same trades that otherwise might be made, including the priorities of order entry, but also could make it difficult or impossible to take or liquidate a particular position at a price indicated by a Sub-Manager's strategy

INSTITUTIONAL RISK

Suspensions of Trading

Securities and futures exchanges typically can suspend or limit trading in any instrument traded on the exchange. A suspension could render it impossible for Longboard and/or a Sub-Manager to liquidate positions.

Failure of Exchanges and Clearinghouses

Longboard and/or the Sub-Managers are subject to the risk of the failure of any of the exchanges on which their positions trade or of the clearinghouses for such exchanges.

Counterparty Risk

Some of the markets in which Longboard and/or some Sub-Managers invest and trade are over-the-counter or "interdealer" markets. The participants in these markets typically are not subject to the type of strict credit evaluation and regulatory oversight applicable to members of "exchange based" markets, and transactions in these markets typically are not settled through clearinghouses that guarantee the trades of their participants. This results in the risk that counterparty may not be able to settle a transaction in accordance with its terms because of a credit or liquidity problem of the counterparty. In addition, in the case of a default by a counterparty, additional losses could be sustained due to adverse market movements while it attempts to execute a substitute transaction.

"Counterparty risk" is accentuated in the case of contracts having longer maturities, where events may intervene to prevent settlement, or where an investor has concentrated its transactions with a single or small number of counterparties. Neither Longboard nor the Sub-Managers are restricted from dealing with any particular counterparties or from concentrating any or all of their transactions.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Longboard or the integrity of Longboard's management. Two of its underlying principals, Mr. Crittenden and Mr. Wilcox, were principals of Blackstar Funds, LLC. Although Blackstar has been dissolved. Prior to the formation of Longboard, Blackstar had been corresponding with the Arizona Corporation Commission with respect to the missed payment of annual registration fees. The Arizona Corporation Commission has not taken any formal action or investigation. Longboard's principals do not otherwise have any legal or disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

Longboard is registered as a commodity pool operator. Messrs. Camberlango, Crittenden, Boardman and Wilcox are registered as Principals of Longboard with respect to such application and Messrs. Crittenden, Wilcox, Camberlango, and Boardman are registered as Associated Persons. As disclosed in the Offering Documents, Longboard is the general partner of the private fund which it manages. As the general partner, Longboard served as the sponsor and organizer of the fund. Accordingly, the terms of the fund were not the result of an arms-length negotiation. The material terms of Longboard's role as general partner are disclosed in the Offering Documents. Each fund investor and prospective investor is urged to read and carefully consider the conflicts of interests described in the Offering Documents.

Item 11 – Code of Ethics

All Longboard members and employees are subject to the provisions contained in Longboard's Code of Ethics (the "Code"). The Code outlines, among other things, Longboard's policies and procedures regarding standards of conduct, personal trading and the handling of confidential information.

The Code contains several procedures designed to protect against the conflicts of interest surrounding personal trading activities. Such procedures include, but are not limited to, (1) the pre-clearance of personal trading in most securities and instruments; (2) the prohibition against purchasing securities in an initial public offering or private placement without prior approval (except for purchasing interests in the private funds which Longboard manages); (3) copies of brokerage statements and (4) the filing of initial and annual holdings reports. The monitoring of employee personal trading is conducted under

the supervision of the Chief Compliance Officer. Records of personal trading and holdings reports will be maintained for 5 years by the Administrative Officer.

The Code also contains a policy statement on insider trading strictly prohibiting buying and selling securities while in possession of material non-public information. Additional provisions of the Code outline Longboard's policies governing (1) the protection of confidential information from misuse or improper disclosure; (2) entertainment, gifts and other inducements; (3) outside activities; (4) political contributions and (5) the periodic review of issues related to conflicts of interests between the firm and its clients and investors.

The Code provides firm sanctions in the event of violations of the policies and procedures, including termination of employment.

Fund investors, potential investors and clients who would like a copy of Longboard's Code of Ethics, should send a written request to the attention of Alex Condon, Operations Director and Administrative Officer, Longboard Asset Management, LLC, 4725 N. Scottsdale Road, #110, Scottsdale, Arizona 85251 or via facsimile at (602)535-1262.

Item 12 – Brokerage Practices

Longboard selects broker-dealer relationships and recommendations based on a combination of the following factors:

1. the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);
2. the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution;
3. the financial strength, integrity and stability of the broker;
4. market access and technology; and
5. the competitiveness of commission, clearing and financing rates in comparison with other brokers satisfying Longboard's other selection criteria.

Longboard does not commit to provide any level of brokerage business to any broker. Longboard may utilize the services of one or more introducing brokers who will execute brokerage transactions through the broker and custodian who will clear the relevant client's (including a fund's) transactions.

Soft Dollars

Longboard does not use “soft dollar” commissions or rebates by brokerage firms of commissions generated by Client securities transactions executed through those firms to pay its own expenses.

Trade Errors

In the course of executing trade on behalf of a Client, trade errors may occur. Examples of trading errors include inputting the wrong number of shares or contracts to be bought or sold, incorrectly indentifying the security or futures contract so that the wrong security or contract is bought or sold, or buying rather than selling a particular security or futures contract (and vice versa). Trading errors may result in negative or positive results. Generally, the Client will bear the losses of such errors as well as benefit from any resulting gains unless Longboard determines such trading errors were the result of Longboard's gross negligence or another action which would not be covered by the limitation on liability and indemnification provisions disclosed in the Offering Documents or any other relevant Client contract.

Item 13 – Review of Accounts

The Firm’s Investment Committee reviews investments daily. The members of Investment Committee are Cole Wilcox, Eric Crittenden, and Chris Camberlango. Investors receive monthly capital account statements for their investments in the fund by the firm’s Administrator. Additionally, investors receive monthly and quarterly written updates of the activity in the fund and the relevant markets.

Item 14 – Client Referrals and Other Compensation

Longboard may direct some of the fund’s brokerage business to brokers who refer prospective investors to the fund. Because such referrals, if any, are likely to benefit Longboard but will provide an insignificant (if any) benefit to the fund investors, Longboard will have a conflict of interest with the fund when allocating fund brokerage business to a broker who has referred investors to a fund. To prevent brokerage commissions from being used to pay investor referral fees, Longboard will not allocate brokerage business to a referring broker unless Longboard determines in good faith that the commissions payable to such broker are reasonable in relation to those available from

non-referring brokers offering services of substantially equal value to the fund or any other client.

Longboard Asset Management, as the General Partner of a fund, may sell interests through broker-dealers, placement agents and other persons and pay a marketing fee or commission in connection with such activities, including ongoing payments, at the Longboard's own expense (except in circumstances involving directed brokerage). In certain cases, Longboard reserves the right to deduct a percentage of the amount invested in a fund to pay sales fees or charges, on a fully disclosed basis, to a broker-dealer or placement agent based upon the capital contribution of the investor introduced by such broker-dealer or agent. Any such sales fees or charges would be assessed against the referred investor and would reduce the amount actually invested in the fund.

Item 15 – Custody

Longboard is deemed to have custody of client's funds and securities because it is the general partner of the fund and has the ability to deduct the management fee and incentive allocation from investors' accounts. Longboard complies with Rule 206(4)-2 of the Advisors Act which mandates that client's assets must be held by a qualified custodian. The funds assets will be held by Interactive Brokers LLC. In addition, Longboard also engages an outside auditor that is registered with and subject to regular inspection by The Public Company Accounting Oversight Board, to audit the fund at the end of each fiscal year and to distribute the results of the audit in audited financial statements to all investors. Fund investors are urged to carefully review such financial statements.

Item 16 – Investment Discretion

With respect to the funds, Longboard has full discretionary authority to select investments in accordance with the investment objectives set forth in the fund's Offering Documents.

Item 17 – Voting Client Securities

Longboard acknowledges that the SEC generally believes it is part of an investment manager's fiduciary duty to its clients to vote client proxies. In certain cases, however, the cost of doing so may not exceed the expected benefits to the client. Accordingly,

Longboard has established the following policies and procedures with respect to voting proxies on behalf of the fund which it manages.

Based on the nature of the equity strategies undertaken by the Hedged Equity Strategy, Longboard believes that it will not be cost effective to monitor, review proposal and vote meetings as the outcome of any particular meeting may not have any expected effect on the long-term investment returns. In particular, the selection of securities for the Hedged Equity Strategy is without any reference to the governance or management of the underlying security and therefore it is likely to be wholly coincidental if the fund is holding voting securities as of any given shareholder record date for a meeting. In fact, Longboard may liquidate any such positions prior to the actual meeting.

With respect to equities purchased within the special situations strategy, Longboard may conduct a cost-benefit analysis in order to determine whether to vote its shares, whereby if it is determined that the cost associated with the attempt to exercise its vote outweighs the benefit Longboard believes its fund will derive by voting on the company's proposal, Longboard may decide not to vote. To the extent the fund is expected to remain a shareholder as of the date of the actual shareholder meeting, Longboard will vote such proxies in a manner which it determines in the best interest of the fund.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Longboard's financial condition. Longboard has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.