

**LUSMAN CAPTIAL MANAGEMENT, LLC**

**February 14, 2012**

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**This brochure provides information about the qualifications and business practices of Lusman Capital Management, LLC (“LCM” or the “Adviser”). If you have any questions about the contents of this brochure, please contact us at 203-567-4544 or [crosmarin@lusmancapital.com](mailto:crosmarin@lusmancapital.com). This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Any references in this brochure to LCM as a “registered investment adviser” are not intended to imply a certain level of skill or training.**

**Additional information about LCM is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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#### **Item 4. Advisory Business**

Lusman Capital Management, LLC (“LCM” or the “Adviser”) is an investment advisory firm with its principal place of business in Old Greenwich, CT. The Adviser commenced operations on June 1, 2006. Joel Lusman and a family trust benefitting the Lusman family are the principal owners of the Adviser.

The Adviser provides discretionary investment advisory services to its clients (“Advisory Clients”), which include separately managed accounts, including accounts established by institutions (each, a “Managed Account”), and pooled investment vehicles intended for sophisticated investors and institutional investors (each, a “Private Fund”). The Adviser’s investment management services generally do not include providing continuous investment advice on the basis of the individual needs of investors in the Private Funds (“Fund Investors”) or other individuals.

The Adviser generally has broad and flexible investment authority with respect to managing the assets of Advisory Clients, and provides advice based on specific investment objectives and strategies applicable to each Advisory Client and any investment restrictions or guidelines set by an Advisory Client. From time to time, the Adviser may also consider an Advisory Client’s tax treatment when evaluating the suitability of a particular transaction. However, the Adviser does not tailor its advisory services to the individual needs of Fund Investors, and does not accept investment restrictions imposed by Fund Investors.

As of February 1, 2012, the Adviser had approximately \$187 million of Advisory Client assets under management, all on a discretionary basis.

## **Item 5. Fees and Compensation**

The Adviser charges each Advisory Client an asset-based investment management fee and/or performance-based compensation. The asset-based fee is an annual fee based on the value of the client's assets under management. The asset-based fee, generally 1.50% of a client's assets under management, is charged quarterly in advance based on the total market value of the assets in the Advisory Client's account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the first day of the quarter. Because the Adviser provides investors with an opportunity to redeem their respective investments in an Advisory Client on a quarterly basis, and the management fee is withdrawn from each Advisory Client's account on a quarterly basis, it is unlikely that an individual investor would be subject to paying management fees for a period of time in which it did not receive advisory services. However, should there ever be an occasion when an investor is entitled to a refund of any management fees it paid in advance, either because the Adviser did not provide management services during the relevant period or for any other reason under which such a refund would be appropriate, the Adviser would provide to the investor a pro rata share of the pre-paid management fee based on the period during which the Adviser did not provide management services or other relevant factors. If a new Advisory Client is established during a quarter, or an Advisory Client makes an additional contribution to its account during a quarter, the asset-based management fee will be charged as of the effective date of the new investment management agreement or the date of the additional contribution, respectively, based on the value of the assets as of such date, and will be prorated based on the number of days remaining in the quarter. The Adviser or an affiliate of the Adviser, in its sole discretion, may waive or modify the management fee for Fund Investors that are members, employees or affiliates of the Adviser or an affiliate of the Adviser, relatives of such persons, and for certain large or strategic investors.

The Adviser or an affiliate of the Adviser may be paid performance-based compensation, which is compensation based on a share of capital gains on or capital appreciation of the assets of an Advisory Client at the end of the client's fiscal year. Performance-based compensation is generally charged to the accounts of Advisory Clients in an amount equal to 20% of net profits (including realized and unrealized gains and losses) and is subject to a loss carryforward provision, so that if there is a loss during any fiscal year, a client account will not be charged any performance-based fees until the amount of the loss previously allocated to such account has been recouped, and any loss carryforward will be subject to reduction for investor withdrawals on a pro rata basis. With respect to certain Advisory Clients, other factors may apply to the calculation of the performance-based compensation. Performance-based fees may be waived or modified for Fund Investors that are members, employees or affiliates of the Adviser or an affiliate of the Adviser, relatives of such persons, and for certain large or strategic investors.

Fee arrangements are not negotiable.

On a quarterly basis, and upon proper instructions from LCM, the custodian of Advisory Client accounts deducts the Adviser's asset-based management fee from each Private Fund's account. With respect to an Advisory Client that is a Managed Account, the Adviser directly bills such Advisory Client for management fees.

In addition to paying investment management fees and, if applicable, performance-based fees, Advisory Clients will also be subject to other investment-related expenses, such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; and other portfolio expenses, as disclosed in each Advisory Client's offering documents or investment management agreement, as applicable.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

The Adviser and its investment personnel provide investment management services to multiple Advisory Clients, and the Adviser is entitled to receive performance-based compensation from its Advisory Clients. The Adviser's investment personnel are typically compensated on a basis that includes a performance-based component, and investment personnel are permitted to make personal investments in the Private Funds. Although the Adviser manages Advisory Client accounts on a pari passu basis, the Adviser and its investment personnel have a greater incentive to favor Advisory Clients that pay LCM higher performance-based compensation.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for all Advisory Clients on a regular basis to ensure that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities on a pro rata basis based on asset size. The Adviser's procedures also require fair and equitable allocation of limited opportunities (such as initial public offerings and private placements) among accounts. The Adviser's Chief Compliance Officer (the "CCO") is responsible for, among other things, administering these policies and procedures and monitoring the allocation of investment opportunities.

## **Item 7. Types of *Clients***

The Adviser generally provides investment advice to Private Funds and Managed Accounts.

With respect to the Private Funds, any initial and additional subscription minimums are disclosed in the relevant offering documents. With respect to Managed Accounts, the minimum investment and account balance amounts are set forth in the applicable agreements. Generally, a significant investment amount is required to maintain a separately managed account. If the size of an account falls below the minimum subscription or investment requirement due solely to market fluctuations, the Adviser will not require that additional funds be invested for purposes of meeting such minimum requirement.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

The Adviser utilizes a variety of strategies and has broad discretion in making investment decisions and recommendations. The Adviser generally researches and evaluates investment ideas from a qualitative and quantitative perspective, and uses a variety of methods and analyses to form an investment idea or strategy or to make an investment determination. These methods and analyses include fundamental research, cyclical and quantitative analyses, interviews with company management, analysts or third party industry experts, and internal valuations for projected targets.

### **Investment Strategies**

The Adviser employs the following investment strategies, each of which involves risk of loss:

Arbitrage. The Adviser utilizes merger arbitrage strategies, which attempt to exploit merger and takeover activity to capture the spread between current market values of securities and their values after successful completion of a merger, restructuring or similar corporate transaction. The Adviser may also employ one or more other types of arbitrage strategies, each of which seek to take advantage of perceived price discrepancies of identical or similar financial instruments.

Buy and Hold. A buy and hold investment strategy involves the Adviser buying securities and holding them for a relatively long period of time, regardless of market fluctuations, price volatility or other short-term factors.

Equity. The Adviser's equity strategy focuses on a broad range of equity investment styles, including growth, core, value, and a "style-neutral" investment approach. The Adviser's investments are not limited to a particular market capitalization, and an Advisory Client portfolio may include interests in micro-cap, small-cap, mid-cap, large-cap, and mega-cap companies.

Fundamental Value. The Adviser employs a fundamental value investment strategy by investing in securities that the Adviser believes, based on its analysis of an issuer's fundamentals (e.g., earnings, assets, debt and financial structure), are undervalued by the market.

Growth. Using a capital growth investment strategy, the Adviser seeks to identify and invest in securities of a company that the Adviser believes will have earnings that grow at an above-average rate compared to the company's specific industry or the overall market.

Derivatives. The Adviser utilizes a variety of financial instruments for risk management or non-hedging purposes. In particular, the Adviser may engage in derivative transactions, including by investing in options, forward contracts, swaps and other types of derivatives.

Relative Value. The Adviser pursues relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued.

Short Selling. The Adviser may sell securities short. In a short sale transaction, the Adviser sells a security it does not own in anticipation that the market price of that security will decline. The Adviser makes short sales as a form of hedging to offset potential declines in long positions in similar securities, to maintain flexibility and/or seek profit.

### **Risk Factors**

The following summary identifies the material risks related to the Adviser's investment strategies, as well as the risks associated with the securities the Adviser primarily recommends. This summary should be

carefully evaluated before making any investment with the Adviser. However, this summary does not intend to identify all potential risks of an investment with the Adviser, or to provide a full description of the identified risks. Investing in securities generally involves significant risk, including the risk of loss of some or all of an investor's investment. Prospective investors should speak with their legal, tax and financial advisors prior to making an investment with the Adviser.

Arbitrage Risk. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur. Such losses can be more significant to the extent that leverage is employed. In addition, the success an arbitrage strategy often depends on the Adviser's ability to identify favorable "spreads," which can also be identified, reduced or eliminated by other market participants. With respect to merger arbitrage strategies in particular, the consummation of mergers, exchange offers, recapitalizations, tender offers and other similar transactions in which a merger arbitrage opportunity may exist can be prevented or delayed by a variety of factors, including shareholder opposition, litigation or government regulation. Any one of these factors may cause significant delays, during which an Advisory Client's capital may be committed to the transaction and interest charges on any funds borrowed to finance the Advisory Client's activities in connection with the transaction may be incurred. A merger, other restructuring, tender, or exchange offer may not be completed on the terms or within the time frame contemplated, potentially causing an Advisory Client to incur a loss.

Hedging Risk. As stated above, the Adviser may engage in derivative transactions for hedging or non-hedging purposes. To the extent the Adviser engages in a derivative transaction or otherwise takes an investment position to manage risk, there can be no assurance that the particular hedge is appropriate, or that the risk of the position has been measured accurately. While the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance of an Advisory Client's portfolio and increased (rather than reduced) risk for the portfolio than if the Adviser did not engage in such hedging transactions.

Interest Rate Risk. The Adviser may invest an Advisory Client's assets in fixed-income securities, as discussed below. Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.

Issuer-Specific Changes and Counterparty Risk. Changes in the financial condition of an issuer or counterparty, specific economic or political circumstances that affect a particular type of security or issuer, and general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. In addition, the value of securities of smaller, lesser-known issuers can be more volatile than that of larger issuers. Smaller issuers may have more limited product lines, markets or financial resources.

Lack of Diversification Risk. The Adviser generally does not seek to diversify Advisory Clients' investment portfolios. As a result, Advisory Client investments will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, Advisory Client portfolios are subject to more rapid change in value than would be the case if the Adviser were required to maintain broader diversification among types of securities and other instruments in which it invested client assets.

Short Selling Risk. The Adviser's investment program for each Advisory Client generally includes a significant amount of short selling. Short selling transactions expose the Adviser to the risk of loss of an amount greater than the Adviser's initial investment, and such losses can increase rapidly and without limit. The securities borrowed by the Adviser in connection with a short sale may be required to be returned to the securities lender on short notice. If a lender requests that an Advisory Client return a security at a time when other short sellers of the same security are receiving similar requests, a "short squeeze" can occur. In such cases, the Adviser might be compelled to replace the securities it borrowed by purchasing the securities at a disadvantageous time on the open market, possibly at prices significantly in excess of the proceeds it received in the transaction. Furthermore, by selling securities



short, an Advisory Client could be deemed to be employing a form of leverage, which, as described below, creates special risks.

Leverage Risk. LCM may use significant leverage in connection with certain strategies. Leverage may also involve the borrowing of funds from brokerage firms, banks and other institutions to enable an Advisory Client to increase the amount of capital available for investments in marketable securities. In addition, leverage may be inherent in certain transactions and instruments utilized in the Adviser's investment program, such as short sales and derivatives, thereby potentially exposing an Advisory Client to greater risk and increased costs. Increases and decreases in the value of an Advisory Client's portfolio will be magnified when the Adviser uses leverage in managing such portfolio. Performance may be more volatile if leverage is employed with respect to an Advisory Client's account.

Relative Value Risk. A perceived mispricing underlying the Adviser's relative value trading positions may fail to converge toward, or not diverge further from, the relationships anticipated by the Adviser, thereby negatively impacting the performance of an Advisory Client's portfolio. Accordingly, the Advisory Client's account may incur a loss.

Derivatives Risk. Options, future contracts, swaps and other custom derivative or synthetic instruments in which the Adviser may invest an Advisory Client's assets are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. In addition, derivative securities can be highly volatile, and any fluctuations in the price of the investments underlying derivative instruments cannot be controlled by the Adviser or Advisory Clients. Furthermore, because derivative instruments are not traded on a recognized exchange, an Advisory Client's portfolio will be exposed to greater risk than a portfolio that holds only instruments that trade on regulated exchanges, thereby providing greater liquidity and more accurate valuation.

Emerging Markets. The Adviser may invest Advisory Client assets in securities of issuers located in emerging markets. Such investments may be considered speculative, and are typically more risky than investments made in securities of issuers located in more developed markets. Emerging markets may develop unevenly or never fully develop, and are more likely to experience hyperinflation and currency devaluations, which can adversely affect returns to U.S. investors. In addition, emerging market securities tend to have far lower trading volumes and less liquidity than securities of issuers in developed markets. In addition, political and economic structures in countries with emerging markets may be less established and are subject to rapid change, and such countries also are more likely to experience high levels of inflation, deflation or currency devaluation, each of which may negatively impact harm their economies and securities markets and increase price volatility. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

Equity Securities. Stock markets are volatile. The price of equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions, which in turn can reduce the value of a portfolio investing in equities. The value of equity securities purchased by an Advisory Client could decline if the financial condition of the companies issuing those securities decline or if overall market and economic conditions deteriorate. Factors affecting a particular industry or industries, such as labor shortages, increases in production costs or competitive conditions within an industry, may also have a negative impact on the value of an equity security. Fluctuations can be dramatic over the short- and long-term. In addition, values may decline due to general market conditions unrelated to a particular company or industry, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or generally adverse investor sentiment.

Fixed-Income and Other Debt Securities. The Adviser may invest an Advisory Client's assets in fixed-income and other debt securities, such as bonds, notes and asset-backed securities. Such securities are

subject to credit risk, which is the risk that the issuer of a security will be unable and/or unwilling to make timely interest payments and/or repay the principal on its debt. Debt instruments are subject to varying degrees of credit risk which may be reflected in credit ratings. There is a possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Fixed-income securities are also subject to interest rate risk, which refers to fluctuations in the value of a fixed-income security resulting from changes in the general level of interest rates. When the general level of interest rates goes up, the prices of most fixed-income securities go down. When the general level of interest rates goes down, the prices of most fixed-income securities go up. To the extent that the Adviser invests an Advisory Client's assets in these types of securities, the Advisory Client's account will also be indirectly subject to the credit risk created when a debt issuer fails to pay interest and/or principal in a timely manner, and the risk that the issuer may be perceived as being unable to make such payments. Such risks may cause the price of a debt security to decline. Furthermore, if an Advisory Client's portfolio includes investments in lower-rated debt securities, the portfolio will be subject to the risk of greater price fluctuation and less liquidity than higher-rated securities, because issuers of lower-rated debt securities may experience greater financial stress, be more likely to encounter financial difficulties, and thus be more vulnerable to adverse economic changes or individual economic developments than higher rated securities.

Hard Assets. The Adviser's investment program may include investments in one or more "hard assets." Such investments are subject to various risks, including commodity price volatility, changes in world political and economic developments, competitive pressures, labor relations issues and risks associated with foreign investments. The production and marketing of hard assets may be affected by actions and changes in governments. In addition, hard assets and hard asset securities may be cyclical in nature. During periods of economic or financial instability, hard asset securities may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various hard assets. In addition, hard asset companies may be subject to the risks and hazards associated with extracting natural resources, such as fire, drought, and increased regulatory and environmental costs.

Illiquid Instruments. Certain instruments in which the Adviser may invest an Advisory Client's assets may have no readily available market or third-party pricing source. A potential risk from investing in such illiquid securities is that they cannot be disposed of quickly in the normal course of business. Also, illiquid securities can be more difficult to value than more widely traded securities, and the prices realized from their sale may be less than if such securities were more widely traded. Reduced liquidity may have an adverse impact on the market price of an illiquid security, and the Adviser's ability to sell a particular security held by an Advisory Client when necessary to meet its liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Adviser to obtain market quotations based on actual trades for the purpose of valuing an Advisory Client's portfolio.

Non-U.S. Securities. Investing in foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations may be subject to particular risks not associated with U.S. investments, and may expose an Advisory Client's portfolio to the potential for greater loss. Risks associated with investing in non-U.S. securities include: settlement and clearance procedures in certain foreign markets may result in delays in payment for or delivery of securities; fluctuations in foreign currencies, withholding or other taxes; foreign banks and securities depositories may be new or recently organized and subject to only limited or no regulatory oversight; governmental restrictions on investments by foreign investors; lack of supervision over, or regulation of, stock exchanges, brokers and sales of securities; and minimal investor protections and disclosure standards compared to those offered by U.S. securities laws. These and other factors can make investments in non-U.S. securities, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments.

## **Item 9. Disciplinary Information**

This Item does not apply to LCM.

#### **Item 10. Other Financial Industry Activities and Affiliations**

The Adviser has and may in the future enter into agreements, or “side letters,” with certain prospective or existing Fund Investors. Under these agreements, Fund Investors are permitted to be informed of any arrangements between the Adviser and any other Fund Investor that provides such Fund Investor with terms and conditions that are more advantageous than those set forth in the relevant offering documents, such as providing the Fund Investor with special redemption rights. Currently, however, the Adviser does not offer to any Fund Investor terms or conditions that are more advantageous than those set forth in the relevant offering documents.

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

The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser and its employees and other related persons (“Access Persons”) to place the interests of Advisory Clients and Fund Investors above their own interests and the interests of LCM, and to act honestly and fairly in all respects in their dealings with Advisory Clients. The Code also requires all Access Persons to comply with applicable federal securities laws, and to promptly notify the CCO of any violations of the Code. The Code also seeks to ensure the protection of non-public information about the activities of the Advisory Clients.

All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter. Access Persons include, generally, any partner, officer or director of LCM and any employee or other supervised person of LCM who, in relation to the Advisory Clients, (i) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (ii) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All employees of LCM are deemed to be Access Persons and are subject to the Code.

The Adviser and its investment personnel, in the course of investment management or other activities, may come into possession of confidential or material non-public information about issuers, including issuers in which the Adviser or its Access Persons have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client, and the Adviser maintains and enforces written policies and procedures designed to prohibit the communication of such non-public information to persons who do not have a legitimate need for such information. The Adviser will have no responsibility or liability to an Advisory Client for not disclosing such information or using such information for the Advisory Client’s benefit.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. Access Persons must provide the CCO with a list of their personal accounts and an initial holdings report within 10 days of becoming an Access Person. In addition, Access Persons must provide annual holdings reports and quarterly transaction reports in accordance with Rule 204A-1 under the Advisers Act.

The Adviser allocates investment opportunities among Advisory Clients on a pari passu basis. As a result, there is minimal potential for conflicts with respect to allocating time and services among the Advisory Clients.

Clients or prospective clients may obtain a copy of the Code by contacting Craig Rosmarin, Chief Compliance Officer by email at [crosmarin@lusmancapital.com](mailto:crosmarin@lusmancapital.com), or by telephone at 212-230-4797.

## **Item 12. Brokerage Practices**

The Adviser does not have any arrangements to use brokerage commissions or “soft dollars” to obtain research and brokerage services.

From time to time, the Adviser may participate in capital introduction programs arranged by broker-dealers, including brokerage firms that either (i) serve as prime brokers to a Private Fund, or (ii) recommend to their clients a Private Fund as a potential investment option. The Adviser may retain a firm that has made such recommendations or provided such capital introduction opportunities to effect trades on behalf of an Advisory Client portfolio, but only if the Adviser determines that selecting that broker-dealer to effect the trade is consistent with the Adviser’s duty to seek best execution. In no event will the Adviser select a broker-dealer to effect transactions as a means of compensating the broker-dealer for recommending the Adviser or any product managed by the Adviser, or for offering the Adviser the opportunity to participate in capital introduction programs.

The Adviser addresses the potential conflicts of interest that may exist in connection with its brokerage practices through its best execution review process. This process includes an assessment of overall performance of broker-dealers in light of the amount of business directed to such broker-dealers. To the extent that LCM determines that the amount of business directed to a particular broker-dealer is not consistent with such broker-dealer’s overall performance, LCM will seek to reduce the amount of business directed to the broker-dealer, unless there is a compelling explanation for such allocation, including, but not limited to, the availability of a particular security or the expertise in a particular sector.

The Adviser may purchase or sell the same security for multiple Advisory Clients contemporaneously (or near the same time) using the same executing broker. When appropriate, the Adviser may, but is not required to, aggregate Advisory Client orders to achieve more efficient execution or to provide for equitable treatment among accounts. The Adviser will also aggregate the same securities for accounts for which the Adviser has brokerage discretion. Such aggregation may enable the Adviser to obtain for clients a more favorable price or a better commission rate based on the volume of a particular transaction. However, in cases where an Advisory Client has negotiated the commission rate directly with the broker, the Adviser will not be able to obtain more favorable commission rates based on an aggregated trade. In such cases, the Advisory Client will be precluded from receiving the benefit of any possible commission discount that might otherwise be available as a result of the aggregated trade. In cases where trading or investment restrictions are placed on an Advisory Client’s account, the Adviser may be precluded from aggregating transactions on behalf of that client, and the Advisory Client may be required to pay a higher commission rate and/or receive less favorable prices than Advisory Clients participating in an aggregated order.

When an aggregated purchase or sale order is completely filled, the Adviser will allocate the securities purchased, or the sale proceeds, among the participating accounts on a pro rata basis based on the size of the Advisory Client account. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots, excessively small allocations, rebalancing or for tax-related reasons. If an order is filled by a particular broker at several different prices and through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the Adviser’s procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to all participating Advisory Clients. Depending on the investment strategy pursued by the client and the type of security purchased or sold, this may result in a pro rata allocation to all participating Advisory Clients.

### **Item 13. Review of Accounts**

Joel Lusman (the "Portfolio Manager") serves as the portfolio manager for the Advisory Clients and is responsible for selecting investments. The Portfolio Manager reviews each Advisory Client account on at least a monthly basis to determine whether investment positions should be maintained in view of current market conditions and other factors. This review process involves a consideration of each Advisory Client's investment policy and objective, investment suitability, cash availability and account performance. In addition, on a daily basis, the CCO reviews the accuracy of all securities and quantities contained in an Advisory Client's portfolio, and reviews portfolio reports to ensure compliance with account restrictions and allocation policies.

The Adviser may review Advisory Client accounts on a basis other than periodically if significant market events affect the prices of one or more securities in an Advisory Client account, modifications are made to the investment objectives or guidelines of a particular Advisory Client, or specific arrangements are made with a particular Advisory Client.

Fund Investors generally receive audited financial statements on an annual basis; unaudited, estimated capital statements on monthly basis; and quarterly newsletters. Such reports and/or other communications are delivered pursuant to the terms in the relevant offering documents. Fund Investors may request more recent performance information by contacting Craig Rosmarin at 212-230-4797.

**Item 14. *Client* Referrals and Other Compensation**

This Item does not apply to LCM.



**Item 15. *Custody***

This Item is not applicable to LCM.

## **Item 16. Investment Discretion**

The Adviser provides investment management services on a discretionary basis to Advisory Clients. Please see Item 4 for a description of any limitations clients may place on the Adviser's discretionary authority.

Prior to assuming discretion in managing a client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by an Advisory Client, the Adviser has the authority to determine the securities to be purchased and sold for the Advisory Client account, subject to any investment restrictions applicable to such account, and the amount of securities to be purchased or sold for the Advisory Client account. Based on each Advisory Client's investment objectives and strategies, risk tolerances, tax status and other criteria, there may be some differences in positions and securities held by Advisory Clients.

As discussed in Item 11, the Adviser manages the accounts of Advisory Clients on a pari passu basis. From time to time, the Adviser may determine that, as a result of redemptions by Fund Investors or because of tax-related or other issues, it would be disadvantageous or impracticable to allocate trades on a pari passu basis. In such cases, Advisory Client accounts may receive differing allocations of securities based on the total assets of each account eligible to invest in the particular investment type (e.g., equities), divided by the total assets of all accounts eligible to invest in the particular investment.

Allocations will be made among Advisory Client accounts eligible to participate in initial public offerings (IPOs) and secondary offerings on a pro rata basis, except when the Adviser determines in its discretion that a pro rata allocation is not appropriate. Such a determination may be based on an Advisory Client's investment guidelines, which may explicitly prohibit participation in IPOs or secondary offerings, and an Advisory Client's status as a "restricted person" under applicable regulations.

Limited offering securities acquired by the Adviser for Advisory Clients will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that the Adviser will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities, and determining which accounts are eligible to hold such securities. Eligibility will be based on the Advisory Client's eligibility, investment objectives and strategies.

The Adviser may effect cross transactions between discretionary client accounts, except as prohibited by an agreement with an Advisory Client or applicable law. Cross transactions enable the Adviser to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. The Adviser has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Transactions between accounts are not permitted if they would constitute principal trades or trades for which the Adviser or any of its affiliates is compensated as a broker, unless client consent has been obtained based upon written disclosure to the client of the capacity in which the Adviser or its affiliate will act.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that Advisory Clients are treated fairly and, following error correction, are in the same position they would have been if the error had not occurred. The Adviser has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that an Advisory Client account incurs

a trade error as a result of the Adviser's gross negligence, willful misconduct, or fraud, trade errors will be corrected by the Adviser as soon as practicable, in a manner such that the Advisory Client incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the Advisory Client account.

### **Item 17. Voting *Client* Securities**

The Adviser has authority to vote Advisory Client securities. The Adviser has adopted proxy voting policies and procedures that address how it votes proxies. The policy is based on the principal that LCM and its employees owe a fiduciary duty to Advisory Clients and Fund Investors. The procedures were designed to ensure that, in cases where the Adviser votes proxies with respect to Advisory Client securities, such proxies are voted in the best interests of such clients and their respective investors.

If a material conflict of interest between the Adviser and an Advisory Client exists with respect to a proxy in question, the Adviser will vote in a manner intended to promote the best interests of the Advisory Client. The Adviser considers each proxy in question and determines the manner in which to vote on a case-by-case basis.

Advisory Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted an Advisory Client's proxies by contacting Craig Rosmarin, the CCO, by email at [crosmarin@lusmancapital.com](mailto:crosmarin@lusmancapital.com) or by telephone at 212-230-4797.

This Item does not apply to LCM.

## **Item 18. Financial Information**

## **Appendix. Material Changes**

This Item does not apply to LCM.