

LUFKIN ADVISORS, LLC

Form ADV -- Part 2A and 2B ("The Brochure")

[Month/Date], 2012

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This brochure provides information about the qualifications and business practices of Lufkin Advisors, LLC. If you have any questions about the contents of this brochure, please contact us/our Chief Compliance Officer. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Lufkin Advisors, LLC is available on the SEC's website at www.adviserinfo.sec.gov or at its own website at www.lufkinadvisors.com.

Note: any reference to or use of the terms "registered investment adviser" or "registered" in this document, does not imply that Lufkin Advisors, LLC has achieved a certain level of skill or training.

MATERIAL CHANGES

This is the initial Part 2 of Form ADV (brochure) for Lufkin Advisors, LLC.

In the future, this page will inform you of any material changes since the previous version of this brochure.

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ADVISORY BUSINESS

Description of Advisory Firm

Lufkin Advisors, LLC ("Lufkin" or the "Firm") is a privately-owned limited liability company organized in California. Founded in 2004, Lufkin has been and continues to be controlled by Chauncy Lufkin III. Lufkin is currently registered as an investment adviser with the US Securities and Exchange Commission and is subject to the requirements of the Investment Advisers Act of 1940. Lufkin is an institutional investment management firm that focuses on non-traditional fixed income based strategies.

Lufkin has no separate account clients; rather, the firm establishes and manages private arbitrage funds and Collateralized Loan Obligations to implement its investment strategies.

Principal Owners

Lufkin is controlled and owned by Chauncey Lufkin.

Advisory Services Offered

Lufkin's investment objective is to seek to provide the private pooled investment vehicles it manages (the "Funds") with attractive risk-adjusted returns through investment in senior secured floating rate loans with non-investment grade credit ratings, commercial paper, high-yield bonds, structure products and equity through financing arrangements. The Firm seeks current income and preservation of value, while minimizing the risk of default and maximizing the chance of recovery. In effectuating the Firm's investment strategy, Lufkin will focus upon the following: (i) for each company, the management, market position and cash flow sufficient to service debt; (ii) portfolio diversification; and (iii) initial and ongoing credit analysis and monitoring. In summary, the Firm seeks to provide the limited partners in the Funds with superior and sustainable returns combined with effective risk management. Lufkin intends to follow a flexible approach in order to place the Firm and the Funds in the best position to attempt to capitalize on opportunities in the financial markets. Accordingly, Lufkin may take advantage of opportunities in other asset classes if they meet the Firm's standards of investment merit.

Assets Under Management

As of March 31, 2012, Lufkin has \$850 million in assets under management. All assets are held in the Funds. Lufkin provides investment management services to the Funds on a discretionary basis.

FEES AND COMPENSATION

Description

As described above, Lufkin has no separate account clients. All individual and institutional investors who want exposure to the Firm's investment strategy must do so by becoming limited partners in one or more of the Funds. Consistent with the Investment Advisers Act, Lufkin deems the Funds, and not the limited partners, to be its clients. Therefore, the following fee information relates to the fees Lufkin charges each Fund to manage the assets of that Fund.

L.A. Floating Rate Fund, LP: Lufkin has entered into an investment management agreement with the Fund to manage its portfolio. In consideration for services provided pursuant to the Investment Management Agreement, Lufkin receives a quarterly management fee equal to 0.375% of the gross value of the Fund's assets (approximately 1.5% annually) at the end of each quarter. The Management Fee is payable on all assets held by the Fund, regardless of whether such assets were purchased, leveraged or borrowed. The Management Fee is calculated and payable to Lufkin quarterly in arrears within 15 days after the end of each quarter. A pro rata Management Fee will be charged to Limited Partners of the Fund on any amounts accepted by the Fund's General Partner as investments in the midst of any quarter. Lufkin, in its sole discretion, may waive or reduce the Management Fee with respect to one or more Limited Partners for any period of time, or agree to apply a different Management Fee for that Limited Partner (all such arrangements in the form of a rebate or otherwise).

L.A. Capital Management, Ltd: In consideration of its services, Lufkin receives (i) a management fee, payable quarterly in arrears, equal to 0.375% of the market value of the Fund's assets (approximately 1.5% annually), and (ii) an annual incentive fee equal to 20% of the Fund's net income allocable to each Share, if any, during the relevant annual period. The Fund will pay for its organizational and operating expenses, including, but not limited to, all accounting, auditing, tax preparation, legal, administration, research and trading costs. All organizational expenses will be capitalized and amortized over a period of 60 months. Lufkin pays for its own administrative and overhead expenses incurred in connection with providing services to the Fund.

Collateralized Loan Obligations ("CLOs"): Lufkin provides investment management services to three CLOs: Latitude CLO I Ltd., Latitude CLO II Ltd., and Latitude CLO III Ltd. For each CLO, Lufkin earns collateral management fees calculated and payable quarterly in arrears equal to 0.50% per annum of the aggregate portfolio principal balances on the day following the preceding payment date. For managing Latitude CLO I Ltd., the collateral management fee is broken down into the primary management fee (0.15%) and the secondary management fee (0.35%). For managing

Latitude CLO II Ltd., the collateral management fee is broken down into the primary management fee (0.20%) and the secondary management fee (0.30%). For managing Latitude CLO III Ltd., the collateral management fee is broken down into the primary management fee (0.20%) and the secondary management fee (0.30%). The secondary management fee differs from the primary management fee in that the secondary management fee will accrue from the closing date whether or not currently payable.

Other Fees and Expenses

Fees paid to Lufkin for investment advice are separate and distinct from the asset management fees and expenses charged by (or incurred within) mutual funds, exchange traded funds, separate account money managers, limited partnerships and other pooled investment vehicles that Lufkin may recommend.

Fees paid to Lufkin do not include custodian transaction fees. Custodians may charge transaction fees and/or other similar charges on purchases or sales of certain mutual funds and exchange-traded funds. These costs are generally small and incidental to the purchase or sale of a security.

Termination of Agreement

Lufkin does not impose termination fees when an Agreement is terminated by either party. Fees paid in advance are refunded to the Funds on a daily prorated basis.

PERFORMANCE-BASED FEES

Sharing of Capital Gains

Lufkin receives an incentive fee for managing L.A. Capital Management, LTD. Specifically, Lufkin receives an annual incentive fee equal to 20% of the Fund's net income allocable to each share, if any, during the relevant annual period. Additionally, Lufkin may earn an incentive management fee for managing Latitude CLO I, Ltd, Latitude CLO II, Ltd and Latitude CLO III, Ltd, but only to the extent that the holders of the subordinated notes have received an internal rate of return equal to or greater than the incentive management fee hurdle rate of 14% for the period from the closing date, and including such payment date, to the extent funds are available. The incentive management fee will equal 20% of the remaining interest proceeds and principal proceeds available after making distributions in respect to the subordinated notes.

TYPES OF CLIENTS

Description

Lufkin only provides investment management services to the Funds. See Description of Advisory Firm, on Page 1 of this brochure.

Account Minimums

The Funds each establish investment minimums for limited partners. Minimum Fund investments accepted are generally \$1 million, although from time-to-time the Funds have accepted investments of less than \$1 million.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis

Lufkin follows a conservative, two-tiered investment approach in the fundamental research that is conducted for each potential investment. Specifically, analysis will be conducted at both the credit and industry level. The research staff begins by focusing on a top-down industry analysis in order to identify favored industries. Industries are monitored at least quarterly for overall economic changes, specifically for individual company events that might change the credit outlook and ultimately result in portfolio reallocation. From there, the analyst focuses on a bottom-up credit approach at the company level that emphasizes investments in companies with strong corporate governance and fundamental franchise values. For each company under review, the analyst conducts both quantitative analysis, including financial data analysis, recovery analysis, cash flow projections and monitoring changes in financial performance, and qualitative analysis, including a thorough review of the company's management team, hard assets to be used as collateral, appropriate capital structure and covenant analysis. The analyst also looks for predetermined leverage and coverage ratios. The process concludes with the analyst making a formal recommendation to Mr. Lufkin, who, together with the analyst, ultimately make the final buy and sell decisions. The entire portfolio is re-evaluated based on the positions in each industry. Adjustments are made, if necessary, to achieve desired risk management.

Investment Strategies

Investments are generally in senior secured bank loans with non-investment grade credit ratings, high yield bonds, asset-backed securities and structured products, but may also include other fixed income securities (such as floating rate notes and corporate debt obligations). Futures, options, swaps or other derivatives may be used from time to time as substitutes for purchases or sales of underlying securities.

For temporary defensive purposes or in order to earn a return on available cash balances pending investment or reinvestment, Lufkin may invest the Funds' assets in customary, interest-bearing brokerage accounts maintained by financial institutions or in short-term debt securities of United States companies or the United States government or its agencies or instrumentalities, as well as in other money market instruments. Short-term debt securities and commercial paper generally will be of high quality.

Lufkin strongly emphasizes a diversified portfolio across both issuers and industries. Lufkin may overweight the portfolio in defensive industries because of the predictability of cash flows through most economic cycles.

Leveraged Loans. Investments in non-investment grade loans or interests in non-investment grade loans are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. It is anticipated that the leveraged loan investments generally will be subject to greater risks than investment grade corporate obligations. These risks could be exacerbated to the extent that the portfolio is concentrated in one or more particular types of leveraged loans. A non-investment grade loan, bond or other debt obligation or an interest in a non-investment grade loan is generally considered speculative in nature and may become more likely to default. Upon a default on a leveraged loan, such loan may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such leveraged loan. In addition, such negotiations or restructuring may be quite extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such defaulted leveraged loan.

Asset-Backed Securities and Receivables-Backed Securities. An asset-backed or receivables-backed security represents a participation in, or is secured by and payable from, a pool of assets such as mortgages, motor vehicle installment sale contracts, installment loan contracts, leases of various types of real and personal property, receivables from revolving credit (credit card) agreements and other categories of receivables. Such asset pools are securitized through the use of privately-formed trusts or special purpose corporations or publicly registered securitizations. Payments or distributions of principal and interest may, in certain instances, be guaranteed up to certain amounts and for a certain time period by a letter of credit or a pool insurance policy issued by a financial institution, or other credit enhancements may be present. To the extent consistent with its investment objective and policies, the Funds may invest in new types of mortgage-related securities and in other asset-backed securities that may be developed in the future.

Structured Products. Structured Products are generally securities which reference one or more underlying assets or indices, the purchasers of such structured products are exposed to the performance of such underlying assets or indices. The price, performance or investment return of the underlying asset may be subject to unpredictable change over time and this degree of change is known as "volatility". The volatility of an underlying asset may be affected by national and international financial, political, military or economic events, including governmental actions, or by the activities of participants in the relevant markets. Any of these events or activities could adversely affect the value of the securities. Volatility does not imply direction of the price, performance or investment returns, though an underlying asset that is more volatile is likely to increase or decrease in value more often and/or to a greater extent than one that is less volatile. The purchasers of structured products should be aware that the relevant underlying assets or indices are typically not held by the issuer of the structured product for the benefit of the purchasers of such structured products, and as such, the Funds will not obtain any rights of ownership, including, without limitation, any voting rights, any rights to receive dividends or other distributions or any other rights with respect to any underlying asset or index referenced by such structured products.

Corporate Debt Securities. Corporate debt securities include corporate bonds (including high yield bonds), debentures, notes and other similar corporate debt securities. The Funds may purchase a corporate debt security if Lufkin believes that the yield and/or the potential for capital appreciation of the security are sufficiently attractive in light of the risks of ownership of the security. In determining whether the funds should invest in a particular debt security, Lufkin will consider factors such as the price, coupon and yield to maturity of the security; the credit quality of the issuer; the issuer's available cash flow and the related coverage ratios; the property, if any, securing the obligation; and the terms of the debt security, including the subordination, default, sinking fund and early redemption provisions. Lufkin will also review the ratings, if any, assigned to the security by credit rating agencies. Lufkin's judgment as to credit quality of a debt security may differ, however, from that suggested by the ratings published by a credit rating agencies. High yield bond investments may be particularly risky given the amount of leverage such issuer's have and their poor credit ratings.

Futures, Options and Swaps. The Funds may seek to buy and sell options on national securities exchanges and in over-the-counter markets. In addition, the Funds may buy and sell financial futures contracts, stock and bond index futures contracts, foreign currency futures contracts and options on any of the foregoing. A financial futures contract is an agreement between two parties to buy or sell a specified security at a set price on a future date. An index futures contract is an agreement to take or make delivery of an amount of cash based on the difference between the value of the index at the beginning and at the end of the contract period. The Funds may also enter into put and call options and futures contracts.

The Funds may also enter into interest rate swaps, exchange rate swaps and credit default swaps or similar instruments in order to gain credit exposure. Swap agreements are sophisticated trading instruments that typically involve a small investment of cash relative to the magnitude of risks assumed, or no investment of cash. As a result, swaps can be highly volatile and may have a considerable impact on the funds' performance. Swap agreements are subject to risks related to the counterparty's ability to perform, and may decline in value if the counterparty's creditworthiness deteriorates. The Funds may also suffer losses if they are unable to terminate outstanding swap agreements or reduce their exposure through offsetting transactions. Options, interest rate swaps, and exchange rate swaps contracts may be bought or sold on an organized exchange or off-exchange on an over-the-counter market.

Fixed Income Securities. Lufkin may invest in fixed income securities (bonds) as part of the strategic operations of the Funds. Lufkin may take advantage of special investment opportunities in the high yield and convertible segments of the fixed income market. Lufkin considers these investments to be equity substitutes, with the expectation of providing both current income and capital appreciation. Lufkin may also seek opportunities in government issued fixed-income securities as deemed appropriate.

Municipal Securities. Municipal securities are obligations issued by or on behalf of states, territories and possessions of the United States and their political subdivisions, agencies, authorities and instrumentalities, and the District of Columbia. The Funds may invest in obligations issued or guaranteed by state and municipal governments when yields on such securities or capital appreciation are attractive compared to other taxable investments. Municipal notes include tax anticipation notes, revenue anticipation notes, bond anticipation notes, tax and revenue anticipation notes and construction loan notes. Municipal bonds include general obligation bonds and revenue bonds. General obligation bonds are backed by the taxing power of the issuing municipality and are considered the safest type of bonds. Revenue bonds are backed by the revenues of a project or facility such as the tolls from a toll bridge. Revenue bonds also include lease rental revenue bonds which are issued by a state or local authority for capital projects and are secured by annual lease payments from the state or locality sufficient to cover debt service on the authority's obligations. Industrial development bonds (generally referred to under current tax law as "private activity bonds") are a specific type of revenue bond backed by the credit and security of a private user and therefore have more potential risk. Municipal bonds may be issued in a variety of forms, including commercial paper, tender option bonds and variable and floating rate securities.

Other Investments. Lufkin may also invest some of the Funds' assets in short-term United States Government obligations, equity investments, certificates of deposit, commercial paper and other money market instruments, including repurchase

agreements with respect to such obligations, to enable a Fund to make investments quickly and to serve as collateral with respect to certain of its investments. If Lufkin believes that a defensive position is appropriate because of expected economic or business conditions or the outlook for security prices, or Lufkin determines that opportunities for investing are unattractive, then a greater percentage of Fund assets may be invested in such obligations. The Funds may also engage in securities lending activities. From time to time, in the sole discretion of Lufkin, cash balances in the Funds' accounts may be placed in a money market fund.

Additional Strategies and Opportunistic Trades. In connection with managing the assets of a Fund, Lufkin may as it determines from time to time, in its sole discretion, also employ additional strategies, or make opportunistic trades in various instruments.

Risk of Loss

All investments and investment programs have a variety of risks that are borne by the investor. As such, there can be no assurance that any such strategy will prove profitable or successful.

Lufkin's investment approach constantly keeps the risk of loss in mind. Fund investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This risk is that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil production companies depend on the lengthy process of finding, extracting, transporting

and then selling oil before they can generate a profit. As a result, an oil production company carries a higher risk of profitability than an electric utility company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Prior to purchasing interests in a Fund, potential investors should carefully consider:

1. Investing in securities involves risk of loss which investors should be prepared to bear;
2. Securities markets experience varying degrees of volatility, which can become extreme in periods of severe market declines;
3. Over time the investor's assets may fluctuate and at any time may be worth more or less than the amount invested; and
4. Investors should only commit assets that they feel are available for investment on a long-term basis (typically 2 to 5 years or longer).

DISCIPLINARY INFORMATION

Legal and Disciplinary

Neither Lufkin nor its employees have been involved in legal or disciplinary events that would be material to a client's evaluation of Lufkin's advisory business or the integrity of its management.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

None

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

Code of Ethics

Lufkin has adopted a Code of Ethics which sets forth high ethical standards of business conduct that it requires of all employees, including compliance with all applicable securities laws. Lufkin's personnel are required to conduct themselves with integrity at all times and follow the principles and policies outlined in the Firm's Code of Ethics.

Lufkin believes that it owes clients the highest level of trust and fair dealing. Further, as part of its fiduciary duty, it place the interests of its clients ahead of the Firm and personnel.

Lufkin's Code of Ethics attempts to address specific conflicts of interest that either it has identified or that could likely arise. In general, all employees of Lufkin must avoid investment activities and practices which may work to the detriment of clients, or activities which could impair their ability to act in an objective and unbiased manner for clients.

A copy of Lufkin's Code of Ethics is available to any client or prospective client upon request.

Participation or Interest in Client Transactions

Lufkin does not purchase any securities or investments for its own account.

Employees may buy, sell, or hold positions in securities that we recommend to the Funds. However, in the event of a conflict of interest, the Funds shall be given preference over employees.

Any such investments are made on the same terms as the Funds with one exception in the case of private/illiquid investments -- the general partner of a Fund will occasionally permit Lufkin Principals to invest in the Fund in an amount less than the stated minimum investment. The Firm generally prefers to have (but does not require) at least one Lufkin Principal invest their own personal capital in each private investment in which a Fund invests as another means of keeping the Firm's interests aligned with those of the Funds. Exceptions to the stated minimum investment typically only occur when the stated minimum investment is in excess of \$100,000.

Personal Trading

Lufkin has established the following personal trading restrictions in order to ensure its fiduciary responsibility:

- 1) No employee of Lufkin, family members or other related persons shall buy or sell securities for their personal portfolio(s) based upon material non-public information.
- 2) No employee of Lufkin shall transact in securities of companies listed on Lufkin's restricted securities list -- a listing of companies where Fund investors are key officers or a member of the board of directors -- without pre-clearance from Lufkin's chief compliance officer (CCO). The CCO will determine, in consultation with the Lufkin Principal principally responsible for managing the Fund's portfolio, whether the Firm is in possession of any material non-public information.
- 3) All employees report their respective securities transactions on a quarterly basis to the Compliance office. Transactions in mutual funds and broad index-based ETFs are not required to be reported. An appropriate officer of Lufkin reviews all reported transactions to ensure compliance with the above policies.
- 4) Any individual not in observance of the above personal trading policies may be subject to appropriate disciplinary action, up to and including termination.

BROKERAGE PRACTICES

Selecting Brokerage Firms

In selecting broker-dealers to execute securities transactions in the Funds and determining the reasonableness of their compensation, Lufkin considers those brokers with the best inventory and transaction levels, highest quality and lowest counterparty risk.

Soft Dollar Benefits

Lufkin does not receive research or other products or services other than execution (otherwise known as "soft dollar benefits") from broker-dealers in connection with securities transactions of the Funds.

REVIEW OF ACCOUNTS

Periodic Reviews and Review Triggers

Lufkin's portfolio management team reviews the portfolio assets of each Fund on a daily, weekly, quarterly, and annual basis. Daily reviews center on market movers, trading activities and the forward calendar while weekly reviews are centered on risk management (watch list positions, asset allocations, market trends and valuations). Finally, quarterly and annual reviews are centered on all of the above as well as position updates, covenant compliance and capital structure weighting. In addition

to these periodic reviews, Lufkin will generally review a Fund portfolio whenever a material event occurs (either at the macro or micro level), an amendment is in the market or a downgrade has taken place.

Regular Reports

The Funds provide regular written reviews to investors on a monthly and quarterly basis.

CLIENT REFERRALS AND OTHER COMPENSATION

Incoming Referrals

Lufkin does not receive client referrals from the Funds.

Referrals Out

Lufkin will make referrals to other service providers (CPAs, estate attorneys, private bankers, mortgage brokers, insurance brokers, etc.) when the need arises for an investor in a Fund. However, Lufkin does not accept referral fees or other forms of fee-sharing or remuneration from these other professionals when a Fund investor (or prospective investor) is referred to them.

CUSTODY

Lufkin does not maintain custody of funds and/or securities. Fund assets are held at Morgan Stanley Smith Barney, Citibank and Deutsche Bank (Cayman) for L.A. Capital Management, LTD; Citibank, DB Alternative Fund Services and Sea Port Group Securities, LLC for L.A. Floating Rate Fund, LP; US Bank for Latitude CLO I, LTD and Latitude CLO II, LTD; and Deutsche Bank for Latitude CLO III, LTD . Fund investors maintain their assets with qualified custodians who provide account statements at least quarterly.

The Fund's administrators frequently provide Fund investors with net worth statements (i.e., personal balance sheets and asset allocation summaries).

Fund investors are urged to compare the account statements received directly from their custodians to the net worth statements and performance report statements provided by the Funds' administrators.

INVESTMENT DISCRETION

Lufkin's services to the Funds are provided on a discretionary basis. This authority is granted in a separate investment management agreement entered into by Lufkin and each Fund.

VOTING CLIENT SECURITIES

As a discretionary adviser, Lufkin has the authority to vote Fund securities. Lufkin will vote proxies in the best interest of its clients without regard to Lufkin's interest. Lufkin will support company management when, in its opinion, management has the intent and ability to maximize shareholder wealth over the long term. Proposals that diminish the rights of shareholders or diminish management or board accountability to shareholders will typically be opposed. However, reasonable measures that provide the board or management with flexibility for negotiation during unsolicited takeover attempts may be supported, provided that such measures do not deter every potential acquisition. Likewise, compensation plans that appear excessive relative to comparable companies' compensation packages and/or appear unreasonable in light of the performance of the issuer will typically be opposed. Matters involving social issues or corporate responsibility will be evaluated principally based on their likely impact on the economic value of the issuer. On occasion, votes may be withheld for certain directors to show Lufkin's disfavor with a company's chief executive or particular directors

In instances where Lufkin has determined that it is not in the best interest of its Clients to follow the policy described above, the Compliance Committee must approve any recommendations for votes. The CCO is responsible for maintaining the documentation regarding any vote recommendations or vote overrides.

Investors may contact Lufkin to obtain a copy of the proxy voting policy. In addition, Investors may contact Lufkin for information on how the proxies for the securities in their portfolio were voted. All such information will be provided to Investors free of charge.

This policy will be reviewed and approved on an annual basis by the Compliance Committee.

FINANCIAL INFORMATION

Lufkin does not require or accept prepayment of fees (of any amount) six months or more in advance. As a result, Lufkin is not required to include a financial statement with this brochure.

Lufkin has never filed for bankruptcy and is not aware of any financial condition that is expected to impair its ability to meet its contractual commitments to clients.

BROCHURE SUPPLEMENT (PART 2B OF FORM ADV)

Introduction

This brochure supplement provides information about Lufkin's Supervised Persons that supplements Lufkin's brochure. Additional information about Lufkin's Supervised Persons is also available on the SEC's website at www.adviserinfo.sec.gov.

Education and Business Standards of Principals

The education and business background of the existing Principals of Lufkin are illustrative of the standards required of client service professionals employed by Lufkin.

In general, Lufkin aims to employ only individuals who have strong education and business backgrounds in financial and investment analysis and demonstrated sound judgment.

Professional Certifications

Some employees of Lufkin have earned certifications and credentials that are required to be explained in further detail.

Chartered Financial Analyst (CFA): Chartered Financial Analysts are licensed by the CFA Institute to use the CFA mark. CFA certification requirements:

- Hold a bachelor's degree from an accredited institution or have equivalent education or work experience.
- Successful completion of all three exam levels of the CFA Program.
- Have 48 months of acceptable professional work experience in the investment decision-making process.
- Fulfill society requirements, which vary by society. Unless you are upgrading from affiliate membership, all societies require two sponsor statements as part of each application; these are submitted online by your sponsors.
- Agree to adhere to and sign the Member's Agreement, a Professional Conduct Statement, and any additional documentation requested by CFA Institute.

Chauncey F. Lufkin III

Education: St. Lawrence University

- Born November 28, 1957

Business Experience:

Chauncey Lufkin is the founder, president and chief executive officer of Lufkin Advisors. His resume includes over 26 years of investment management experience. Prior to founding the investment manager in 2004, Mr. Lufkin spent seven years with Franklin Templeton Investments' floating rate debt group, where he was responsible for the growth and development of three retail funds and four institutional products. In addition to the Floating Rate Debt Group, from 1992 to 1997 Mr. Lufkin managed Franklin's Principal Maturity Trust, a leveraged debt strategies fund. His previous associations include Manufacturers Hanover Trust Company (now JPMorgan Chase) where he specialized in structuring and negotiating leveraged transactions, and Security Pacific National Bank (now Bank of America), where he structured and syndicated loans. Mr. Lufkin earned his Bachelor of Arts in History from St. Lawrence University.

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision: Chief Compliance Officer

Kirk A. Wallace

Education: University of Arizona

- Born June 2, 1977

Business Experience:

Kirk Wallace is the primary bank loan trader / Senior Vice President for Lufkin Advisors, LLC. He has over 13 years of experience trading both par and distressed loans as well as high yield bonds. Mr. Wallace is currently managing the company's back office and trading activities, as well as overseeing portfolio compliance. Prior to joining the Investment Manager, Mr. Wallace was the senior bank loan trader at Franklin Templeton Investments. Before becoming a trader, Mr. Wallace spent two years as an operations analyst for Franklin Templeton's bank loan funds, where his responsibilities included trading and settlements activity, performance measurement and ongoing portfolio administration. Mr. Wallace received his Bachelor of Arts in Economics from the University of Arizona.

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision: Chauncey F. Lufkin, III

Marianne Chrencik

Education: Villanova University

- Born July 17, 1976

Business Experience:

Marianne Chrencik is a portfolio manager / Senior Vice President for Lufkin Advisors, LLC. She has over 13 years of experience as an analyst and is currently covering several industries, including Beverage, Food & Tobacco, Grocery, Healthcare, Home & Office Furnishings, Hotels Motels, Inns and Gaming, Personal, Food & Miscellaneous Services, Retail and Telecommunications. Prior to joining the Investment Manager, Ms. Chrencik worked at Franklin Templeton Investments where she was a senior bank loan analyst, specializing in the analysis of loans in the consumer products, aerospace and defense, environmental services and retail industries. Before becoming an analyst, she spent two years as a portfolio analyst in the bank loan department, where she handled trading and settlements activity, covenant analysis, and portfolio administration. Ms. Chrencik joined Franklin Templeton in 1999 as part of the Management Training Program. Ms. Chrencik received her Bachelor of Arts in Psychology from Villanova University.

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision: Chauncey F. Lufkin, III

Jared Vest

Education: University of Southern California

- Born December 26, 1974

Business Experience:

Jared Vest is a Vice President for Lufkin Advisors, LLC. He has over ten years experience analyzing, trading, and managing structured credit products. He is currently responsible for the analysis and trading of Structured Products for the Investment Manager. Prior to joining Lufkin Advisors, Mr. Vest served as a Portfolio Manager for BlueMountain Capital in charge of Structured Credit Products. While there, Mr. Vest oversaw the creation of BlueMountain's CLO analytics system, and was charged with creating and implementing long/short and relative value trading strategies,

utilizing both cash and CDS investments. Prior to BlueMountain he was Co-Head of Structured Products at Coast Asset Management where he was responsible for the hedging and management of over \$1.25 billion of CLO securities in both CLO² and hedge fund vehicles. Additionally, Jared was responsible for the issuance and management of Coast's CFO vehicles, totaling over \$1.85 billion. Mr. Vest has a Bachelor of Science in Business Administration concentrating on international finance, and financial derivatives from the University of Southern California.

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision: Chauncey F. Lufkin, III