



CONDERA

ADVISORS

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This brochure provides information about the qualifications and business practices of Condera Advisors, LLC a subsidiary of U.S. Capital Advisors LLC. If you have any questions about the contents of this brochure, please contact Jack Repa at (713) 366-0578 or via electronic mail at jrepa@uscallc.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. Additional information about Condera Advisors, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Material Changes

This section reflects a summary of material changes since our last update on March 28, 2013.

See *Item 4. Advisory Business*. Condera was acquired by U.S. Capital Advisors LLC (“USCA”) effective October 1, 2013. USCA is a Houston based wealth managed firm, substantially owned by its employees. More information on USCA can be found at www.uscallc.com.

See *Item 17. Voting Client Securities*. Condera will no longer provide notice, render any advice, or take any action in connection with proxies or class action litigation associated with securities purchased or held in client accounts and the granting of discretion in connection with the management of client accounts will not impose any such obligation on Condera or its affiliates. Certain third party asset managers with whom clients invest through the Condera may adopt policies for proxy voting, which will be disclosed to the client by the third party manager. Generally clients will receive their proxies or similar solicitations directly from the custodian or transfer agent and not from Condera.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our fiscal year. We may also provide other ongoing disclosure information about material changes as necessary and provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Our brochure may be requested by contacting Jack Repa at (713) 366-0578 and/or via electronic mail at jrepa@uscallc.com. Additional information about Condera is also available via the SEC’s website at www.adviserinfo.sec.gov. The SEC’s website also provides information about any persons affiliated with Condera who are registered, or are required to be registered, as investment adviser representatives of Condera, if applicable.

Item 3. Table of Contents

Item 2. Material Changes	2
Item 4. Advisory Business	4
Item 5. Fees and Compensation	4
<i>Traditional Investment Schedule</i>	4
<i>Alternative Investment Schedule</i>	4
<i>Condera Funds</i>	5
Item 6. Performance-Based Fees and Side-By-Side Management	7
Item 7. Types of Clients	7
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9. Disciplinary Information.....	23
Item 10. Other Financial Industry Activities and Affiliations.....	23
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	23
Item 12. Brokerage Practices	25
Item 13. Review of Accounts.....	26
Item 14. Client Referrals and Other Compensation	26
Item 15. Custody.....	27
Item 16. Investment Discretion	27
Item 17. Voting Client Securities	27
Item 18. Financial Information.....	27
Item 19. Requirements for State-Registered Advisers	28

Item 4. Advisory Business

Condera Advisors, LLC (“**Condera**”) was formed in 2008 under the laws of the State of Texas. Condera represents the continuation of the advisory business previously conducted by Condera’s principals at their predecessor firm since 2003 (which was merged with and into Condera during the first quarter of 2008). Condera was acquired by U.S. Capital Advisors LLC (“USCA”) effective October 1, 2013. USCA is a Houston based wealth managed firm, substantially owned by its employees. More information on USCA can be found at www.uscallc.com.

Condera provides discretionary and non-discretionary advisory services with respect to investments with one or more investment managers and/or in investment funds, including alternative investment funds commonly referred to as “hedge funds”. Although Condera generally limits its services to the selection of investment managers and investment funds, from time to time Condera may furnish advice about investments in equity, fixed income and other securities directly. Ancillary to the provision of these services, Condera may provide asset allocation advice, performance reporting and other services for its clients. Additionally, Condera manages three funds of hedge funds (“**Condera Funds**”), which it offers to qualified investors, including its clients. Each Condera Fund pursues its investment objective (as discussed in “*Methods of Analysis, Investment Strategies and Risk of Loss*” below) by investing its assets with or in a group of managers or funds pursuing one or more alternative investment strategies (referred to herein as “**Alternative Investments**”). Condera tailors the services it provides to the investment objectives of its clients and any limitations, restrictions or other requirements that they may impose upon the management of their assets. As of October 15, 2013, Condera advised or consulted on approximately \$89.5 million and \$153.8 million on a discretionary and non-discretionary basis, respectively.

Throughout this Brochure, we disclose a number of conflicts of interest and provide summaries of a number of our policies and procedures designed to detect and address these conflicts and others. In addition, conflicts of interest and specific risks related to a Condera Fund are identified in the offering materials for that fund.

Item 5. Fees and Compensation

Except as it relates to Condera Funds, Condera generally charges a single, asset-based fee for the provision of its services. The maximum fee, expressed as an annual rate, that may be charged to clients is set forth in the following schedule:

Traditional Investment Schedule

<u>Net Asset Value</u>	<u>Annual Fee</u>
\$0 to \$1,000,000	1.00%
\$1,000,001 to \$5,000,000	0.80%
Above \$5,000,000	0.60%

Alternative Investment Schedule

<u>Net Asset Value</u>	<u>Annual Fee</u>
\$0 to \$20,000,000	1.00%
\$21,000,001 to \$40,000,000	0.75%
\$41,000,001 to \$60,000,000	0.50%
Above \$60,000,000	0.35%

Clients will be subject to any minimum fee specified in the client’s agreement with Condera. The rate used to calculate the fees each quarter will be one-fourth of the annual rate, and fees are payable quarterly in advance. Clients may elect to have their fees deducted directly from their account or be billed. The initial fee will be calculated as of the date the client agreement is accepted by Condera (the “**Commencement Date**”). The initial fee will cover the period from the Commencement Date until the last day of the initial calendar quarter. The initial fee will be calculated proportionately with respect to the number of days in the initial billing period, and will be based on the market value of the client’s assets on the

Commencement Date. Thereafter, the quarterly fee will be calculated based on the market value of the client's assets as of the last day of the preceding calendar quarter, and will become due on the first business day of the following calendar quarter.

A pro-rated fee may be charged on any single contribution of \$250,000 or more to cover the period of time from the date of deposit until the last day of the calendar quarter. Similarly, a pro-rated fee reduction may be made on any single withdrawal of \$250,000 or more from an account during a billing period to reflect the period of time from the date of withdrawal until the end of the billing period. Upon the termination of any advisory agreement, any management fees prepaid with respect to a period following the termination of Condera's services will be refunded to the client's account or if the client's account has transferred from Condera, the client may send a letter to Condera, Attn: Jack Repa, providing instructions as to how to distribute the refund. Any refund will reflect the pro-rated portion of the management fee previously charged by Condera, based upon the number of days remaining in the quarter after the termination or withdrawal occurs.

Condera Funds

For its services to each Condera Fund, Condera receives an annual management fee (ranging from 0.75% to 1.5% depending on the fund and/or share class), payable monthly in advance based upon the value of an investor's interest in a Condera Fund, and/or an annual performance fee (ranging from 0% to 10%, depending on the fund and/or share class), payable at the end of each year or upon withdrawal of all or a portion of an investor's investment in a Condera Fund (these fees are collectively referred to herein as "**Condera Fund Fees**"). Performance fees are subject to a loss carryforward provision (or "high water mark") such that no performance fees are paid until all prior net losses incurred by an investor have been recouped in full. Fees are deducted directly from each investor's account. Condera is not required to refund any performance fees received with respect to annual periods or redemptions prior to any period in which a net loss is incurred by an investor. Refunds of management fees paid in advance are not applicable as withdrawals from Condera Funds are not permitted mid-month. Performance-based compensation arrangements may create an incentive for Condera and its representatives to make investments that are riskier or more speculative than would be the case in the absence of this compensation. Condera may, in its sole discretion, waive or reduce the management fee and/or performance fee payable by any investor in a Condera Fund.

Where Condera invests (or recommends the investment of) a client's assets in a Condera Fund, Condera may have a conflict between its obligation to act in the best interests of its clients and any interest it may have in generating advisory fees for itself or its related persons or promoting a Condera Fund. In an attempt to mitigate this conflict, unless otherwise expressly agreed upon, where Condera invests (or recommends the investment of) a client's assets in a Condera Fund, Condera will not charge an advisory fee on the assets invested therein, but rather will retain the Condera Fund Fees it receives in connection with the client's investment therein. Condera Fund Fees may be higher than the fees that a client may be charged if the client's assets were otherwise invested in an unaffiliated fund; however, it is likely that the advisory fees paid to Condera and the manager or adviser to an unaffiliated fund would be collectively higher than the fees incurred by a client in connection with an investment in a Condera Fund.

Condera may, from time to time, enter into agreements with one or more investors which provide them with additional and/or different rights (including, without limitation, with respect to access to information, payment of fees, revenue sharing arrangements and withdrawal rights) than are available to investors generally. In general, Condera will not be required to notify any or all of the other investors of these agreements or any of the terms or provisions thereof, nor will Condera be required to offer the rights to any or all of the other investors.

The fees charged by Condera cover the provision of its services to clients only. Except as disclosed above, these fees do not include the fees, costs and expenses charged by any investment fund or investment manager, including (without limitation) Alternative Investment Fees (as described below), redemption charges and penalties, the costs associated with effecting transactions in a client's accounts, including (without limitation) clearing and execution fees and commissions, "mark-ups", "mark-downs" and "dealer spreads", trade-away fees, exchange and SEC fees, transfer taxes, postage fees, auction fees, foreign clearing, settlement and custodial fees, margin interest, costs associated with exchanging foreign currencies, odd-lot differentials, account inactivity fees, wire transfer charges, other account fees, fees and taxes required by law, and any other fees that may be imposed by a third party, including, without limitation, any custodian or broker-dealer. These fees and charges will be directly or indirectly borne by the client. Please refer to the section on "*Brokerage Practices*" for additional information. For purposes of this paragraph, "**Alternative Investment Fees**" means certain costs or charges imposed by Alternative Investments, including, without limitation, fixed percentage fees (generally 1% to 2% of the assets invested in an Alternative Investment fund) and performance-based fees (generally 20% to 25% of the net gain on the assets invested in an Alternative Investment fund).

Condera believes that its fees are competitive with those charged by other investment advisors for comparable services. Comparable services may be available, however, from other sources for lower fees than those charged by Condera. Fee rate(s)

are subject to negotiation, and may be higher or lower than the fees charged to other clients, depending on the extent of the services provided to those clients and the cost of these services. Factors Condera may consider in negotiating fees may include the amount and/or complexity of services provided, the type of assets under management, the amount of assets under management, Condera's prior relationship with its clients and such other factors as whether Condera is acting in a discretionary or non-discretionary capacity, the extent of reporting or other administrative services required, and the level of due diligence being provided by Condera. The fees charged by Condera will not be affected by the services clients receive or the number of transactions executed during a quarter. Fees are calculated on an incremental basis and are subject to change upon 30 days prior written notice to the client. The preceding statements describe Condera's typical compensation arrangements in general terms. The specific fee arrangements applicable to any particular client will be set forth in the agreement between the client and Condera.

Where a client's transactions are executed through Condera's affiliated broker-dealer, USCA Securities LLC ("**USCA Securities**"), USCA Securities and its representatives (which are also employees of USCA) will receive compensation, in addition to that stated above, in connection therewith. Examples of the types of compensation that these persons may receive are as follows:

- *Cash & Debt Balances.* Cash balances maintained in accounts held with USCA Securities may be invested in money market funds or comparable investments that pay USCA Securities a distribution fee, and USCA Securities may receive compensation based upon client account balances being held in cash generally. Cash balances may arise from the sale of securities, redemption of debt securities, dividend and interest payments, and funds received from clients. Additionally, USCA Securities may receive compensation based upon the margin (debt) balances maintained in a client's account. Such balances may arise when a client or investment manager elects to purchase securities in excess of the cash balances available in the account to do so, or if a client elects to withdraw (borrow) money from its account, using the securities therein as collateral.
- *Sales Loads & Trailers.* To the extent mutual funds are selected by Condera to fill components of a client's overall investment strategy, Condera endeavors to purchase shares at net asset value or no load. To the extent Condera is successful in doing so, its clients will not be subject to any initial distribution cost (front-end sales charge) or redemption fee (back-end sales charge), if any, that might normally be incurred upon the purchase or sale of mutual fund shares. However, USCA Securities and its representatives (which may also be employees of USCA) may receive Rule 12b-1 or shareholder servicing fees from the issuers of mutual funds in which Condera's clients may be invested.
- *Commissions; Mark-Ups, Mark-Downs & Dealer Spreads.* USCA Securities does not charge any "mark-ups", "mark-downs" or "dealer spreads" in connection with transactions effected on behalf of Condera's clients; however, USCA Securities and its representatives (which are also employees of USCA) may receive commissions in connection with transactions on behalf of Condera's clients. Notwithstanding the foregoing, Condera may agree with a client to permit USCA Securities to charge a "mark-up", "mark-down" or "dealer spread" in lieu of receiving an advisory fee in connection with the related securities.
- *Referral Arrangements.* Condera may from time to time invest (or recommend the investment of) a client's assets in an Alternative Investment fund with which USCA Securities has established a referral relationship. Such referral relationships result in the receipt by USCA Securities and its representatives of a portion of the Alternative Investment Fees earned by the managers of these funds in connection with investments made by the referred client. It is important to note that the referral fees payable to USCA Securities and its representatives (which are also employees of USCA) are not payable by Condera's clients, but rather are payable out of the Alternative Investment Fees earned by the managers to these funds. The presence of a referral relationship and the receipt of this type of compensation will be disclosed to a client at or prior to the time it makes an investment, which would give rise to the receipt of this type of compensation. See also "*Client Referrals and Other Compensation*" below.

The receipt of compensation by USCA Securities and its representatives (who are also employees of USCA) in connection with transactions effected on behalf of Condera's clients may encourage Condera and its representatives to execute (or recommend the execution of) client transactions through USCA Securities, or to select (or recommend the selection of) an investment, that may result in additional compensation to USCA Securities and its representatives (who are also employees of USCA) rather than executing (or recommending the execution of) transactions through other broker-dealers, or selecting (or recommending the selection of) investments, that do not offer this type of compensation. Accordingly, Condera and its representatives have a conflict between their obligation to act in the best interests of their clients and any interest they may have in generating additional revenue for themselves or their affiliates. Notwithstanding the foregoing, Condera's clients are not required to utilize USCA

Securities to effect transactions in securities recommended by Condera and its representatives, but rather may utilize the services of another broker-dealer that is not affiliated with Condera.

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

As discussed in “*Advisory Business*” above, Condera may receive performance-based compensation (i.e., a percentage of the profits) in connection with services it provides to some clients and not others. Condera structures any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring client assets for the calculation of performance-based fees, Condera includes realized and unrealized capital gains and losses. Performance-based fee arrangements may create an incentive for Condera to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Condera has procedures designed to ensure that all clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities among clients. See “*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*” below for further discussion regarding Condera’s allocation procedures.

Item 7. Types of Clients

Condera provides advisory services to individuals, families, foundations, pension plans, pooled investment vehicles and other entities. Except as set forth below, Condera generally requires a \$5 million minimum investment (\$10 million, in the case of Alternative Investment portfolios and \$500,000 to \$1,000,000, in the case of initial investments in Condera Funds). These minimums are generally subject to Condera’s right to accept lesser amounts, in its sole discretion. Condera generally requires investors in Condera Funds and clients invested in Alternative Investments to make representations concerning their sophistication as investors and their ability to bear the risk of loss of their entire investment committed to Condera’s management, and in order to ensure that no adverse taxation or regulatory consequences will arise to Condera, or any Condera Fund and any investors therein, from the participation therein by an investor or client.

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

Condera’s advice is specific to each of its clients and entails an investment in the asset classes and investment strategies that may be consistent with each client’s investment objectives. Each Condera Fund is Condera’s client and advice is not tailored for investors in a Condera Fund. In providing advice, Condera invests (or recommends investments) with investment managers and/or in investment funds (including, without limitation, Alternative Investments) that invest in a broad range of securities issued by U.S. and non-U.S. issuers, including (but not limited to) equities, fixed income, commodities and swaps, futures, forwards, options and other derivative instruments. These investments may be listed on an exchange, traded over-the-counter or not traded at all. Although Condera generally limits its services to the selection of investment managers and investment funds, from time to time Condera may furnish advice about investments in equity, fixed income and other securities directly. In these instances, Condera’s research is generally limited to publicly information about the issuer and the security in question, certain financial metrics (e.g., price-to-free cash flow, dividend yield, price-to-book, etc.), and research published by third-parties (including, in the case of fixed income securities, rating agencies). Investing in securities involves risk of loss that clients should be prepared to bear.

With respect to the selection of investment managers and investment funds, Condera utilizes a database that it has developed from both commercial and proprietary sources from which return and other data regarding investment managers and investment funds are aggregated. In analyzing managers and funds for investment, Condera employs both a returns-based, quantitative process as well as a qualitative process. The quantitative process is meant to identify managers and funds that have a potential ability to outperform their peers and/or the markets and strategies in which they invest. This process suffers from the risk that the historical returns being compared may not be indicative of future returns¹, may be fabricated or that a change in investment personnel, investment strategy, opportunity set, the markets generally or other factors may result in the historical returns becoming irrelevant and potential misleading in the context of future returns. Additionally, this process also suffers from the possibility that the managers/funds being compared may not be employing similar strategies and accordingly, the comparison is of little value. In these instances, this may result in the selection of a manager/fund whose performance is not repeatable in the future, or who did not perform well relative to its peers. In an attempt to address some of these risks, Condera employs a qualitative process which, through dialogue with the fund or manager, Condera attempts to discern their methods of analysis and investment strategies, and

¹ Past performance in no way guarantees future results.

the risks associated with these analysis and strategies. Additionally, Condera will conduct a review of the relevant materials provided by the investment manager or fund (for example, legal documentation, marketing presentations, monthly/quarterly letters, regulatory filings and financial statements), and if necessary, conduct reference, service provider, background checks and other checks to ascertain the integrity of the manger/fund. While the qualitative process is meant to determine a manager's or fund's investment strategy and the risks associated therewith, as well as develop an assessment of the manager's integrity and the manager's/fund's operational and business risks, Condera may fail to accurately identify one or more of these or other risks, which may subject its clients to losses on these investments. It should be noted that there have been a number of high profile instances where investors in Alternative Investment funds have suffered material losses due to an act of fraud or negligence, which may or may not have been discoverable as part of the process employed by Condera in selecting these types of investments.

As noted above, Condera manages funds (the Condera Funds) that invest in, as well as provides tailored advice to clients with respect to the selection of, Alternative Investments. A description of these funds is set forth below, as well as a general description of the Alternative Investment strategies pursued by Condera and the risks associated therewith.

Condera Absolute Return Strategies (CARS)

CARS seeks to achieve superior risk-adjusted returns that are uncorrelated to the U.S. equity and fixed-income markets, while preserving capital, by investing in a well-diversified group of Alternative Investments which utilize one or more non-traditional investment or trading strategies, including, without limitation, relative value, event driven, long/short equity/credit, managed futures and global macro strategies. The investment strategy is designed to earn a positive return while guarding against significant loss.

Condera Equity Opportunity Fund (CEO)

CEO seeks to earn returns over a full market cycle in excess of those of the broader equity markets (as measured by the Standard & Poor's 500 Index), while decreasing the volatility associated with the returns, as well as the absolute risk of loss, generally associated with an investment in the broader equity markets (as measured by the downside deviation and maximum drawdown of the Standard & Poor's 500 Index). CEO pursues this investment objective through investments with Alternative Investment managers generally pursuing a long/short investment strategy in U.S. and non-U.S. equity markets.

Energy Alpha Partners (EAP)

EAP seeks to achieve capital appreciation through a limited number of investments with Alternative Investment managers engaged in the high risk speculative trading of commodity interests. Condera believes an investment in EAP can be accretive to an investor's portfolio of equity, fixed income and/or other alternative investments, as these trading strategies have historically displayed good risk-adjusted returns, with little-to-no correlation to these types of investments.

Set forth below is a description of five broad categories of Alternative Investment strategies in which Condera may invest a client's assets. In addition to the investment strategies and risks described below, Condera may elect to invest in Alternative Investments employing different investment strategies with different risks. Alternative Investment managers may take a discretionary or systematic approach in executing their investment strategy, meaning that the decision to buy or sell an investment will ultimately be made by the manager (discretionary) or will be dictated by a quantitative or other process and not the manager (systematic).

The success of any strategy will generally depend on, among other things, the ability to identify overvalued and undervalued investment opportunities and trends in the market place, and exploit them in the capital markets. This involves a high degree of uncertainty, and no assurance can be given that an Alternative Investment manager will be able to do so. Additionally, a reduction in the volatility and pricing inefficiency of the markets in which an Alternative Investment manager may seek to invest, as well as other market factors, may limit the success of their strategy.

Relative Value

Relative value strategies attempt to take advantage of relative pricing discrepancies between various instruments, including equities, debt, options and futures. Alternative Investment managers may use mathematical, fundamental or technical analysis to determine mis-valuations. Securities may be mispriced relative to an underlying security, related securities, groups of securities, or the overall market. Relative value investments may be available only cyclically or not at all. Furthermore, if assumptions used

in the research and analysis of relative value investments are incorrect or if the model used to evaluate investments is flawed, relative value strategies may be unsuccessful. Sub-strategies include the following:

- *Equity Market Neutral or Statistical Arbitrage.* Alternative Investment funds that employ equity market neutral or statistical arbitrage strategies purchase certain equity securities and simultaneously sell short other equity securities in an attempt to isolate risk to the relative value of one security or basket of securities as compared to another security or basket of securities and eliminate general market risk. Generally, Alternative Investment managers who use fundamental analysis to establish the relative values of the securities in their portfolios are categorized as equity market neutral, while those who use quantitative models to establish the relative values are categorized as statistical arbitrage.
- *Capital Structure Arbitrage* is utilized by Alternative Investment managers to exploit perceived pricing inefficiencies within a company's capital structure. Alternative Investment managers employing capital structure arbitrage analyze the various securities issued by a company, including common and preferred equity, convertible securities, various forms of senior and junior (typically unsecured) debt, and then establishes a long position in a security that is more attractive on a relative basis to another security in which a short position is established. In a successful trade, the long security appreciates in price relative to the shorted security and the Alternative Investment manager then closes the trade at a profit. This strategy is market neutral because it can be profitable even if both securities decline in value (as long as the shorted security declines more than the purchased security). Companies that are distressed are often targets of this strategy because of the potential for significantly different recovery values for different types of securities in the event of a bankruptcy, but healthy companies with complex balance sheets are also fertile ground for capital structure arbitrage trades.
- *Convertible Arbitrage* involves the purchase of a convertible debt or preferred equity instrument (an instrument that is effectively a bond or has a fixed obligation of repayment with an embedded equity option, non-detachable warrant or equity-linked or equity-indexed note) concurrent with the short sale of, or a short over-the-counter derivative position in, the common stock of the issuer of the debt instrument. Investment returns are driven by a combination of an attractive coupon or dividend yield, interest on the short position and the level of the underlying stock's volatility (which directly affects the option value of the security's conversion feature).
- *Volatility Arbitrage* entails the use of derivative investments and can be used on both a stand-alone basis and as a hedging strategy in conjunction with other investment strategies. As a stand-alone strategy, domestic or global index options and/or options on futures contracts are used to exploit anomalies in the pricing of volatility in related assets. There are several well-defined related securities and/or asset classes that volatility arbitrage Alternative Investment managers typically follow to determine when they are out of their historical trading ranges. By continually monitoring these relationships, the manager can identify when the securities or asset classes trade out of their normal trading range and can put a trade on when there has not been a fundamental, or exogenous, change in the relationship. As an adjunct strategy, these same derivative instruments can be used to manage risk and enhance returns on investments made utilizing other strategies. Use of derivatives often relies on extensive quantitative modeling, volatility estimation and proprietary in-house trading models.
- *Fixed Income Arbitrage* is designed to identify and exploit anomalous (typically based on historical trading ranges) spreads in the prices of functionally equivalent or substitutable securities. Such disparities, or spreads, are often created by imbalances in supply and demand of different types of issues (for example, 5-Year Agencies relative to 5-Year U.S. Treasuries). An example of a fixed income arbitrage position consists of a long position in the higher yield, lower priced, security and a short position in the lower yield, higher priced security. For example, Agencies of a similar duration to U.S. Treasuries have over time established a relatively well-defined trading range and carry a higher interest rate or yield. When Agencies trade at a discount to this range (e.g., when there is discussion about whether Agencies should continue to receive a U.S. government guarantee), Agencies will trade at a higher than normal discount to U.S. Treasuries (reflected by a higher current yield in Agencies). Accordingly, an Alternative Investment manager may buy the Agencies and then short the U.S. Treasuries. If the spread narrows or becomes more in line with historical norms, the manager generates a profit by closing its position. In general, these fixed income investments are structured with the expectation that they will be non-directional and independent of the absolute levels of interest rates. As this interest rate exposure is hedged out, these strategies generally exhibit little to no correlation to the broader equity and bond markets. There can be no assurance that any hedging techniques will be successful or that the hedging employed by an Alternative Investment manager will not have the negative effect of lowering overall returns, or creating losses, in the portfolio or with respect to the applicable position. Investment banks may allow an Alternative Investment fund to use significant leverage in these positions (particularly if the instruments are investment grade corporate securities or government

securities). Depending on the level of leverage and the duration of the long position, the resulting loss of capital could be significant.

Event Driven

Event-driven strategies are designed to profit from price changes in securities of companies facing a major corporate event. The goal of an event-driven strategy is to identify securities, which may include common or preferred stock as well as many types of debt, with a favorable risk-reward ratio based on the probability that a particular event will occur. Such events include mergers and acquisitions as well as restructurings, spin-offs and significant litigation (e.g., tobacco or patent litigation). Sub-strategies include, without limitation, the following:

- *Merger or Risk Arbitrage* involves taking short and long investment positions, respectively, in the stock of acquiring and target companies upon the announcement of an acquisition offer. Acquisitions are typically paid for in stock, cash or a combination thereof. Thus, when an acquisition is announced, the acquiring company (“**Acquirer**”) will establish a price per share of the company being acquired (“**Target**”) in cash (per share cash price), stock (a share ratio is established) or a combination thereof. Typically, the Target traded for less than the price being paid (in either cash or stock) prior to the announcement. When the announcement is made, the Target’s stock price will typically increase but still trade at a discount to the price being offered by the Acquirer. This discount – and the size of the discount – is principally a function of three factors: (a) the risk that the acquisition will close, (b) the timeframe for closing (i.e., the time value of money) and (c) the amount of liquidity or capital being deployed by merger arbitrageurs and other investors. Accordingly, if a merger arbitrageur or investor believes that the risk of the acquisition not closing is not significant relative to the returns that can be generated by the “spread” between the current stock price of the Target and the price being offered by the Acquirer, the merger arbitrageur or investor will generally buy shares of the Target and short shares of the Acquirer in a stock for stock transaction. When the deal closes, the risk premium vanishes and the profit is the spread. This strategy is somewhat cyclical, since it requires a supply of corporate mergers and acquisitions to deploy capital.
- *Distressed or Special Situations.* Distressed investments include investments in securities issued by companies that are experiencing difficult business conditions, including bankruptcy. In many cases, securities issued by these type of companies over-correct and trade at levels below their value in a liquidation or acquisition scenario. Special Situations investments are similar to distressed investments in that they are typically made in securities that the buyer perceives to be undervalued for one reason or another; however, these companies are not in, and do not appear to be on the brink of, bankruptcy. An example of a special situations trade is the purchase of a security issued by a company that an Alternative Investment manager believes is a likely acquisition target.

Substantial transaction failure risks are involved in event-driven strategies. Similarly, substantial risks are involved in investments in companies facing negative publicity or uncertain litigation. Thus, there can be no assurance that any expected transaction will take place, that negative publicity will not continue to affect a company or that litigation will be resolved in a company’s favor. Certain transactions are dependent on one or more factors to become effective, such as market conditions which may lead to unexpected positive or negative changes in a company profile, shareholder approval, regulatory and various other third party constraints, changes in earnings or business lines or shareholder activism as well as many other factors. No assurance can be given that the transactions entered into will result in a profitable investment or that it will not result in substantial losses.

Long/Short Equity/Credit

Long/short equity/credit strategies generally seek to produce returns from investments in the global equity and/or fixed income markets. These strategies are generally focused on absolute returns and the trades implemented in the strategy generally capitalize on the Alternative Investment manager’s views and outlooks for specific markets, regions, sectors, or securities. While these strategies involve both long and short positions in various equity and/or fixed income securities, the Alternative Investment manager’s positions will generally reflect a specific view about the direction of a market. Unlike traditional equity or fixed income funds, the directional view relates less to the absolute direction of the market and more toward the specific positions (longs versus shorts) held within a portfolio (nonetheless, an Alternative Investment manager may take a directional position that relates to the absolute direction of the market). In addition to making shifts in markets, regions, sectors or securities, Alternative Investment managers have the flexibility to shift from a net long to a net short position, but in general will maintain a net long exposure. An exception is for those Alternative Investment managers that are classified as short sellers, who maintain a consistent net short exposure in their portfolio, meaning that significantly more capital supports short positions than long positions (if any is invested in long positions at all). Unlike long positions, which one expects to rise in value, short positions are

taken in those securities the Alternative Investment manager anticipates will decrease in value. Long/short equity/credit Alternative Investment managers may be generalists or may specialize in various areas, including, but not limited to, market sectors, geographies, or a certain segment of the market. There can be no assurance that the valuation assumptions utilized in establishing a long and/or short position in a particular security will prove to be correct or that the strategy will be implemented correctly.

Managed Futures

Managed futures strategies involve speculative trading in futures, forwards and options thereon. Alternative Investment managers may trade portfolios of instruments in U.S. and non-U.S. markets in an effort to capture passive risk premiums, and attempt to profit from anticipated trends in market prices. These Alternative Investment managers generally rely on either technical or fundamental analysis or a combination thereof in making trading decisions and attempting to identify price trends. They may attempt to structure a diversified portfolio of liquid futures contracts, including, but not limited to, stock index, interest rate, metals, energy and agricultural futures markets. Participation in a market that is either volatile or trendless could produce substantial losses for an Alternative Investment fund. Failure to identify trends or to exit a market position after a trend matures could also produce substantial losses for an Alternative Investment fund.

Global Macro

Global macro strategies typically seek to generate income and/or capital appreciation through a portfolio of investments focused on macro-economic opportunities across numerous markets and instruments. These strategies rely on the use of, among other things, cash and derivative markets, each of which bear their own risks, as well as certain assumptions about global macro-economic trends. There can be no assurance that these macro-economic assumptions will prove to be correct. Global macro managers may employ relative value, event driven, long/short and other strategies or trading approaches. Trading positions are generally held both long and/or short in both U.S. and non-U.S. markets. Global macro strategies are generally categorized as either discretionary or systematic in nature and may assume aggressive investment postures with respect to position concentrations, use of leverage, portfolio turnover, and the various investment instruments used.

Alternative Investment strategies will evolve over time due to, among other things, market developments and trends, the emergence of new or enhanced investment products, changing industry practice and/or technological innovation. As a result, the strategy descriptions discussed above may not reflect the investment strategies actually employed by any Alternative Investment manager.

NO GUARANTEE OR REPRESENTATION IS MADE THAT THE INVESTMENT PROGRAM OF ANY ALTERNATIVE INVESTMENT WILL BE SUCCESSFUL, THAT THE VARIOUS ALTERNATIVE INVESTMENTS SELECTED WILL PRODUCE POSITIVE RETURNS OR THAT ANY ALTERNATIVE INVESTMENT FUND WILL ACHIEVE ITS INVESTMENT OBJECTIVE.

Material Risks

Investing in securities involves risk of loss that clients should be prepared to bear, and there can be no assurance that any client (including any Condera Fund) will be able to achieve its investment objective or it will receive a return on its investments. The list of risk factors summarized below is not a complete enumeration or explanation of the risks related to the investments pursued by Condera on behalf of its clients. Potential investors in a Condera Fund or any other Alternative Investment should refer to the relevant offering materials for a complete description of risks associated with an investment therein.

General Risks

This section discusses risks associated with Alternative Investments generally, including an investment directly in an Alternative Investment fund or an investment in a Condera Fund. For purposes of this discussion, references to the activities of any Alternative Investment fund or its manager should generally be interpreted to include the activities of a Condera Fund and Condera.

1. Current Market Conditions. Economic recessions or downturns could impair a client's investments and harm its investment performance. The decline in the broader credit markets related to the sub-prime mortgage dislocation has caused the global financial markets to become more volatile. Continuing instability in the United States, European and other credit markets has made it more difficult for borrowers to obtain financing or refinancing on attractive terms or at all. In particular, because of the conditions in the credit markets, borrowers may be subject to increased interest expenses for borrowed money and tightening underwriting standards. There is also a risk that a general lack of liquidity or other adverse events in the capital

markets may adversely affect the ability of companies to finance capital improvements, refinance completed projects or pay debts or other obligations as they become due. These events have materially harmed and could in the future materially harm the operating results of many companies, ultimately resulting in decreases to the value of a client's investments.

2. Systemic Risk. World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in a client losing substantial value caused predominantly by liquidity and counterparty issues (as noted below) which could result in a client incurring substantial losses.
3. Risk of Loss. Alternative Investments are speculative and investors may incur substantial losses on their investments. Any past investment performance of an Alternative Investment or its manager should not be construed as an indication of the future results of these entities. There can be no assurance that any of them will achieve their respective investment objectives or provide returns to their investors.
4. Limited Liquidity. Alternative Investments provided limited liquidity in that investors may only redeem their investments at limited times and upon required advance notice, and redemptions are often subject to the Alternative Investment manager's ability to liquidate investments to satisfy redemption requests (in certain instances, these investments may be difficult or impossible to liquidate, resulting in significant losses should a forced sale be required or an inability to satisfy a redemption request). Under certain limited circumstances, an Alternative Investment may limit or suspend the payment of redemptions.

Additionally, interests in Alternative Investments are not freely transferable, and interests therein are generally not registered under the Securities Act of 1933 or the securities or "blue sky" laws of any state or any other jurisdiction and, therefore, are subject to transfer restrictions. Accordingly, a secondary market in which to trade an interest in an Alternative Investment will not exist, and would not be expected to develop.

Under certain circumstances, an Alternative Investment manager may find it necessary to set up a reserve for contingent liabilities and to withhold a certain portion of an investors redemption proceeds. For example, an Alternative Investment manager may decide to set-up a reserve to cover contingent liabilities related to litigation or an audit by the U.S. Internal Revenue Service.

In view of the risks noted herein, Alternative Investments should be considered a long-term and illiquid investment and an investor should only invest in an Alternative Investment fund if it can meet its foreseeable liquidity needs with resources outside of an investment therein.

5. Distributions in Kind. Alternative Investment managers may satisfy redemption requests by payment of in-kind distributions of securities, which may be illiquid and accordingly, investors may be unable to dispose of these securities. Additionally, the value of these securities may ultimately prove to be less than the value assigned by an Alternative Investment manager in distributing them to an investor.
6. Concentration of Investments. Alternative Investment managers may seek to concentrate their assets in one or more investments, investment strategies, sectors, geographies or other segments of the market. As a result, an Alternative Investment fund's portfolio could become highly concentrated, and the performance of a few holdings may substantially affect its return and increase the volatility thereof relative to that of a more fully diversified investment fund.
7. Dependence on Alternative Investment managers. Investors in Alternative Investment funds will have no right to take part in the conduct or control of the business of these funds. Rather, the managers of these funds have the sole authority and responsibility for the management of these funds, and the success of any fund depends upon the ability of the managers to successfully implement investment strategies that achieve the investment objective of these funds.

Alternative Investment funds are subject to the risk of the bad judgment, negligence or misconduct of their managers. There have been a number of instances in recent years in which funds investing in third-party funds have incurred substantial losses due to manager misconduct. The greater the number of persons which must provide valuations, accept redemptions, pay out redemption proceeds or direct trading, the greater the risk of error, delay, misconduct and other adverse consequences.

8. Governmental, Legal, Tax and Regulatory Risks.

The global financial markets continue to be subject to pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Intervention has in certain cases been implemented on an "emergency" basis with little or no notice, with the consequence that some market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions has been suddenly and/or substantially eliminated or otherwise negatively implicated. Given the complexities of the global financial markets and the limited timeframe within which governments have been able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty, which in itself has been materially detrimental to the efficient functioning of these markets as well as previously successful investment strategies.

Legal, tax and regulatory changes could occur that may materially adversely affect an Alternative Investment fund or its ability to pursue its investment objectives or strategies. For example, the regulatory and tax environment for Alternative Investment funds and for derivative instruments in which Alternative Investment fund managers may participate is changing rapidly, and changes in the regulation or taxation of derivative instruments may materially adversely affect the value of derivative instruments held by an Alternative Investment fund and its ability to pursue its trading strategies. Similarly, Congress has enacted sweeping legislation regarding the operations of banks, private fund managers and other financial institutions. Congress also has held hearings regarding taxation policy as it relates to leveraged investors, tax-exempt investors and hedge funds, and the SEC has recently engaged in a general investigation of hedge funds which has resulted in increased regulatory oversight and other legislation and regulation relating to hedge fund managers, hedge funds and funds of hedge funds. Due to events in the markets over the past several years, and recent legislation, additional regulatory change may be more likely than not and should be expected to occur.

It is impossible to predict with certainty what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of these restrictions on an Alternative Investment funds' ability to fulfill its investment objective. Legislation or regulation, which could be substantial and is unpredictable, could pose additional risks and result in material adverse consequences for Alternative Investment funds and/or limit potential investment strategies that would have otherwise been used by Alternative Investment funds in order to seek to obtain higher returns.

9. Provision of Tax Information; Tax Risk. For U.S. taxable investors, it is unlikely that they will receive tax information from Alternative Investment funds in a sufficiently timely manner to enable them to prepare their information returns in time for them to file their returns without requesting an extension of the time to file from the Internal Revenue Service (the "IRS" or the "Service") or state taxing agencies. Accordingly, these investors will be required to obtain extensions of time to file their tax returns. The use of estimates or the lack of timely information from Alternative Investment funds could result in material variances from final values and/or may result in investors amending their returns and reporting additional income or deductions not previously reported and paying federal and state income tax at applicable rates (together with applicable penalties and interest, if any, related to estimates or amended returns).

In addition, investors will not be in a position to independently verify the accuracy of tax information provided by the Alternative Investment funds. In the event the IRS or state taxing agencies challenge tax positions taken by an Alternative Investment fund, they could be adversely affected. In particular, investors could be required to amend prior tax returns and include additional amounts of income not previously reported, and pay federal and/or state income tax at applicable rates (together with applicable penalties and interest, if any) if the tax information that Alternative Investment funds provide to investors or positions taken by the Alternative Investment funds are determined to be materially inaccurate or otherwise changes as a result of a successful challenge by the IRS or state taxing agencies.

The nature of the tax reporting on a U.S. taxable investor's federal income tax return of its allocable share of an Alternative Investment fund's income, gain, loss, deduction or credit will be complicated, and an investor will likely need the assistance of a certified public accountant or other tax professional to prepare its federal and state income tax returns. As a result, an investor could experience a substantial increase in the amount of fees payable to tax professionals, and these increase could be material. Investors subscribing investing in Alternative Investment funds for the first time late in the calendar year may wish to consider these expenses in deciding whether to subscribe at that time or to delay the subscription until the beginning of the next calendar year.

10. Risks Relating to Admission of ERISA Investors to the Fund. Alternative Investment managers generally conduct the operations of their funds so that their assets will not be deemed to constitute "plan assets" of investors which are subject to the fiduciary provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or the prohibited transaction rules of Section 4975 of the Code ("Benefit Plan Investors"). If, however, a fund were deemed to hold "plan assets" of Benefit Plan Investors, (i) if any Benefit Plan Investors are subject to ERISA, ERISA's fiduciary standards would apply to the fund and might materially affect the operations of the fund, and (ii) any transaction with the fund could be deemed a transaction with each Benefit Plan Investor and may cause transactions into which the fund might enter in the ordinary course of business to constitute prohibited transactions under ERISA and/or Section 4975 of the Code.

Special Risks of the Fund of Funds Structure

This section discusses certain risks related to the fact that a Condera Fund generally invests in Alternative Investment funds.

1. Investments in the Alternative Investment Funds Generally. Because a Condera Fund invests in Alternative Investment funds, the value of an investment in a Condera Fund will be affected by the investment policies and decisions of the manager of each Alternative Investment fund in direct proportion to the amount invested in that Alternative Investment fund. The value of a Condera Fund's and as a result, the value of a Condera Fund, will fluctuate in response to, among other things, various market and economic factors related to the markets in which the Alternative Investment funds invest and the financial condition and prospects of issuers in which the Alternative Investment funds invest.

2. Alternative Investment Funds Generally Not Registered. Alternative Investment funds generally are not registered as investment companies under the Investment Company Act. Therefore, Condera Funds will not be entitled to the protections of the Investment Company Act with respect to investments in unregistered Alternative Investment funds. If they were registered as investment companies, the Investment Company Act would require, among other things, that their general partners have a board of directors, some of whom are disinterested, compel certain custodial arrangements and regulate affiliated relationships and transactions. Compliance with some of those provisions could possibly reduce certain risks of loss, although it would significantly increase their operating expenses and limit their investment and trading activities. Additionally, Alternative Investment funds managers often are not registered as investment advisers under the Advisers Act. Therefore Condera Funds will not have the benefit of certain of the protections of the Advisers Act. To the extent that an unregistered Alternative Investment fund manager registers as an investment adviser, there is also a risk that the manager may not comply with the requirements of the Adviser Act, or may encounter operational or regulatory difficulties that arise from these compliance requirements.

Alternative Investment funds typically do not maintain their securities and other assets in the custody of a bank or a member of a securities exchange, as generally required of registered investment companies under SEC rules. A registered investment company that places its securities in the custody of a member of a securities exchange is required to have a written custodian agreement, requiring that securities held in custody at all times be individually segregated from the securities of any other person and marked to clearly identify securities as the property of the investment company and containing other provisions designed to protect the assets of the investment company. It is anticipated that Alternative Investment funds will generally maintain custody of their assets with brokerage firms that do not separately segregate customer assets as would be required in the case of registered investment companies. Under the provisions of the Securities Investor Protection Act of 1970, as amended, the bankruptcy of any brokerage firm could have a greater adverse effect on a Condera Fund than would be the case if custody of assets were maintained in accordance with the requirements applicable to registered investment companies. There is also a risk that an Alternative Investment fund manager could convert assets committed to it by a Condera Fund to its own use or that a custodian could convert assets committed to it by an Alternative Investment fund manager to its own use. There can be no assurance that an Alternative Investment fund manager or the entities they manage will comply with all applicable laws and that assets entrusted to them will be protected.

3. Valuations. In most cases, Condera will not have access to complete or current information regarding the composition of any Alternative Investment fund in which a Condera Fund invests its assets. The managers of these funds, in their sole and absolute discretion, will generally make valuations of the assets of their Alternative Investment funds, and Condera will generally have no ability to assess the accuracy of these valuations. Furthermore, the values received by Condera from these managers will typically be estimates only, subject to revision by reference to the results of the annual audits of the Alternative Investment funds. It should be noted that there have been a number of high profile instances where Alternative Investment managers have mispriced assets whether as an act of fraud or negligence. Revisions to a Condera Fund's gain and loss calculations will be an ongoing process, and values should not be considered final until a Condera Fund's annual audit is completed.
4. Multiple Levels of Fees and Expenses. Although in many cases investor access to an Alternative Investment fund may be limited or unavailable, an investor who meets the conditions imposed by an Alternative Investment fund may be able to invest directly with an Alternative Investment fund. By investing in Alternative Investment funds indirectly through a Condera Fund, an investor bears two layers of asset-based and performance-based fees (see "*Fees and Compensation*" above). Moreover, an investor in a Condera Fund bears a proportionate share of the fees and expenses of the Condera Fund (including organizational and private placement expenses, operating costs, sales charges, brokerage transaction expenses, and administrative fees) and, indirectly, similar expenses of the Alternative Investment funds. Thus, an investor in a Condera Fund may be subject to higher operating expenses than if he or she invested in an Alternative Investment fund directly.

Performance-based fees may be payable by a Condera Fund in respect of an Alternative Investment fund irrespective of the performance of the Alternative Investment funds in which it is invested and the Condera Fund generally. As detailed above, performance-based compensation received may create an incentive to make investments that are riskier or more speculative than those that might be made in the absence of performance-based compensation. Performance-based compensation may be based on calculations of realized and unrealized gains without independent oversight. Additionally, if performance falls, expenses may increase as a percentage of gross returns, which could result in disproportional decreases in performance. Fund expenses in certain instances also may remain relatively fixed and not decrease as performance falls.

5. Turnover. Some of the strategies and techniques employed by Alternative Investment funds require frequent trading and, as a consequence, portfolio turnover and brokerage commissions may be greater than that for other investment entities of similar size. Condera will have no control over this turnover. As a result, a significant portion of a Condera Fund's income and gains, if any, may be derived from ordinary income and short-term capital gains. In addition, the withdrawal of a Condera Fund from an Alternative Investment fund could involve expenses to a Condera Fund, lowering its returns.

6. Limited Capacity. Certain investment strategies may accommodate only a certain amount of capital. Alternative Investment fund managers employing these strategies will normally endeavor not to undertake to manage more capital than their strategy can accommodate without risking a potential deterioration in returns. Accordingly, each Alternative Investment fund manager has the right to refuse to manage some or all of a Condera Fund's assets. Further, in the case of Alternative Investment fund managers that limit the amount of additional capital that they will accept from a Condera Fund, continued sales of interests in a Condera Fund to others would dilute the indirect participation of existing investors with these Alternative Investment fund managers.
7. Independence of Alternative Investment Fund Managers. Alternative Investment fund managers invest wholly independently of one another and may at times hold economically offsetting positions. To the extent that they do, in fact, hold offsetting positions, a Condera Fund, considered as a whole, cannot achieve any gain or loss on these positions despite incurring fees and expenses. Furthermore, it is possible that from time to time, various Alternative Investment fund managers selected by Condera may be competing with each other for the same positions in one or more markets.

Investment-Related Risks

This section discusses the types of investments that are expected to be made by Alternative Investment funds or by a Condera Fund directly and the principal risks associated with these investments. In general, these principal risks exist whether the investment is made by an Alternative Investment fund or a Condera Fund directly and therefore for convenience purposes, the description of these risks in terms of an Alternative Investment fund is intended to include the same risks for investments made directly by a Condera Fund. It is possible that an Alternative Investment fund or a Condera Fund will make an investment that is not described below, which may be subject to its own particular risks. For purposes of this discussion, references to the activities of any Alternative Investment fund or its manager should generally be interpreted to include the activities of a Condera Fund and Condera.

1. Risks of Investment Activities Generally. All securities investing and trading activities risk the loss of capital. No assurance can be given that any Alternative Investment fund's investment activities will be successful or that investors will not suffer losses.
2. Competitive Markets. The investments industries in general, and the markets in which Alternative Investment funds trade, are extremely competitive. In pursuing their trading methods and strategies, Alternative Investment funds will compete with investment firms, including many of the larger investment advisory and private investment firms, as well as institutional investors and, in certain circumstances, market-makers, banks and broker-dealers. In relative terms, Alternative Investment funds will have little capital and may have difficulty in competing in markets in which their competitors have substantially greater financial resources, larger research staffs, and more trading professionals than they have or expect to have in the future. In any given transaction, investment and trading activity by other firms will tend to narrow the spread between the price at which an investment may be purchased by an Alternative Investment fund and the price it expects to receive upon consummation of the transaction.
3. Market Risks and Lack of Liquidity. The success of an Alternative Investment fund's investment program may depend to a great extent upon its ability to correctly assess the future course of price movements of investments and markets. There can be no assurance that an Alternative Investment fund will accurately predict these movements. Additionally, it is expected that certain investments in which an Alternative Investment fund may invest will have limited liquidity. This lack of liquidity, together with a failure to accurately predict market movements, may adversely affect the ability of an Alternative Investment fund to execute trade orders at desired prices in rapidly moving markets.
4. Leverage. Alternative Investment funds may utilize leverage in their investment programs. Leverage may take the form of loans for borrowed money, trading on margin or other forms of direct and indirect borrowings, or derivative instruments, including, among others, forward contracts, futures contracts, options, swaps and reverse repurchase agreements, and other instruments and transactions that are inherently leveraged. The utilization of leverage will increase the volatility returns, as well as the risk of loss. Trading securities on margin results in interest charges and, depending on the amount of trading activity, these charges could be substantial. The level of interest rates generally, and those at which an Alternative Investment fund can borrow in particular, can affect its operating results. The low margin deposits normally required in futures and forward trading permit a high degree of leverage; accordingly, a relatively small price movement in a futures contract can result in immediate and substantial losses to an investor. Such a high degree of leverage necessarily entails a high degree of risk.

The rights of any lenders to an Alternative Investment fund to receive payments of interest or repayments of principal will be senior to those of the Alternative Investment funds' investors, and the terms of any borrowings may contain provisions that limit certain activities of the Alternative Investment fund, including the ability to make distribution or redemption payments to its investors.

5. Short Selling. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows an investor to profit from declines in securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. In addition, regulation modifying, preventing and/or limiting short sales may adversely affect the ability of certain Alternative Investment funds to meet their investment objectives.
6. Highly Volatile Markets. The prices of an Alternative Investment fund's investments, and therefore its value, can be highly volatile. Price movements of forward contracts, futures contracts and other derivative contracts 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. Additionally, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments and interest rate-related futures and options. This type of intervention often is intended directly to influence prices and may, together with other factors, cause all of these markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Moreover, since internationally there may be less government supervision and regulation of worldwide stock exchanges and clearinghouses than in the U.S., Alternative Investment funds also are subject to the risk of the failure of the exchanges on which their positions trade or of their clearinghouses, and there may be a higher risk of financial irregularities and/or lack of appropriate risk monitoring and controls.
7. Equity and Equity-Related Investments. Equity and equity-related investments (e.g., convertible securities) carry a relatively high degree of risk, including market, liquidity, counterparty credit, legal and operational risk, as well as risks owing to the business and financial uncertainties facing individual issuers. Certain issuers may experience financial difficulties, which they may not overcome. Changes in economic conditions, including interest rates, trends, tax laws and innumerable other factors can affect substantially and adversely the prospects of any issuer. In general, values of equity and equity-related investments fluctuate in response to the activities of individual companies and in response to general market and economic conditions. Accordingly, their value may decline over short or extended periods. Equity markets tend to be cyclical, with periods when prices generally rise and periods when prices generally decline. The volatility of equity and equity-related investments means that the value of these investments may increase or decrease.
8. Fixed Income Investments. Investment in fixed income securities (including preferred securities) may offer opportunities for income and capital appreciation, and also may be used for temporary defensive purposes and to maintain liquidity. Fixed income securities are obligations of the issuer to make payments of principal and/or interest on future dates, and include, among other securities: bonds, notes, and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities or by a foreign government; municipalities; and mortgage-backed securities (MBS) and asset-backed securities (ABS). These securities may pay fixed, variable, or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer, and general market liquidity (*i.e.*, market risk). Additionally, MBS, ABS and other fixed income securities may be subject to call risk and extension risk. For example, fixed income securities that give the issuer the right to call the security at a specified date or at any time, subject the holder of these securities to the risk that the duration of these securities can either shorten (*i.e.*, call risk) or lengthen (*i.e.*, extension risk). In general, if interest rates fall (rise) sufficiently below (above) those at which these securities were issued, the rate of prepayment would be expected to increase (decrease). In either case, a change in the prepayment rate can result in losses to investors.

Certain types of fixed income securities and other credit instruments may be subject to heightened liquidity risk. These types of investments include collateralized debt obligations (CDOs), high-yield bonds, debt issued in leveraged buyout transactions, MBS, ABS, and short-term asset-backed commercial paper, which became very illiquid in the latter half of 2008, and that, in many cases, have remained illiquid or relatively illiquid. General market uncertainty and consequent repricing of risk led to market imbalances between sellers and buyers, which in turn resulted in significant valuation uncertainties in mortgage and credit-related securities and other instruments. These conditions resulted, and in many cases continue to result in, greater volatility, less liquidity, widening credit spreads and a lack of price transparency, with many instruments remaining illiquid and of uncertain value. These market conditions and the above factors may increase the level of difficulty encountered in valuing these securities and other credit instruments which could result in sudden and significant increases or declines in their value.

9. High Yield/Distressed Debt. High yield bonds (commonly known as "junk bonds"), distressed debt instruments and other lower-rated (or similar but unrated) debt securities (collectively referred to as "high yield debt") will typically be junior to the

obligations of companies to senior creditors, trade creditors and employees. The lower rating of high yield debt reflects a greater possibility that adverse changes in the financial condition of the issuer or in general economic, financial, competitive, regulatory or other conditions may impair the ability of the issuer to make payments of principal and interest. High yield debt securities have historically experienced greater default rates than investment grade securities. The ability of holders of high yield debt to influence a company's affairs, especially during periods of financial distress or following insolvency, will be substantially less than that of senior creditors.

Adverse changes in economic conditions or developments regarding the individual issuer are more likely to cause price volatility and weaken the capacity of the issuers of high-yield debt securities to make principal and interests payments than issuers of higher-grade debt securities. An economic downturn affecting an issuer of high-yield debt securities may result in an increased incidence of default. In addition, the market for lower-grade debt securities may be thinner and less active than for higher-grade debt securities, and thus less liquid because, among other reasons, certain investors, due to their investment mandates, are precluded from owning these securities.

As with other investments, there may not be a liquid market for certain high yield debt, which could result in an inability to sell these securities for an extended period of time, if at all. Additionally, the market for high yield debt has historically been subject to disruptions that have caused substantial volatility in their prices. Consolidation in the financial services industry has resulted in there being fewer market makers for high yield debt, which may result in further risk of illiquidity and volatility with respect to high yield debt, and this trend may continue in the future.

10. Insolvency Considerations with Respect to Issuers of Indebtedness. Various laws enacted for the protection of creditors may apply to indebtedness in which Alternative Investment funds may invest. The information in this and the following paragraph is applicable with respect to U.S. issuers subject to U.S. federal bankruptcy law. Insolvency considerations may differ with respect to other issuers. If, in a lawsuit brought by an unpaid creditor or representative of creditors of an issuer of indebtedness, a court were to find that the issuer did not receive fair consideration or reasonably equivalent value for incurring the indebtedness and that, after giving effect to this indebtedness, the issuer (i) was insolvent, (ii) was engaged in a business for which its remaining assets constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay its debts as they mature, a court could determine to invalidate, in whole or in part, this indebtedness as a fraudulent conveyance, to subordinate this indebtedness to existing or future creditors of the issuer, or to recover amounts previously paid by the issuer in satisfaction of the indebtedness. The measure of insolvency for purposes of the foregoing will vary. Generally, an issuer would be considered insolvent at a particular time if the sum of its debts was then greater than all of its property at a fair valuation, or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether the issuer was "insolvent" after giving effect to the incurrence of the indebtedness in which an Alternative Investment fund invested or that, regardless of the method of valuation, a court would not determine that the issuer was "insolvent" upon giving effect to its incurrence. In addition, in the event of the insolvency of an issuer of indebtedness in which an Alternative Investment fund invests, payments made on its indebtedness could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency. In general, if payments on indebtedness are avoidable, whether as fraudulent conveyances or preferences, they can be recaptured from the Alternative Investment fund to which the payments were made, resulting in losses.

There can be no assurance as to whether an Alternative Investment fund, or any lending institution or other party from which an Alternative Investment fund may acquire indebtedness, engaged or will engage in any conduct that would result in a claim being asserted in a U.S. court (or in the courts of any other country) that any payments made to an Alternative Investment fund (or to any lending institution) in respect of indebtedness was avoidable as a preference or a fraudulent conveyance.

Indebtedness consisting of obligations of non-U.S. issuers may be subject to various laws enacted in the countries of their issuance for the protection of creditors. These insolvency considerations will differ depending on the country in which each issuer is located or domiciled and may differ depending on whether the issuer is a non-sovereign or a sovereign entity.

11. Commodities. Commodity markets are highly volatile and can be without sustained movements of prices in one direction, up or down, for extended periods. These movements may be referred to as trends. Price movements for commodity interest contracts are influenced by, among other things, changing supply and demand relationships, weather, agricultural, trade, fiscal, monetary, and exchange control programs and policies of governments, domestic and foreign political and economic events, changes in domestic and foreign interest rates and rates of inflation, currency devaluations and revaluations, and emotions of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets. Intervention is often intended to influence prices directly.

The profitability of commodity trading may depend on the periodic occurrence of sustained price movements of at least some of the contracts traded by an Alternative Investment fund (either in absolute terms or in relations to different points of time,

locations or other commodities); the ability of an Alternative Investment fund to analyze the commodity markets; and the ability of an Alternative Investment fund to enter a market while a trend in one direction exists and exit that market with a profit. Participation in a market that is either volatile or trendless could produce substantial losses for an Alternative Investment fund. Failure to identify trends or to exit a market position after a trend matures could also produce substantial losses for an Alternative Investment fund. The result of these conditions or failures could be the loss of all of an investment in a commodity.

12. Non-U.S. Investments. Investments in securities of non-U.S. issuers and the governments of non-U.S. countries involve special risks not usually associated with investing in securities of U.S. companies or the U.S. government, 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 the imposition of withholding or other taxes on dividends, interest, capital gain or other income; the small size of the securities markets in these 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 an Alternative Investment fund's investment opportunities. In addition, because non-U.S. entities are not subject to uniform accounting, auditing, and financial reporting standards, practices and requirements comparable with those applicable to U.S. companies, there may be different types of, and lower quality, information available about a non-U.S. company than a U.S. company. There is also less regulation, generally of the securities markets in many foreign countries than there is in the U.S., and these markets may not provide the same protections available in the U.S. With respect to certain countries, there may be the possibility of political, economic or social instability, the imposition of trading controls, import duties or other protectionist measures, various laws enacted for the protection of creditors, greater risks of nationalization or diplomatic developments which could materially adversely affect investments in those countries. Furthermore, individual economies may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency, and balance of payments position. Investments in non-U.S. countries may also be subject to withholding or other taxes, which may be significant and may reduce returns.

Brokerage commissions, custodial services and other costs relating to investment in international securities markets generally are more expensive than in the U.S. In addition, clearance and settlement procedures may be different in foreign countries and, in certain markets, these procedures have been unable to keep pace with the volume of securities transactions, thus making it difficult to conduct transactions.

Investment in sovereign debt obligations of non-U.S. governments involves additional risks not present in debt obligations of corporate issuers and the U.S. government. The issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due in accordance with the terms of the debt, and an Alternative Investment fund may have limited recourse to compel payment in the event of a default. A sovereign debtor's willingness or ability to repay principal and to pay interest in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy toward international lenders, and the political constraints to which the sovereign debtor may be subject. Periods of economic uncertainty may result in the volatility of market prices of sovereign debt to a greater extent than the volatility inherent in debt obligations of other types of issuers.

13. Investments in Emerging Markets. Investments in securities of companies based in emerging markets, issued by the governments of these countries or traded in certain emerging markets may be subject to risks due to the inexperience of financial intermediaries, the lack of modern technology, the lack of a sufficient capital base to expand business operations, and the possibility of temporary or permanent termination of trading. Political and economic structures in many emerging markets may be undergoing significant evolution and rapid development, and emerging markets may lack the social, political and economic stability characteristics of more developed countries. As a result, the risks relating to investments in foreign securities described above, including the possibility of nationalization or expropriation, may be heightened. In addition, certain countries may restrict or prohibit investment opportunities in issuers or industries deemed important to national interests. These restrictions may affect the market price, liquidity and rights of these securities. Settlement mechanisms in emerging securities markets may be less efficient and less reliable than in more developed markets and placing securities with a custodian or broker-dealer in an emerging country also may present considerable risks. Many emerging market countries have experienced substantial, and in some periods, extremely high rates of inflation for many years. Inflation and rapid fluctuations in inflation rates and corresponding currency devaluations and fluctuations in the rate of exchange between currencies and costs associated with currency conversion have had and may continue to have negative effects on the economies and securities markets of certain emerging market countries. In addition, accounting and financial reporting standards that prevail in certain emerging market countries are not equivalent to standards in more developed countries and, consequently, less information is available to investors in companies located in these countries.

14. Foreign Currency Transactions and Exchange Rate Risk. Foreign currency transactions may be engaged in for a variety of purposes, including to “lock in” the U.S. dollar price of a foreign security between the trade and the settlement date or to hedge the U.S. dollar value of foreign securities held in a portfolio. These transactions may also be engaged in for non-hedging purposes to generate returns. To the extent unhedged, the value of an Alternative Investment fund’s assets will fluctuate with U.S. dollar exchange rates as well as with price changes of its investments in the various local markets and currencies. Forward currency contracts and options may be utilized to hedge against currency fluctuations, but are not required to be utilized, and there can be no assurance that these types of hedging transactions will be available or, even if undertaken, effective.
15. Restricted and Illiquid Investments. Restricted securities are securities that may not be sold to the public without an effective registration statement under the Securities Act or, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. These may include restricted securities that can be offered and sold only to “qualified institutional buyers” under Rule 144A of the Securities Act. There is no limit on the percentage of an Alternative Investment fund’s assets that may be invested in illiquid securities.

For all securities, commodity interests and other instruments, including options and futures contracts listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances, including the right to impose position limits and price limits on persons or groups of persons. Suspensions or limits could render certain strategies difficult to complete or continue and subject an Alternative Investment fund to loss. Some U.S. exchanges limit fluctuations in certain prices during a single day by imposing what are known as “daily price fluctuation limits” or “daily limits.” The existence of “daily price limits” or “daily limits” may reduce liquidity or effectively curtail trading in particular markets. Once the price of a particular contract has increased or decreased by the daily limit, positions in the contract can effectively neither be taken nor liquidated. Contract prices in various investments have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent an Alternative Investment fund from promptly liquidating unfavorable positions and subject it to substantial losses, which could exceed the margin initially committed to these trades. Daily limits may reduce liquidity, but they do not limit ultimate losses, as these limits apply only on a day-to-day basis. Additionally, even if contract prices have not moved the daily limit, an Alternative Investment fund may not be able to execute trades at favorable prices if there is only light trading in the contracts involved.

As part of its emergency powers, an exchange or regulatory authority can suspend or limit trading in a particular investment or commodity interest, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. The possibility also exists that governments may intervene to stabilize or fix exchange rates, restricting or substantially eliminating trading in the affected currencies.

These constraints could prevent the prompt liquidation of unfavorable positions and result in substantial losses, as well as impair an Alternative Investment fund’s ability to satisfy redemption requests in a timely manner.

16. Convergence Risk. Alternative Investment funds may take long positions in securities or commodities believed to be undervalued and short positions in securities or commodities believed to be overvalued. If the perceived mispricings underlying one or more of these trading positions were to fail to converge toward, or were to diverge further from, expected relationships, it may result in significant losses.
17. Small and Mid-Capitalization Companies. Historically, securities of small capitalization companies, mid-capitalization companies and recently organized companies have been more volatile in price than those of larger capitalized, more established companies. Many of the risks apply equally to mid-capitalization companies, which are included in the term “small capitalization companies” for the purposes of this risk factor. The securities of small capitalization and recently organized companies pose greater investment risks because these companies may have limited product lines, distribution channels and financial and managerial resources. In particular, small capitalization companies may be operating at a loss or have significant variations in operating results; may be engaged in a rapidly changing business with products subject to substantial risk of obsolescence; may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position; and may have substantial borrowings or may otherwise have a weak financial condition. In addition, these companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and other capabilities, and a larger number of qualified managerial and technical personnel. Further, there is often less publicly available information concerning these companies than for larger, more established businesses. The equity securities of small capitalization companies are often traded over-the-counter or on regional exchanges and may not be traded in the volumes typical on a national securities exchange. Consequently, it may take a longer (and potentially less favorable) period of time to dispose of these securities or cover a short position in these securities than is required in the case of larger, more established companies. Investments in small capitalization companies also may be more difficult to value than other types of securities because of the foregoing considerations as well as lower trading volumes. Investments in companies with limited or no operating histories are more

speculative and entail greater risk than do investments in companies with an established operating record. Additionally, transaction costs for these types of investments are often higher than those of larger capitalization companies.

18. Index Contracts. Exchanged-traded index funds (ETFs), non-exchanged traded baskets of securities, and futures contracts and options thereon, and similar securities and contracts (collectively, “**Index Contracts**”) may be utilized to gain exposure to a portion of the market or to hedge other investments. In addition to the risks associated with the underlying securities an Index Contract is designed to track, Index Contracts are subject to the risk of default by the other party to the transaction (in the case of an over-the-counter Index Contract), illiquidity and, to the extent the holder’s view of an Index Contract as to certain market movements is incorrect, the risk that the use of an Index Contract could result in losses greater than if they had not been used at all. Moreover, the lack of complete correlation between price movements of an Index Contract and price movements in the position(s) being hedged creates the possibility that losses in the value of that position(s) may be greater than the gain on the Index Contract (or that a gain in a position may be less than the loss on the Index Contract). Additionally, futures and options markets may not be liquid in all circumstances and certain over-the-counter Index Contracts may have no markets. As a result, in certain markets, it might not be possible to close out a transaction without incurring substantial losses, if at all. Although the successful use of Index Contracts for hedging should tend to reduce the risk of loss due to a decline in the value of the hedged position, at the same time these transactions would tend to limit any potential gain which might result from an increase in value of the hedged position. Index Contracts may also have management fees and their own organizational and operating costs and expenses, increasing the level of fees and expenses associated with utilizing an Index Contract.

19. Purchasing Securities in Initial Public Offerings (New Issues). Alternative Investment funds may purchase securities of companies in initial public offerings or shortly after those offerings are complete. Special risks associated with these securities may include a limited number of shares available for trading, lack of a trading history, lack of investor knowledge of the issuer, and limited or no operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult to buy or sell significant amounts of shares without an unfavorable effect on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or near-term prospects of achieving revenues or operating income.

Alternative Investment funds will not allocate gains or losses attributable to “new issues,” as defined under applicable FINRA rules, to investors who are deemed to be “restricted persons” thereunder. Accordingly, these investors may have an economic disadvantage as compared to those who do participate in “new issues” since some of an Alternative Investment fund’s assets will be used to purchase “new issues” from which “restricted persons” will derive no benefit.

20. Derivatives. Derivative instruments, or “derivatives,” include options, warrants, futures, forwards, swaps, structured investments and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying investments, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of particular investments at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of the asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are “leveraged,” and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also result in losses exceeding the original amount invested. As there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, derivatives may also expose investors to liquidity risk and to counterparty risk. The counterparty risk lies with each party that issues (or writes) the derivative purchased by the investor (or holder). In the event of their default, the holder of the derivative will only rank as an unsecured creditor of the writer of the derivative and risk the loss of all or a portion of the amounts it is contractually entitled to receive. The holder will not have any claim with respect to the investment underlying the derivative. As a result, concentrations of derivatives written by any one party may subject the holder to an additional degree of risk with respect to defaults by that party.

Additionally, a derivative holder of an investment does not have a contractual relationship with the issuer of the investment, and accordingly, will have no (i) right to directly enforce compliance by the issuer with the terms of the investment, (ii) rights of set-off against the issuer, and (iii) voting rights that may accrue to the holder of the investment directly. Additionally, a derivative holder of an investment will not enjoy the benefit of any collateral supporting the value of the investment and will not have the benefit of the remedies that would normally be available to a direct holder of the investment, including, in the event of the bankruptcy of or default by the issuer of the investment.

21. Options. Alternative Investment funds may purchase exchange-listed and over-the-counter put and call options on specific investments. In addition, they may write (or sell) covered or uncovered call and put option contracts. A call option gives the

purchaser of the option the right to buy, and obligates the writer to sell, the underlying investment at a stated exercise price at any time prior to the expiration of the option. Similarly, a put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying investment at a stated exercise price at any time prior to the expiration of the option. Options written may be wholly or partially covered (meaning that the writer holds an offsetting position) or uncovered. Options on specific investments may be used to seek enhanced profits with respect to a particular investment. Alternatively, they may be used for various defensive or hedging purposes. For example, they may be used to protect against a future adverse change in the market price of particular portfolio investments held without requiring a sale of these investments.

The use of put and call options may result in losses, force the sale or purchase of investments at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation realizable on an investment, or cause the holder thereof to hold an investment it might otherwise sell. For example, a decline in the market price of a particular investment could result in a complete loss of the amount expended to purchase a call option (equal to the premium paid for the option and any associated transaction charges). An adverse price movement may result in unanticipated losses with respect to covered options sold. The use of uncovered option writing techniques may entail greater risks of potential loss than other forms of options transactions. For example, a rise in the market price of the underlying investment will result in the realization of a loss on the calls written, which would not be offset by the increase in the value of the underlying investment to the extent the call option position was uncovered.

22. Futures Contracts. Futures contracts are usually made on a commodity exchange and provide for the future delivery of various commodities at a specified time and place. These contractual obligations, depending on whether one is a buyer or a seller, may be satisfied either by taking or making, as the case may be, physical delivery of an approved grade of the commodity (or, in the case of some contracts, by cash settlement) or by making an offsetting sale or purchase of an equivalent but opposite commodity futures contract on the same (or linked) exchange prior to the designated date of delivery.

Futures contracts are customarily bought and sold on margins which range upward from less than two percent (2%) of the purchase or sale price of the contract being traded. Because of these low margins, price fluctuations occurring in futures markets may create profits and losses which are greater than are customary in other forms of investment or speculation. Margin is the minimum amount of funds which must be deposited by the futures trader with his broker in order to initiate futures trading or to maintain his open positions in futures contracts. A margin deposit is like a cash performance bond. It helps assure the trader's performance of the futures contract. The minimum amount of margin required in regard to a particular futures contract is set from time to time by the exchange upon which the futures contract is traded and may be modified from time to time by the exchange during the term of the contract. A trader's margin deposit is treated as equity in his account. A change in the market price of the futures contract for which the margin is deposited increases or decreases the amount of the equity. When the market value of a particular open futures position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a margin call will be made by the trader's commodity broker. If the margin call is not met within a reasonable time, the broker is required to close out the trader's position.

Certain futures contracts have specific delivery periods and commitments that require the counterparties to make or take physical delivery of a commodity at a designated location if the contracts are held through the expiry period. To the extent an Alternative Investment fund fails to unwind (flatten out) its futures position prior to final contract expiring, it may incur significant costs to offset the obligations that physical delivery presents.

23. Forward Contracts. Forward contracts involved the purchase or sale of a specific quantity of a commodity, government security, foreign currency, or other financial instrument at a future date at a specified price. Forward contracts may be utilized for hedging purposes and non-hedging purposes (*i.e.*, to increase returns).

Forward contracts and options thereon, 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 instruments 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 instruments 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 these markets due to unusually high trading volume, political intervention or other factors. Arrangements to trade forward contracts may be made with only one or a few counterparties, and liquidity problems therefore might be greater than if these arrangements were made with numerous counterparties. The imposition of controls by governmental authorities might also detrimentally limit forward trading to less than that which would otherwise be desired. Additionally, forward contracts expose the holder to credit risks with regard to the counterparties to these contracts, as well as risks relating to settlement default. These risks could result in substantial losses.

24. Swaps. Swap agreements are entered into in an attempt to gain exposure to a particular or group of securities, interest or borrowing rates, currencies, commodities or other factors or asset classes without the need to actually purchase the security or asset in question. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than a year. In a standard swap transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on a specified (or referenced) investment, which may be adjusted for an interest rate factor (equivalent to a borrowing charge). The gross returns to be exchanged or “swapped” between the parties are generally calculated with respect to a “notional amount” (*i.e.*, the return on or increase in value of a particular investment).

Swap agreements will tend to shift investment exposure from one type of investment to another. For example, if two parties agree to exchange payments in dollars for payments in foreign currency, the swap agreement would tend to decrease the swap owner’s exposure to U.S. interest rates and increase its exposure to foreign currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of a portfolio.

Most swap agreements require the calculation of the obligations of the parties to the agreements on a “net basis.” Consequently, the swap holder’s current obligations (or rights) under a swap agreement generally will be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the “net amount”). The risk of loss with respect to swaps is limited to the net amount of payments that are contractually obligated to be made. If the other party to a swap defaults, the risk of loss would consist of the net amount of payments the holder is contractually entitled to receive. If a swap agreement calls for payments by the holder, it must be prepared to make payments when due. In addition, if the other party’s creditworthiness declines, the value of the swap agreement would likely decline, potentially resulting in losses to the holder. Recent economic events have increased the potential for, and thus risk involved with, counterparty creditworthiness.

25. When-Issued and Forward Commitment Securities. Securities may be purchased on a “when-issued” basis or sold on a “forward commitment” basis in order to hedge against anticipated changes in interest rates and prices or for speculative purposes. These transactions involve a commitment to purchase or sell securities at a future date (ordinarily at least one or two months later). The price of the underlying securities, which is generally expressed in terms of yield, is fixed at the time the commitment is made, but delivery and payment for the securities takes place at a later date. No income accrues on securities that have been purchased pursuant to a forward commitment or on a when-issued basis prior to delivery. When-issued securities and forward commitments may be sold prior to the settlement date, resulting in a gain or loss. There is a risk that securities purchased on a when-issued or forward commitment basis may not be delivered and that the purchaser of securities sold will not honor its purchase obligation, resulting in losses.

26. Failure of Counterparties, Brokers and Exchanges. Alternative Investment funds will be exposed to the credit risk of the counterparties with which, or the brokers, dealers and exchanges through which, they deal, whether they engage in exchange-traded or off-exchange transactions. Additionally, they may be subject to risk of loss of their assets on deposit with a broker in the event of the broker’s bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions on their behalf, or the bankruptcy of an exchange clearing house. Although the Commodity Exchange Act requires a commodity broker (and the Advisers Act requires a registered investment adviser) to segregate the funds of their customers, if a commodity broker fails to properly segregate customer funds, or a registered investment adviser fails to require a broker-dealer holding customer funds to properly segregate those funds, customers may be subject to a risk of loss of their funds on deposit with a broker in the event of the broker’s bankruptcy or insolvency. Alternative Investment funds may be subject to risk of loss of its funds on deposit with foreign brokers because foreign regulatory bodies may not require the brokers to segregate customer funds. Alternative Investment funds may be required to post margin for their foreign exchange transactions either with their brokers or other foreign exchange dealers who are not required to segregate funds (although these funds are generally maintained in separate accounts on the foreign exchange dealer’s books and records in the name of the customer). Under certain circumstances, such as the inability of another customer of a commodity broker, broker-dealer or foreign exchange dealer, or the commodity broker, broker-dealer or foreign exchange dealer itself, to satisfy substantial deficiencies in another customer’s account, Alternative Investment funds may be subject to a risk of loss of its funds on deposit with that commodity broker, broker-dealer or foreign exchange dealer, even if its funds are properly segregated. In the case of a bankruptcy or customer loss, they might recover, even in respect of property specifically traceable to them, only a *pro rata* share of all property available for distribution to all of a commodity broker’s, broker-dealer’s or foreign exchange dealer’s customers.

Many of the markets in which transactions may be effected are “over-the-counter” or “interdealer” markets. Participants in these markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange-based” markets. To the extent derivatives or other over-the-counter or interdealer transactions are utilized, an Alternative Investment fund may take a credit risk with regard to parties with which it trades and also may bear the risk of settlement default. These risks may differ materially from those involved in exchange-traded transactions, which generally are

characterized by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from these protections, which in turn may subject them to the risk that the other will not settle a transaction in accordance with agreed terms and conditions because of a dispute over the terms of the contract or because of a credit or liquidity problem. "Counterparty risks" increase for contracts with longer maturities when events may intervene to prevent settlement. The ability to transact business with any one or any number of counterparties, the lack of any independent evaluation of a counterparty's financial capabilities or their creditworthiness, and the absence of a regulated market to facilitate settlement, may increase the potential for losses.

27. Foreign Exchanges. Alternative Investment funds may trade on exchanges located outside the United States, where the protections provided by U.S. regulations do not apply. Some foreign commodity exchanges, for example, in contrast to domestic exchanges, are "principals' markets" in which performance with respect to a commodity interest contract is the responsibility only of the individual member with whom the trader has entered into the contract and not of the exchange or its clearinghouse, if any. In the case of trading on foreign exchanges, an Alternative Investment fund will be subject to counterparty risk. An Alternative Investment fund also may not have the same access to certain trades as do various other participants in foreign markets.

Item 9. Disciplinary Information

Not applicable

Item 10. Other Financial Industry Activities and Affiliations

Condera is affiliated with USCA Securities, a broker-dealer registered with the SEC, a member of the Financial Industry Regulatory Authority, Inc. and a general lines agency licensed with the Texas Department of Insurance. Representatives of Condera are also registered representatives of USCA Securities. USCA Securities uses National Financial Services LLC a Fidelity Investments Company ("NFS") to execute portfolio transactions and custody client assets. Condera Advisors uses Fidelity Institutional Wealth Services to execute transaction and custody client assets. Condera and its representatives (which are also employees of USCA) may receive compensation in connection with the certain brokerage or insurance services provided either directly or through their relationships with NFS. See "*Fees and Compensation*" above for a description of the types of compensation USCA Securities and its representatives (which are also representatives of Condera) may receive in connection with the foregoing and the conflicts of interest created as a result of the arrangement. Accordingly, Condera and its representatives may be encouraged to use or recommend USCA Securities to their clients over other similar service providers.

Condera has and may continue to establish referral arrangements with broker-dealers and other investment advisers whereby they are compensated for referring their clients to Condera and/or recommending that their clients invest in a Condera Fund. The receipt of this type of compensation in connection with a referral may encourage these persons to recommend Condera or a Condera Fund to their clients over other similar service providers or investment funds. Similarly, Condera has and may continue to establish referral arrangements with other investment advisers whereby these persons compensate Condera for referring clients to them and/or funds advised by them. The receipt of this type of compensation in connection with a referral may encourage Condera to recommend these advisors or funds to its clients over other advisors or funds. To help mitigate these conflicts, the presence of a referral relationship and the receipt of this type of compensation will be disclosed to a client at or prior to the time it makes an investment, which would give rise to the receipt of this type of compensation. See also "*Client Referrals and Other Compensation*" below.

Effective October 1, 2013, Philip J. Pilibosian became an employee of RNS Holdings LP or its affiliates ("**RNS**").

The responsibilities of Mr. Solomon and Mr. Pilibosian with respect to their activities on behalf of USCA, RNS and other organizations may require a substantial portion of their time. Although Mr. Solomon and Mr. Pilibosian will devote as much time to the business and affairs of Condera clients as they believe is necessary to deliver the services described herein, they may devote a material portion of their time to the affairs and activities of USCA, RNS and other organizations.

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

Condera has implemented an investment policy relative to personal securities transactions. This investment policy is part of Condera's overall Code of Ethics, which serves to establish a standard of business conduct for all of Condera's representatives that is based upon fundamental principles of openness, integrity, honesty and trust. To prevent conflicts of interest, all personal trades made by access persons of Condera are reviewed by supervisory personnel (except transactions in investment company securities and/or other exempt transactions). Additionally, Condera's policies and procedures prohibit the misuse of material

non-public information and are designed to prevent insider trading by any of its representatives. Notwithstanding the foregoing, Condera, its representatives and/or related persons may have a material financial interest in securities sold (or recommended to) its clients, which may result in a conflict between their obligation to act in the best interests of Condera's clients and any interest they may have in generating additional revenue for themselves or their affiliates. To mitigate this conflict, it is Condera's policy to disclose the interest it or its related persons or representatives have in the security being sold or recommended prior to its sale or recommendation.

Additionally, Condera, its representatives and/or related persons may purchase or sell for themselves or their clients, the same or different securities as are purchased or sold (or recommended to) their other clients, which may create a conflict of interest in that a client may receive a less favorable price for the security being purchased or sold, or a client may not be able to purchase or sell a security because there are no more seller or buyers of that security. To the extent a particular security is believed by Condera to be suitable for more than one client, and where less than the maximum desired amount to be purchased is available at a favorable price, the security will generally be allocated on a pro rata basis (subject to certain exceptions, provided that all participating clients are treated fairly on an overall basis and the variation from a pro rata allocation does not result in an unfair advantage or disadvantage to a client, or unfairly advantage Condera or its representatives). Notwithstanding the foregoing, a client's liquidity, investment minimums, the degree of control Condera exercises over the assets of a client, and other factors may prevent a security from being purchased on a pro rata basis for all of those clients for which the security was believed by Condera to be suitable.

As discussed in "*Other Financial Industry Activities and Affiliations*", Condera may purchase or sell (or recommend to its clients the purchase or sale of) interests in a Condera Fund, and as discussed in "*Fees and Compensation*" above, where USCA Securities is utilized to effect transaction on behalf of Condera's clients, USCA Securities may charge a "mark-up", "mark-down", "dealer spread" or commission in connection with these transactions in lieu of Condera receiving an advisory fee in connection with the related securities. These types of transactions have the potential to create a conflict of interest between Condera's and its representatives' obligation to act in the best interests of their clients and any interest they may have in generating additional revenue for themselves or their affiliates. Accordingly, these transactions will be conducted subject to proper and customary disclosure, as may be required by applicable law.

Condera, its representatives and/or related persons may have a conflict of interest when, acting as agent for Condera's clients, they affect a purchase/sale of securities or other assets between two or more of Condera's clients. These "cross trades" will only be permitted in accordance with applicable law and only if the transaction is executed for no consideration other than cash payment against prompt delivery of a security or other asset for market value. For these purposes, "market value" will generally be:

- In the case of a security listed on an established securities exchange or over-the-counter market, the last available public sale price;
- In the case of a security not listed on an established securities exchange or over-the-counter market, the average of the last reported bid and asked price; or
- In the case of an interest in an Alternative Investment, the "cross trade" will only be permitted to be effective on the date of the last valuation received by Condera with respect to the interest, and at the value stated therein.

In circumstances where Condera determines that market prices, quotations or valuations do not fairly represent the value of a particular security or other asset, Condera may assign a value to that security or other asset which differs from market prices, quotations or valuations. Other investments will be recorded at their fair value as determined in good faith by Condera. In these circumstances, Condera will attempt to use consistent and fair valuation criteria and may (but is not required to) obtain independent appraisals of an investment at the expense of the applicable client(s). In entering into an agreement with Condera, each client will authorize Condera to execute agency cross transactions between clients. Each client may, at any time, upon written notice to Condera, revoke its consent to these transactions.

One of the fundamental principles of Condera's Code of Ethics is that Condera and its representatives have a fiduciary duty to place its clients' interests first and to conduct all personal securities transactions in a manner that does not interfere with client transactions or otherwise take unfair advantage of the relationship Condera and its representatives share with their clients. Condera provides all personnel with a copy of its current Code of Ethics who are required to provide Condera with a written acknowledgement of their receipt of the Code of Ethics and understanding of its requirements. An existing or prospective client

may obtain a copy of the Code of Ethics by contacting Jack Repa at (713) 366-0578 and/or via electronic mail at jrepa@uscallc.com.

Item 12. Brokerage Practices

In recommending broker-dealers to its clients and selecting brokers-dealers to be used and the commission rates to be paid for its clients' transactions, Condera may consider a number of factors, including, for example, transaction costs, price, clearance, settlement, ease of execution and integration with existing Condera systems, systems for monitoring client investments and regulatory compliance, reputation, financial strength and stability, Products and Services (as defined below), in whole or in part, either provided by a broker-dealer, or paid for by a broker-dealer (either by direct or reimbursement payments (in whatever form) or by commissions, "mark-ups", "mark-down", "dealer spreads", credits or by any other means) to be provided by others, and other matters involved in the receipt of brokerage services generally. Condera may, and expects to, utilize the brokerage services of its related person, USCA Securities. As a result, USCA Securities will receive compensation in connection with the brokerage services it provides to Condera's clients (see "*Fees and Compensation*" above).

"Products and Services" that Condera may take into account in recommending or selecting broker-dealers to or for its clients (in whole or in part) include research and brokerage products or services; on-line pricing and financial information; access to computerized data regarding client accounts; performance measurement data and services; portfolio strategy advice; market, economic and financial information; statistical information; data on pricing and availability of securities; publications (including periodicals, magazines and newspapers); electronic market quotations; document retrieval services; analyses concerning specific securities, companies, governments or sectors; market, economic, political and financial studies and forecasts; industry and company comments; technical data, recommendations and general reports; quotation services; custody; brokerage; computer databases; equipment and any research services and products delivered or deliverable by such equipment, along with any related parts or supplies necessary or convenient for the use of such equipment (regardless of whether the location of use is an office, residence or in transit); and, to the extent related in any way to any of the foregoing, service contracts, repairs, replacement parts, consultants, usage fees and software. Products or Services may be in any form (e.g., written, oral or on-line).

Condera does not adhere to any rigid formulas in recommending or selecting broker-dealers, but weighs a combination of the preceding criteria. Condera has no fixed internal brokerage allocation procedures designating specific percentages of brokerage commissions to particular firms. Condera seeks best execution in discretionary transactions for its clients and will recommend brokerage to or select firms providing Products and Services on that basis. In recognition of the value of Products and Services provided by a broker-dealer, securities transactions may be effected which cause the client to pay the broker-dealer an amount of commission in excess of the amount of commission another broker-dealer would have charged.

In recommending or selecting broker-dealers, Condera need not solicit competitive bids and does not have an obligation to seek the lowest available transaction cost (e.g., commission cost). It is not Condera's practice to negotiate "execution only" transaction costs (e.g., commission rates); thus, Condera's clients may be deemed to be paying for Products and Services provided by a broker-dealer which are included in the transaction charges. When Condera determines that more than one broker-dealer can offer the brokerage and execution services needed to obtain the best available price and most favorable execution, consideration may be given to selecting or recommending those broker-dealers which also supply Products and Services of assistance to Condera in fulfilling its investment advisory responsibilities. This consideration may be an incentive to select or recommend a broker-dealer based on Condera's interest in receiving the Products and Services, rather than on its clients' interest in receiving most favorable execution. Condera's clients may pay higher commission rates than those normally obtained from other broker-dealers. When client commissions (or "mark-ups" and "mark-downs" or similar means) are used to obtain Products and Services other than execution (*i.e.*, "soft dollar" benefits), a benefit is received because Condera or its clients do not have pay for such Products and Services. Some of the Products and Services may benefit a specific segment of Condera's clients. Condera does not attempt to match a particular client's trade executions with broker-dealers who have provided Products and Services that have directly benefited that client's portfolio. Products and Services received by Condera are used for the ultimate benefit of its clients, although other accounts, including proprietary accounts, may also benefit.

Products and Services may be used by Condera or its affiliates for themselves and/or in servicing some or all of their clients. In addition, some Products and Services may not necessarily be used for a client (or may not be allocated proportionately to a client's account) even though its commission dollars (or other transaction charges) provided for some or all of the Products and Services. A client, therefore, may not, in any particular instance, be the direct or indirect beneficiary of the Products or Services provided.

In some instances, Condera may receive Products and Services that may be used for both research or brokerage purposes and non-research and non-brokerage purposes. In such instances, Condera will make a good faith effort to determine the relative

proportion of the Products and Services used for research purposes and the relative proportion used for non-research purposes. The proportion of the Products and Services attributable to research purposes will be paid through brokerage commissions generated by client transactions; the proportion attributable to non-research purposes will be paid for by Condera from its own resources. The receipt of “mixed-use” Products and Services and the determination of the appropriate allocation create a potential conflict of interest between Condera and its clients.

The relationships with brokerage firms that provide Products and Services to Condera may influence Condera’s judgment and create a conflict of interest for Condera in recommending broker-dealers to its clients.

Condera does not expect to receive the “soft dollar” benefits described above in connection with the execution of client transactions. Condera may, however, pay a brokerage commission in excess of that which another broker-dealer might charge for effecting the same transaction in recognition of the value of the brokerage, research and other services provided. In such a case, however, Condera will have made a determination in good faith that such commission is reasonable in relation to the value of brokerage, research and other services provided by such broker-dealer, viewed in terms of either the specific transaction or Condera’s overall responsibilities to its clients.

Clients, other than the Condera Funds, are permitted to direct brokerage. If a client directs Condera to use a specific broker-dealer, Condera will not have negotiated the terms and conditions (including, but not limited to, commission rates) relating to services provided by that broker-dealer; Condera will not have any responsibility for obtaining for the client from any such broker-dealer the best prices of particular commission rates with or through any such broker-dealer (thus, most favorable execution of transactions may not be achieved); and the client may not obtain rates as low as it might otherwise obtain if Condera had discretion to select broker-dealers other than those chosen by the client. For example, clients with direct brokerage may pay higher brokerage commissions because they may not be able to participate in an aggregated trade order along with other client orders executed through broker-dealers Condera has selected. Thus, direct brokerage may result in additional costs to the client.

Transactions in the same security for clients executed on the same day may be combined for execution purposes when Condera makes a good faith determination that such combination of transactions may result in an improvement in the execution and/or price of such transactions. Combined transactions executed on the same day with the same broker in multiple transactions are allocated among clients on a fair and equitable basis, as determined by Condera in its discretion. However, the effect of not aggregating client orders may produce disparate commission charges and result in Condera’s inability to obtain volume discounts or best execution for some transactions.

Item 13. Review of Accounts

Each client’s account is reviewed periodically at the discretion of the designated supervisory principal, but not less than annually. Reviews generally involve verification of compliance with investment objectives for the account, an assessment of diversification among asset classes and investment funds or managers, as appropriate, a review of trade allocations, particularly those involving the same security traded across multiple accounts executed on the same day, and/or an assessment of the investment performance of the account as compared to objective performance standards (i.e., benchmarks).

Clients typically receive written unaudited monthly or quarterly statements of their accounts. These reports may be prepared by Condera or a third party. Clients may also receive a written monthly or quarterly performance report, detailing (among other things) account balances and absolute and relative performance information. Investors in Condera Funds also receive written audited financial statements, as well as tax information (if applicable) annually. See “*Custody*” below.

Item 14. Client Referrals and Other Compensation

Condera and its affiliates have entered and may continue to enter into agreements with managers of Alternative Investments for the receipt of a portion of the Alternative Investment Fees charged by these managers in connection with a client’s investment with these managers or in funds managed by these managers (the portion of these fees received by Condera or USCA Securities referred to herein at “**Referral Fees**”). Referral Fees are not payable by Condera’s clients, but rather are payable out of the Alternative Investment Fees earned by these managers, and the receipt and amount of the Referral Fees will be disclosed to the client prior to the client entering into an agreement with this type of manager or investing in a fund managed by this type of manager. The receipt of Referral Fees may encourage Condera and its representatives to recommend this type of manager or their fund to their clients over other similar investments, which do not compensate them for doing so. In an attempt to mitigate the conflict discussed above, unless otherwise expressly agreed upon, where Condera invests (or recommends the investment of) a client’s assets with an investment manager (or in an investment fund managed by a manager) from whom Condera or any of its affiliates receives a Referral Fee in connection with the investment, Condera will not charge an advisory fee on the assets invested

therein, but rather will retain the Referral Fee in lieu of receiving an advisory fee. Notwithstanding, Condera may expressly agree with a client to charge a fee on assets for which Condera receives a Referral Fee and in these instances, Condera credits against its fees any such Referral Fee it receives. It should be noted that Condera's receipt of Referral Fees may not last in perpetuity, and any reduction in the receipt thereof may result in a client incurring a higher advisory fee charged by Condera.

Additionally, Condera may compensate third-parties and affiliates such as USCA Securities and its representatives, in connection with the referral of clients to Condera or investors in Condera Funds. This type of compensation will be paid solely from the fees earned by Condera hereunder (and shall not result in any additional charge to the client), and the receipt and amount of this type of compensation will be disclosed to the client prior the client's entering into an agreement with Condera or investing in a Condera Fund. The receipt of this type of compensation may encourage such third-parties, as well as USCA Securities and its representatives, to recommend Condera or a Condera Fund to their clients over other firms providing similar services or similar investments, which do not compensate them for doing so.

Item 15. Custody

To the extent that fees are deducted directly from a client's account and as the General Partner of the Condera Funds, Condera is deemed to have custody of client assets. Except as it relates to a Condera Fund or other Alternative Investment, clients will receive periodic statements (no less than quarterly) directly from the bank, broker-dealer or other qualified custodian with whom their assets are held. In the case of a Condera Fund or other Alternative Investment, clients will receive periodic (generally monthly) capital account statements and annual audited financial statements prepared by an independent public accountant. Clients are urged to carefully review such periodic statements.

In addition to the foregoing, Condera makes available to its clients periodic performance reports with respect to their accounts (generally on a monthly or quarterly basis). The information in these reports is based upon data Condera receives from its clients, and/or the custodians, investment managers or investment funds with whom or in which its clients' assets are held or invested, and will not be independently verified or confirmed by Condera. Consequently, Condera will rely on the accuracy and completeness of the information provided to it by its clients and/or such custodians, investment managers and/or investment funds, and does not guaranty the accuracy or completeness of this information. The information in these reports is unaudited and subject to change, and should not be used as a substitute for the account statements or other information provided by the applicable custodians, investment managers or investment funds. Clients are urged to compare the information in these reports with that received from such custodians, investment managers or investment funds, which in the event of a conflict, should be relied upon for accuracy.

Item 16. Investment Discretion

As discussed above, Condera may accept discretionary authority to manage securities accounts on behalf of its clients in a manner consistent with their stated investment objectives. In connection therewith, a client may restrict the types of investments Condera may pursue in managing its account (e.g., a restriction on purchasing commodities, a restriction on investments in Alternative Investments or a particular Alternative Investment strategy, or a restriction on a security issued by a particular issuer). In granting Condera discretionary authority, a client must complete the applicable section in Condera's advisory agreement and may be required to execute additional documentation (e.g., a power of attorney), as may be required to confer discretionary authority.

Item 17. Voting Client Securities

Condera will not provide notice, render any advice, or take any action in connection with proxies or class action litigation associated with securities purchased or held in client accounts and the granting of discretion in connection with the management of client accounts will not impose any such obligation on Condera or its affiliates. Certain third party asset managers with whom clients invest through the Condera may adopt policies for proxy voting, which will be disclosed to the client by the third party manager. Generally clients will receive their proxies or similar solicitations directly from the custodian or transfer agent and not from Condera.

Item 18. Financial Information

Not applicable

Item 19. Requirements for State-Registered Advisers

Not applicable



CONDERA

ADVISORS

1330 Post Oak Blvd., Suite 1000

Houston, TX 77056

Phone: (713) 574-1950

Fax: (713) 580-1820

www.conderaadvisors.com

This brochure supplement provides certain information about representatives of Condera Advisors, LLC (“Condera”) that formulate investment advice for its clients and have direct client contact with its clients, as well as those representatives that have discretionary authority over client’s assets. These individuals and the investment advisory responsibilities are as follows:

David L. Solomon – Mr. Solomon provides investment advice with respect to individual client portfolios and the investment funds managed by Condera.

Philip J. Pilibosian – Mr. Pilibosian provides investment advice with respect to individual client portfolios and the investment funds managed by Condera.

Debra S. Parant – Mrs. Parant provides investment advice with respect to individual client portfolios.

This brochure supplement provides information about David L. Solomon that supplements the brochure of Condera Advisors, LLC ("Condera"). Please contact Jack Repa at (713) 366-0578 or via electronic mail at jrepa@uscallc.com if you did not receive Condera's brochure or if you have any questions about the contents of this supplement. Additional information about Mr. Solomon is available on the SEC's website at www.adviserinfo.sec.gov.

Item 1. Cover Page

David L. Solomon
Condera Advisors, LLC
1330 Post Oak Blvd, Suite 1000
Houston, TX 77056
(713) 574-1950

Item 2. Educational Background and Business Experience

David Lee Solomon (born in 1953)

Education

University of Texas, 1971 - 1973, no degree
University of Houston, 1973 - 1974, no degree

Business Background

2013 – Present: Partner, Board Member U.S. Capital Advisors LLC
2003 – 2013: Chairman & Chief Executive Officer, Condera Advisors, LLC (f/k/a Redstone Asset Management, L.P.)
2002 – Present: President and Designated Principal, Condera Securities, LLC (f/k/a Redstone Consulting, LLC)
1991 – 2007: Chairman of the Board, The Redstone Companies, L.P.

Item 3. Disciplinary Information

Not applicable.

Item 4. Other Business Activities

Mr. Solomon severs as a Partner, Board Member of U.S. Capital Advisors LLC ("USCA"). Effective October 1, 2013, USCA acquired Condera Advisors, LLC. USCA is a Houston based wealth managed firm, substantially owned by its employees. More information on USCA can be found at www.uscallc.com.

Item 5. Additional Compensation

Condera has and may continue to establish referral arrangements with other investment advisers whereby these persons compensate Condera for referring clients to them and/or funds advised by them. The receipt of this type of compensation in connection with a referral may encourage Mr. Solomon to recommend these advisors or funds to his clients over other advisors or funds. To help mitigate these conflicts, the presence of a referral relationship and the receipt of this type of compensation will be disclosed to a client at or prior to the time the client or fund makes an investment, which would give rise to the receipt of this type of compensation.

Item 6. Supervision

Effective October 1, 2013, USCA maintains ultimate responsibility for Condera's operations and supervision.

Item 7. Requirements for State-Registered Advisers

Not applicable.

This brochure supplement provides information about Philip J. Pilibosian that supplements the brochure of Condera Advisors, LLC (“Condera”). Please contact Jack Repa at (713) 366-0578 or via electronic mail at jrepa@uscalle.com if you did not receive Condera’s brochure or if you have any questions about the contents of this supplement. Additional information about Mr. Pilibosian is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 1. Cover Page

Philip J. Pilibosian
Condera Advisors, LLC
1330 Post Oak Blvd, Suite 1000
Houston, TX 77056
(713) 574-1950

Item 2. Educational Background and Business Experience

Philip John Pilibosian (born in 1968)

Education

Tulane Law School, 1999, J.D., *summa cum laude*, member Tulane Law Review
A.B. Freeman School of Business, 1999, M.B.A., *Beta Gamma Sigma*, with a concentration in Finance
Vanderbilt University, 1991, B.A., *cum laude*, with a major in Economics and Spanish

Business Background

2013 – Present: Managing Director, U.S. Capital Advisors LLC
2013 – Present: Employee, RNS Holdings LP
2003 – 2013: President & Chief Investment Officer, Condera Advisors, LLC (f/k/a Redstone Asset Management, L.P.)
2011 – 2013: Principal & Registered Representative, Condera Securities, LLC (f/k/a Redstone Consulting, LLC)
2012 – 2013: Consultant, RNS Holdings LP
2002: Associate, Mayer Brown LLP (f/k/a Mayer, Brown, Rowe & Maw)
1999 – 2002: Associate, Cleary, Gottlieb, Steen & Hamilton

Item 3. Disciplinary Information

Not applicable.

Item 4. Other Business Activities

Mr. Pilibosian serves as a Managing Director of U.S. Capital Advisors LLC (“USCA”). Effective October 1, 2013, USCA acquired Condera Advisors, LLC. USCA is a Houston based wealth managed firm, substantially owned by its employees. More information on USCA can be found at www.uscalle.com.

Mr. Pilibosian serves as an employee of RNS Holdings LP or its affiliates (“RNS”). Mr. Pilibosian’s relationship with RNS may have affected and may affect both RNS’ decision to retain and continue to retain the services of Condera or its affiliates with respect to an RNS fund, as well as Condera’s or its affiliate’s decision to act and continue to act as a solicitor and placement agent for an RNS Fund. The responsibilities of Mr. Pilibosian with respect to his activities on behalf of RNS may require a substantial portion of his time. Although Mr. Pilibosian will devote as much time to the business and affairs of Condera as he believes is necessary, he may devote a material portion of his time to the activities of RNS.

Item 5. Additional Compensation

Condera has and may continue to establish referral arrangements with other investment advisers whereby these persons compensate Condera for referring clients to them and/or funds advised by them. The receipt of this type of compensation in connection with a referral may encourage Mr. Pilibosian to recommend these advisors or funds to his clients over other advisers

or funds. To help mitigate these conflicts, the presence of a referral relationship and the receipt of this type of compensation will be disclosed to a client at or prior to the time the client or fund makes an investment, which would give rise to the receipt of this type of compensation.

In addition to the compensation described above, Mr. Pilibosian may receive additional compensation as a consultant, employee of or in another capacity for RNS.

Item 6. Supervision

Effective October 1, 2013, USCA maintains ultimate responsibility for Condera's operations and supervision.

Item 7. Requirements for State-Registered Advisers

Not applicable.

This brochure supplement provides information about Debra S. Parant that supplements the brochure of Condera Advisors, LLC (“Condera”). Please contact Jack Repa at (713) 366-0578 or via electronic mail at jrepa@uscallc.com if you did not receive Condera’s brochure or if you have any questions about the contents of this supplement. Additional information about Mrs. Parant is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 1. Cover Page

Debra S. Parant, CFA, CPA*
Condera Advisors, LLC
1330 Post Oak Blvd., Suite 1000
Houston, TX 77056
(713) 574-1950

Item 2. Educational Background and Business Experience

Debra Schaper Parant (born in 1968)

Education

Texas A&M University, 1990, Bachelor of Science in Accounting & Finance, *cum laude*

Business Background

2013 – Present: Financial Advisor, U.S. Capital Advisors LLC (securities offered through USCA Securities LLC, member FINRA/SIPC)
2003 – 2013: Executive Vice President, Condera Advisors, LLC (f/k/a Redstone Asset Management, L.P.)
2002 – 2013: Principal & Registered Representative, Condera Securities, LLC (f/k/a Redstone Consulting, LLC)
1990 – 2002: Arthur Andersen LLP, Senior Manager and Investment Advisor / Tax Consultant

Item 3. Disciplinary Information

Not applicable.

Item 4. Other Business Activities

Mrs. Parant severs as a Financial Advisor of U.S. Capital Advisors LLC (“USCA”). Effective October 1, 2013, USCA acquired Condera Advisors, LLC. USCA is a Houston based wealth managed firm, substantially owned by its employees. More information on USCA can be found at www.uscallc.com.

Item 5. Additional Compensation

Condera has and may continue to establish referral arrangements with other investment advisers whereby these persons compensate Condera for referring clients to them and/or funds advised by them. The receipt of this type of compensation in connection with a referral may encourage Mrs. Parant to recommend these advisors or funds to her clients over other advisers or funds. To help mitigate these conflicts, the presence of a referral relationship and the receipt of this type of compensation will be disclosed to a client at or prior to the time the client makes an investment, which would give rise to the receipt of this type of compensation.

Item 6. Supervision

Effective October 1, 2013, USCA maintains ultimate responsibility for Condera’s operations and supervision.

Item 7. Requirements for State-Registered Advisers

Not applicable.

FACTS

WHAT DOES U.S. CAPITAL ADVISORS LLC DO WITH YOUR PERSONAL INFORMATION?

Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and other identifying information
- risk tolerance and investment objectives
- income and assets

When you are *no longer* our customer, we continue to share your information as described in this notice.

How?

All financial companies need to share customer's personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customer's personal information; the reasons U.S. Capital Advisors, LLC chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does U.S. Capital Advisors LLC share?	Can you limit this sharing?
For our everyday business purposes - such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes - to offer our products and services to you	Yes	No
For joint marketing with other financial companies	No	Not Applicable
For our affiliates' everyday business purposes - information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes - information about your creditworthiness	No	Not Applicable
For nonaffiliates to market to you	No	Not Applicable

Questions?

Call 713-366-0500 or go to www.uscallc.com

Who we are

Who is providing this notice?

U.S. Capital Advisors LLC and its subsidiaries USCA Securities LLC, USCA RIA LLC, USCA Investment Holdings LLC, USCA Insurance Agency LLC, USCA Municipal Advisors LLC, Condera Advisors, LLC and USCA Family and Estate Services LLC (collectively "USCA")

What we do

How does USCA protect my personal information?

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

How does USCA collect my personal information?

We collect your personal information, for example, when you

- open an account or direct us to buy and sell securities
- submit ID verification or provide contact information
- make a wire transfer

We also collect personal information from others, such as our affiliates, consumer reporting agencies including Equifax, Lexis Nexis, our clearing firm, and more.

Why can't I limit all sharing?

Federal law gives you the right to limit only

- sharing for affiliates' everyday business purposes - information about your creditworthiness
- affiliates from using your information to market to you
- sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

Definitions

Affiliates

Companies related by common ownership or control. They can be financial and nonfinancial companies.

- Our affiliates include USCA Securities LLC, USCA RIA LLC, USCA Investment Holdings LLC, USCA Insurance Agency LLC, USCA Municipal Advisors LLC, Condera Advisors, LLC and USCA Family and Estate Services LLC.

Nonaffiliates

Companies not related by common ownership or control. They can be financial and nonfinancial companies

- USCA does not share your personal information with nonaffiliates.

Joint marketing

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- USCA does not engage in joint marketing with nonaffiliates.

Other important information

USCA reviews our privacy policy annually and will provide a current privacy policy to our clients at the time a new account is opened and on an annual basis thereafter. USCA maintains an introducing relationship with National Financial Services LLC ("NFS"), a Fidelity Investments™ company. NFS provides trade execution, clearing, and other related services for your USCA accounts. Information concerning the NFS privacy policy can be viewed at the NFS website, for more information please visit www.mybrokerageinfo.com.