

Krusen Capital Management LLC

Client Brochure

This brochure provides information about the qualifications and business practices of Krusen Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at (212) 823-0809 or by email at: IR@krusencapital.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 Krusen Capital Management LLC is also available on the SEC's website at www.adviserinfo.sec.gov. Krusen Capital Management LLC's CRD number is: 150754

600 Madison Avenue, 23rd Floor
New York, NY 10022
(212) 823-0809
www.krusencapital.com
IR@krusencapital.com

Registration does not imply a certain level of skill or training.

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Item 2: Material Changes

Krusen Capital Management LLC has no material changes to report since the previous Annual ADV Amendment filed on March 28, 2012.

Item 3: Table of Contents

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Item 4: Advisory Business

A. Description of the Advisory Firm

This firm has been in business since January 1, 2009, and the principal owner is Charles Beaubien Krusen.

B. Types of Advisory Services

Krusen Capital Management LLC (hereinafter "KCM") offers the following services to advisory clients:

Investment Supervisory Services

KCM provides investment advisory services on a discretionary basis to:

1. Pooled investment vehicles intended for qualified investors; the "Fund(s)"
2. Clients who invest in separately managed accounts; the "Account(s)"
3. Clients who invest in pooled investment vehicles; the "Advisory Client(s)"

KCM offers ongoing portfolio management services based on the goals, objectives, time horizon, and risk tolerance of the Fund, Account or Advisory Client. Investment Supervisory Services include, but are not limited to, the following:

- | | |
|-----------------------|--------------------------------|
| • Investment strategy | • Personal investment policy |
| • Asset allocation | • Asset selection |
| • Risk tolerance | • Regular portfolio monitoring |

KCM evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. KCM will request discretionary authority from the majority of its clients in order to select securities and execute transactions without permission from the client prior to each transaction. KCM also offers non-discretionary management services to a select group of clients.

Selection of Other Advisors

KCM may direct clients to third party money managers. This relationship will be disclosed in each contract between KCM and each third party advisor. Before selecting other advisors for clients, KCM will always ensure those other advisors are properly licensed or registered as investment advisor.

Services Limited to Specific Types of Investments

KCM limits its money management to mutual funds, equities, bonds, fixed income, ETFs, real estate, hedge funds, Private Equities, third party money managers, REITs, private investment partnerships and offshore corporations investing in underlying private investment partnerships and offshore corporations. KCM may use other securities as well to help diversify a portfolio when applicable.

C. Client Tailored Services and Client Imposed Restrictions

KCM offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon each client's current situation (income, tax levels, and risk tolerance levels)

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent KCM from properly servicing the client account, or if the restrictions would require KCM to deviate from its standard suite of services, KCM reserves the right to end the relationship.

D. Wrap Fee Programs

KCM does not participate in any wrap fee programs.

E. Amounts Under Management

KCM has the following assets under management:

| Discretionary Amounts: | Non-discretionary Amounts: | Date Calculated: |
|------------------------|----------------------------|------------------|
| \$121,168,833.27 | \$11,879,626.98 | 12/31/2012 |

Item 5: Fees and Compensation

A. Fee Schedule

Investment Supervisory Services Fees

| Total Assets Under Management | Annual Fee |
|-------------------------------|---------------|
| All Assets Under Management | 0.50% - 1.00% |

These fees are negotiable and the final fee schedule is attached in the Investment Advisory Contract. Fees are generally charged quarterly in advance. Investors in most of the Funds may have infrequent opportunities to withdraw from the particular vehicle in which they have invested. Withdrawal rights and notice periods applicable to investors in the Funds are governed by the limited partnership agreement or other organization document applicable to each particular entity. If KCM does not manage a Fund, an Account, or an Advisory Client for a full quarter, the asset-based fee charge will be refunded on a prorated basis, based on the number of days remaining in a quarter at the point of termination. Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization or billed to the clients.

B. Payment of Fees

Payment of Investment Supervisory Fees

Advisory fees are withdrawn directly from the client's accounts with client written authorization or billed to the clients. Fees are generally paid quarterly in advance but a select group of clients are charged quarterly in arrears.

C. Clients Are Responsible For Third Party Fees

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by KCM. Please see Item 12 of this brochure regarding broker/custodian.

D. Prepayment of Fees

KCM collects fees in advance and arrears. Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Fees will be returned within fourteen days to the client via check or deposited back into client's account.

E. Outside Compensation For the Sale of Securities to Clients

Neither KCM nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

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

KCM does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7: Types of Clients

KCM generally provides management supervisory services to the following types of clients:

- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans
- ❖ Other Pooled Investment Vehicles
- ❖ Trusts, Estates, or Charitable Organizations
- ❖ Corporations or Business Entities

Minimum Account Size

There is an account minimum, \$100,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

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

A. Methods of Analysis and Investment Strategies

Methods of Analysis

KCM's methods of analysis include fundamental analysis and technical analysis. KCM also analyzes reports of fund performance and offering materials published by the managers of the private investment funds and offshore corporations that it recommends to its clients. In addition, when possible, KCM conducts in-person meetings and telephone interviews with those managers.

Fundamental analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

Technical analysis involves the analysis of past market data; primarily price and volume.

Investment Strategies

KCM recommends investments in private investment partnerships and offshore corporations that engage in all forms of securities and derivatives trading as well as in separately managed accounts. KCM uses long term trading, short term trading, short sales, margin transactions, and options writing (including covered options, uncovered options, or spreading strategies).

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

B. Material Risks Involved

Methods of Analysis

Fundamental analysis concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

Technical analysis attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

Investment Strategies

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading, short sales, margin transactions, and options writing generally hold greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

C. Risks of Specific Securities Utilized

KCM generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it will utilize short sales, margin transactions, and options writing. Short sales, margin transactions, and options writing generally hold greater risk of capital loss and clients should be aware that there is a material risk of loss using any of those strategies.

Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

Item 9: Disciplinary Information

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

Item 10: Other Financial Industry Activities and Affiliations

A. Registration as a Broker/Dealer or Broker/Dealer Representative

Neither KCM nor its representatives are registered as a broker/dealer or as representatives of a broker/dealer.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither KCM nor its representatives are registered as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests

Charles Krusen, the CEO of the Advisor, serves as the managing member of the General Partner of the LionHedge Paulson Advantage Plus Fund Limited Partnership, the LionHedge Paulson Recovery Fund Limited Partnership the LionHedge Platform Fund Limited Partnership. The LionHedge Paulson Advantage Plus Fund Limited Partnership invests substantially all of its assets in the Paulson Advantage Plus Limited Partnership. The LionHedge Paulson Recovery Fund Limited Partnership invests substantially all of its assets in the Paulson Recovery Fund Limited Partnership. The LionHedge Platform Fund Limited Partnership invests substantially all of its assets in the LionHedge Platform Fund, LLC that is designed to have multiple investment portfolios. In addition, Mr. Krusen is a director of the LionHedge Paulson Recovery Fund Ltd. and the LionHedge Platform Fund Ltd.

From time to time, he will offer clients advice or products from those activities. KCM always acts in the best interest of the client.

D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections

KCM will direct clients to third party money managers. This relationship will be disclosed in each contract between KCM and each third party advisor. KCM will always

act in the best interests of the client, including when determining which third party manager to recommend to clients. KCM will ensure that all recommended advisors or managers are licensed or notice filed in the states in which KCM is recommending them to clients.

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

A. Code of Ethics

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

B. Recommendations Involving Material Financial Interests

KCM does not recommend that clients buy or sell any security in which a related person to KCM has a material financial interest.

C. Investing Personal Money in the Same Securities as Clients

From time to time, representatives of KCM may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of KCM to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. KCM will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

D. Trading Securities At/Around the Same Time as Clients' Securities

From time to time, representatives of KCM may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of KCM to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients.

Item 12: Brokerage Practices

A. Factors Used to Select Custodians and/or Broker/Dealers

The Custodian, Schwab Institutional division of Charles Schwab & Co., Inc ("Schwab"), a registered broker-dealer, member FINRA/SIPC, was chosen based on their relatively low transaction fees and access to mutual funds and ETFs. KCM will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

1. Research and Other Soft-Dollar Benefits

KCM is independently owned and operated and not affiliated with Schwab. Schwab provides KCM with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of KCM's clients' assets is maintained in accounts at Schwab and is not otherwise contingent upon KCM committing to Schwab any specific amount of business.

For KCM's client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees or securities trades that are executed through Schwab or that settle into Schwab accounts. As a fiduciary, KCM endeavors to act in its clients' best interests, and the recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to KCM of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest. KCM's clients are free to implement advisory recommendations through any firm. Clients are under no obligation to purchase or sell securities through Schwab. Because costs associated with trades executed through broker-dealers other than Schwab would be passed on to the client in addition to the management fee, best execution will most likely be obtained through the recommended broker/dealer. For this reason, all transactions will generally be executed through Schwab, subject to KCM's duty to obtain "best execution", i.e., a price that is as favorable to clients as possible under the prevailing market conditions.

2. Brokerage for Client Referrals

KCM receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

3. Clients Directing Which Broker/Dealer/Custodian to Use

KCM allows clients to direct brokerage. KCM may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost clients money because without the ability to direct brokerage KCM may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices. Not all investment advisers allow their clients to direct brokerage.

B. Aggregating (Block) Trading for Multiple Client Accounts

KCM maintains the ability to block trade purchases across accounts. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

Item 13: Reviews of Accounts

A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews

Client accounts are reviewed at least monthly only by Charles Beaubien Krusen, CEO and Chief Compliance Officer. Charles Beaubien Krusen is the chief advisor and is instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at KCM are assigned to this reviewer.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

C. Content and Frequency of Regular Reports Provided to Clients

Each client will receive at least monthly a written report that details the client's account which may come from the custodian.

Item 14: Client Referrals and Other Compensation

A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)

KCM does not receive any economic benefit, directly or indirectly from any third party for advice rendered to KCM clients.

B. Compensation to Non -Advisory Personnel for Client Referrals

KCM maintains relationships with third party placement agents who solicit qualified investors to the Funds with whom the agent has pre-existing relationships. The placements agents receive a quarterly fee for the Investors referred by them who become Investors of the Funds as compensation for their services.

Item 15: Custody

KCM submits invoices for expenses to the Hedge Fund's custodian J. P Morgan hedge fund service. These are authorized expenses as per the funds offering document and include items such as custody fees, audit fees, administration fees, and legal fees. KCM's management fee is also directly deducted from the client's accounts with written authorization. KCM never takes direct custody of clients' funds or securities. All funds are wired or directly submitted to the custodian. For all other clients, KCM, with client written authority, has limited custody of client's assets through direct fee deduction of KCM's Fees only. Constructive custody of all client assets and holdings are maintained primarily at the Schwab Institutional, a division of Charles Schwab & Co., Inc., CRD #5393. Clients will receive all required account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

Item 16: Investment Discretion

For those clients' accounts where KCM provides ongoing supervision, the client has given KCM written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides KCM discretionary authority via a limited power of attorney in the Investment Advisory Contract and in the contract between the client and the custodian.

Item 17: Voting Client Securities (Proxy Voting)

KCM will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

Item 18: Financial Information

A. Balance Sheet

KCM does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients

Neither KCM nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

C. Bankruptcy Petitions in Previous Ten Years

KCM has not been the subject of a bankruptcy petition in the last ten years.