

LDR Capital Management, LLC

Form ADV - Part 2A

Investment Adviser Brochure

March 28, 2013

Item 1 – Cover Page

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This Investment Adviser Brochure provides information about the qualifications and business practices of LDR Capital Management, LLC, a Delaware limited liability company and investment adviser registered with the U.S. Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this Investment Adviser Brochure, please contact us at (212) 446-2444, or by email at chutchings@ldrcapitalmgmt.com. The information in this Investment Adviser Brochure has not been approved or verified by the SEC or by any state securities authority.

Registration of an investment adviser with the SEC or any state securities authority does not imply any level of skill or training.

Additional information about LDR Capital Management, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

The last annual update of our Investment Adviser Brochure was on March 30, 2012. Since that time, we have made the following material changes to our brochure:

- Updated regulatory assets under management

The foregoing list is solely a summary of the material changes that have been made to the Investment Adviser Brochure and does not summarize all changes that have been made to this brochure since March 30, 2012.

You may request a copy of our complete Investment Adviser Brochure by contacting Carol Hutchings, Chief Compliance Officer, at (212) 446-2444 or via email at chutchings@ldrcapitalmgmt.com. We will provide you with our most recent brochure at any time without charge.

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Item 4 – Advisory Business

Structure; History and Ownership

LDR Capital Management, LLC is an investment advisory firm with its principal place of business located in New York, New York. LDR Capital Management, LLC will be referred to in this Investment Adviser Brochure as “LDR,” “we,” “us,” or the “firm.”

LDR is organized as a Delaware limited liability company and has been in business since October, 2011. Lawrence D. Raiman is the firm’s founder and principal owner.

Types of Advisory Services

LDR serves as an investment adviser and provides discretionary investment supervisory services to a private investment fund by the name of LDR Preferred Income Fund, LLC, a Delaware limited liability company (the “Fund”). Our services are provided to the Fund pursuant to the terms of an investment management agreement between LDR and the Fund. The Fund does not offer interests to the public. Fund interests are offered only in private placements to qualified investors. The terms applicable to investors in the Fund are detailed in the Fund’s confidential offering documents, which are provided to prospective investors.

LDR also provides discretionary investment advisory services to high net worth individual and institutional clients on a managed account basis pursuant to respective investment advisory agreements.

We invest principally with a long-only strategy primarily in U.S. REIT preferred securities that meet certain asset and dividend coverage criteria. However, we may implement and employ any strategies or techniques and utilize any financial instruments (whether or not described herein) in achieving our investment objectives. The investment strategies we employ on behalf of our clients are described in greater detail below in Item 8 and in the Fund’s confidential offering documents. We do not tailor our strategies to the needs of individual Fund investors or to managed account clients. Any client-specific investment guidelines and restrictions are set forth in the client’s investment advisory agreement or confidential offerings documents, as applicable.

Assets Under Management

As of December 31, 2012, LDR manages approximately \$135,316,861 of client assets, all of which are managed on a discretionary basis.

Item 5 – Fees and Compensation

We are entitled to an asset-based management fee from our clients. In addition, certain investors in the Fund also pay performance-based compensation to LDR Preferred Income, LLC, the managing member of the Fund and an affiliate of LDR (the “Managing Member”).

Management Fee

The management fee paid to us by the Fund is calculated and accrues monthly based on a percentage of the net asset value of the Fund as of the beginning of each calendar month. The Fund’s management fee is paid quarterly in arrears and is deducted directly from the assets of the Fund. Such fees are prorated with respect to contributions to and withdrawals from the Fund on a date other than the first day of the calendar month. This Investment Adviser Brochure will only be delivered to qualified purchasers as defined in section 2(a)(51) of the Investment Company Act of 1940. Accordingly, a complete description of our compensation arrangements is set forth in the Fund’s confidential offering documents.

The management fees paid to us by our managed account clients are calculated and accrue monthly based on a percentage of assets under management as of the last day of trading of each calendar month and are subject to proration for partial periods. The managed account management fees are generally paid quarterly in arrears and are deducted directly from the assets of the managed account. The details of how the fees are calculated for the managed accounts can be found in the investment advisory agreement entered into between LDR and the managed account client.

Performance-based Fees

The Managing Member, an affiliate of LDR, may receive a performance-based fee from certain investors in the Fund. Such performance-based fee is a percentage of the excess of the net capital appreciation allocated to the capital account of certain Fund investors for the relevant period and are typically subject to a high water mark or recoupment of a loss recovery account. The performance-based fees are typically determined and allocated on an annual basis, but will be determined and allocated for shorter periods under certain circumstances (such as, upon withdrawals from the Fund). Performance-based fees are allocated to the Managing Member directly from the assets of the Fund.

The fees described above reflect our typical fee terms. However, we may enter into agreements with one or more Fund investors or clients providing for the waiver or modification of the management fee or performance-based fee terms without notice to the other Fund investors or clients.

Expenses

The Fund pays, or reimburses us for, all operating expenses and other costs of the Fund that we are not required to bear (subject to limited exceptions detailed in the confidential offering documents of the Fund) including, but not limited to investment-related expenses (e.g., brokerage commissions, clearing and settlement charges, custodial fees, consulting and research expenses, interest expenses, expenses relating to consultants, attorneys, brokers or other professionals or advisers who provide research, advice, proxy voting services or due diligence services with regard to investments, research-related expenses, appraisal fees and expenses, and investment banking expenses), legal expenses, accounting, audit, tax preparation and other tax-related expenses, entity level taxes, including New York City unincorporated business tax, expenses related to obtaining insurance for the Managing Member and its directors and officers, organizational and offering expenses, our management fee, administration fees and related costs, and extraordinary expenses and other similar expenses related to the Fund.

Each managed account client will generally be responsible for all expenses incurred in connection with the transactions effected or positions held on behalf of such managed account client pursuant to its separate investment advisory agreement with LDR. Such expenses include, without limitation, custodial fees, bank service fees, brokerage commissions, clearing and settlement fees, interest and withholding or transfer taxes incurred in connection with trading for the managed account, and our fees as described above.

As we consider appropriate, we may invest a portion of a client's assets in one or more money market funds, mutual funds or exchange-traded funds. When any such investments are made, clients will be paying, in addition to the compensation payable to us, their proportionate share of any management fees charged by the manager of such money market fund, mutual fund or exchange-traded fund. *See Item 12 of this Investment Adviser Brochure for additional information regarding the LDR's brokerage practices.*

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

Performance-Based Fees

As noted in Item 5, certain investors in the Fund may pay performance-based fees to the Managing Member, an affiliate of LDR. Such performance-based fees create certain inherent conflicts of interest with respect to LDR's management of client assets. Specifically, the Managing Member's entitlement to performance-based fees may create an incentive for us to take risks in managing assets that we would not otherwise take in the absence of such arrangements. Additionally, since performance allocations reward the Managing Member for performance in client accounts that are subject to such allocations, we may have an incentive to

favor these accounts over those that have only fixed asset-based fees with respect to areas such as trading opportunities, trade allocation, and allocation of new investment opportunities.

As a registered investment adviser and a fiduciary, LDR exercises due care to ensure that investment opportunities are allocated equitably among all clients. Towards this end, LDR has implemented policies and procedures to address trade allocation decisions, order aggregation and brokerage allocation decisions. These policies and procedures (discussed more fully in Items 10 and 12) seek to ensure fair and equitable treatment of all clients over time.

Side-by-Side Management

LDR simultaneously manages the Fund and the managed accounts according to similar investment strategies (i.e., side-by-side management). The simultaneous management of these different accounts creates certain conflicts of interest arising from different fee allocations to these accounts. LDR has procedures designed and implemented in furtherance of its efforts to treat all accounts fairly and equitably over time. By utilizing these procedures, LDR believes that accounts that are subject to side-by-side management will receive fair and equitable treatment over time. *See Items 10 and 12 of this Investment Adviser Brochure for additional information regarding conflicts of interest, trade aggregation and allocation procedures.*

Item 7 – Types of Clients

We provide investment advice to the Fund and our managed account clients on a discretionary basis. Investment advice is provided directly to the Fund, subject to the direction and control of the Managing Member, and not individually to the investors of the Fund. From the time our SEC registration became effective, our managed account clients and investors in the Fund that compensate us based on performance must be “qualified clients” as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended, or be grandfathered pursuant to SEC rulemaking.

The Fund

Investors in the Fund generally must be persons who qualify as “accredited investors” as defined in Rule 501 under Regulation D under the Securities Act, qualify as “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act, and meet other eligibility criteria established by the Managing Member. The minimum initial capital contribution for an investor in the Fund is \$250,000. The Fund’s investors may consist of one or more of the following: individuals; pension and profit sharing plans; financial institutions (including funds of funds); trusts; university endowments; charitable organizations; and corporations or other business entities. LDR will not be engaged as an investment adviser to advise prospective investors as to the appropriateness of investing in the Fund.

Managed Account

LDR provides discretionary investment management services to high net worth individual and institutional clients on a managed account basis. There is no minimum account maintenance requirement for the managed accounts.

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

We invest principally with a long-only strategy primarily in U.S. REIT preferred securities that meet certain asset and dividend coverage criteria. We primarily invest in securities issued by companies that we perceive as high quality and presenting a high probability of sustaining and maintaining their preferred dividends over the intermediate terms. However, we may implement and employ any strategies or techniques and utilize any financial instruments in achieving our investment objectives. Key considerations in the security selection process will primarily relate to identifying high credit quality entities capable of passing certain asset and dividend coverage tests, and accomplishing asset class diversification and liquidity.

Methods of Analysis and Investment Strategies

LDR has implemented a systematic analytical and portfolio management process, ranging from idea generation to valuation to position taking. We employ a rigorous investment process to evaluate all potential investment opportunities. Such process begins with due diligence, consisting of a thorough business review of the industry, competitive landscape, products, customers, return on capital and management of an issuer. LDR conducts liquidity, asset coverage and volume analysis on prospective targets as well as technical analysis. We focus on price objectives based on intrinsic real estate valuation. The final step in the due diligence process includes a thorough assessment of how the particular investment fits into the overall investment strategy of a client's portfolio. Once due diligence is complete, LDR evaluates the investment merits and risks and will be responsible for final approval or rejection of the investment. After an investment is made, we monitor and the position's performance, trading levels and trading activity.

The firm's investment strategies are proprietary and confidential. The foregoing description is therefore intentionally general in nature and is not a complete description of the strategies summarized or of all of the strategies that may be utilized by LDR. At any time, LDR may add, remove, or modify any of the strategies it employs and this includes any of the strategies discussed above. No guarantee or representation is made by LDR that the strategies will be successful or that the objectives will be achieved. Investing in securities involves risk of loss that clients should be prepared to bear.

Material Risks of Investment Strategies and Securities

Equity securities. LDR will invest client accounts in U.S. equity securities of U.S. issuers. The value of these securities generally varies with the performance of the issuer and movements in the equity markets. As a result, a client account may suffer losses if it invests in equity securities of issuers whose performance diverges from the firm's expectations or if equity markets overall or equities comprising a particular industry sector, capitalization level, or other grouping generally move in a single direction and the client account has not adequately hedged against such a general move.

General Real Estate Risks. Real estate investments are generally subject to the risks incident to the ownership and operation of real estate and real estate-related assets and/or risks incident to the making of nonrecourse mortgage loans secured by real estate, including risks associated with both the domestic and international general economic climates; local real estate conditions; risks due to dependence on cash flow; risks and operating problems arising out of the absence of certain construction materials; changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building); the financial condition of tenants, buyers and sellers of properties; changes in availability of debt financing; energy and supply shortages; changes in the tax, real estate, environmental and zoning laws and regulations; various uninsured or uninsurable risks; natural disasters; and the ability to manage the real properties.

Special Risks Related to Preferred Securities. There are special risks associated with investing in preferred securities, including:

Deferral and Omission. Preferred securities may include provisions that permit the issuer, at its discretion, to defer or omit distributions for a stated period without any adverse consequences to the issuer. If a client account holds a preferred security that is deferring or omitting its distributions, the client may be required to report income for tax purposes although it has not yet received such income.

REIT Distribution Requirements. REIT dividends are paid only as and when declared by the REIT's board of directors. REITs generally pay higher and more regular dividends than other corporations because one of the requirements for maintaining REIT status under the tax laws is that a REIT generally distribute at least 90% of its REIT taxable income (with certain adjustments) each year. Declines in the real estate market may result in some REITs having little or no REIT taxable income and little or no corresponding distribution obligation.

Subordination. Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than more senior debt instruments.

Liquidity. Preferred securities may be substantially less liquid than many other securities, such as publicly traded common stocks or U.S. Government securities.

Limited Voting Rights. Generally, traditional preferred securities offer no voting rights with respect to the issuer unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may elect a number of directors to the issuer's board. Generally, once all the arrearages have been paid, the preferred security holders no longer have voting rights.

Special Redemption Rights. In certain varying circumstances, an issuer of preferred securities may redeem the securities prior to a specified date. For instance, for certain types of preferred securities, a redemption may be triggered by a change in Federal income tax or securities laws. As with call provisions, a redemption by the issuer may negatively impact the return of the security held by a client account.

New Types of Securities. From time to time, preferred securities have been, and may in the future be, offered having features other than those described herein. LDR reserves the right to invest in these securities if we believe that doing so would be consistent with a client's investment objectives and policies. Since the market for these instruments would be new, LDR may have difficulty disposing of them at a suitable price and time. In addition to limited liquidity, these instruments may present other risks, such as high price volatility.

Liquidity Risk. LDR expects to invest primarily in preferred securities that are liquid. Under certain market conditions, however, such as during volatile markets or when trading in a security or market is otherwise impaired (such as an insolvency or bankruptcy hearing of a company who's preferred securities are held by a client account), the liquidity of a client's portfolio positions may be reduced. During such times, LDR may be unable to dispose of certain assets, which would adversely affect LDR's ability to rebalance a client's portfolio or to meet withdrawal requests. In addition, such circumstances may force LDR to dispose of assets at reduced prices, thereby adversely affecting the client account's performance. If there are other market participants seeking to dispose of similar assets at the same time, LDR may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if a client account incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, a client account's counterparties could incur losses of their own, thereby weakening their financial condition and increasing such account's credit risk to them. Many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, liquidity may be reduced for such client investments.

Credit Risk and Lower-Rated Securities Risk. Credit risk is the risk that a preferred security in a client's portfolio will decline in price or fail to make dividend, interest or principal payments

when due because the issuer of the security experiences a decline in its financial status. Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater credit risk than debt instruments. The prices of lower grade securities are more sensitive to negative developments, such as a decline in the issuer's revenues or a general economic downturn, than are the prices of higher grade securities. Lower grade securities tend to be less liquid than investment grade securities. The market values of lower grade securities tend to be more volatile than investment grade securities. Preferred stock will be considered to be investment grade if, at the time of investment, such security has a rating of "BBB" or higher by S&P, "Baa" or higher by Moody's or an equivalent rating by a nationally recognized statistical rating agency, or, if unrated, such security is determined by LDR to be of comparable quality.

Lower-rated securities may be considered speculative with respect to the issuer's continuing ability to make principal and interest payments. Analysis of the creditworthiness of issuers of lower-rated securities may be more complex than for issuers of higher quality debt securities, and a client's ability to achieve its investment objectives may, to the extent such client is invested in lower-rated securities, be more dependent upon such creditworthiness analysis than would be the case if such client were investing in higher quality securities. An issuer of these securities has a currently identifiable vulnerability to default and the issuer may be in default or there may be present elements of danger with respect to principal or interest. Lower-rated securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher grade securities. The prices of lower-rated securities have been found to be less sensitive to interest-rate changes than more highly rated investments, but more sensitive to adverse economic downturns or individual corporate developments. Yields on lower-rated securities will fluctuate if the issuer of lower-rated securities defaults, a client may incur additional expenses to seek recovery. The secondary markets in which lower-rated securities are traded may be less liquid than the market for higher grade securities. Less liquidity in the secondary trading markets could adversely affect the price at which LDR could sell a particular lower-rated security when necessary to meet liquidity needs or in response to a specific economic event, such as a deterioration in the creditworthiness of the issuer, and could adversely affect and cause large fluctuations in the net asset value of a client account. Adverse publicity and investor perceptions may decrease the values and liquidity of high yield securities. It is reasonable to expect that any adverse economic conditions could disrupt the market for lower-rated securities, have an adverse impact on the value of such securities and adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon. New laws and proposed new laws may also adversely impact the market for lower-rated securities.

Interest Rate Risk. Interest rate risk is the risk that fixed-income securities such as preferred securities, and to a lesser extent dividend-paying securities such as REIT preferred shares, will decline in value because of changes in market interest rates. When market interest rates rise, the market value of such securities generally will fall. An investment in such securities means that

the net asset value and market price of securities may tend to decline if market interest rates rise. Because investors generally look to REITs for a stream of income, the prices of REIT shares may be more sensitive to changes in interest rates than other equity securities. During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled which is generally known as call or prepayment risk. If this occurs, LDR may be forced to reinvest in lower yielding securities. This is known as reinvestment risk. Preferred securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer. During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk.

Uncertain Exit Strategies. Due to the illiquid nature of some of the positions in which LDR typically invests, we are unable to predict with confidence what the exit strategy will ultimately be for any given position, or that one will definitely be available. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in LDR's strategies. Prospective clients should read this entire Form ADV and all accompanying materials provided by LDR and consult with their own advisors before deciding whether to invest in the strategies. In addition, as the strategies develop and change over time, an investment in the strategies may be subject to additional and different risk factors. LDR will promptly amend this Investment Adviser Brochure if and when any information regarding its investment risks and strategies becomes materially inaccurate.

Item 9 – Disciplinary Information

Not applicable.

Item 10 – Other Financial Industry Activities and Affiliations

Material Financial Industry Affiliations of the Firm

Our affiliate, LDR Preferred Income, LLC, serves as the Managing Member of the Fund.

Conflicts of Interest

Our clients will be subject to a number of actual and potential conflicts of interest involving LDR, the Managing Member and their affiliates. Any such conflict of interest could have a material adverse effect on our clients. When a conflict of interest arises, we will endeavor to ensure that it is resolved fairly.

We may serve as an investment adviser to other clients. We may provide investment advisory services to other clients. Other clients may have investment objectives, programs, strategies and positions that are similar to or may conflict with those of our current clients, or may compete with, or have interests adverse to, our current clients. This conflict could affect the prices and availability of financial instruments in which the current clients invest. However, there can be no assurance that other clients with similar investment objectives, programs or strategies will hold the same positions, or perform in a substantially similar manner as our current clients. Furthermore, the activities of the other clients could conflict with the activities of the current clients.

We may give advice or take action with respect to the investments and transactions in the other clients that may differ from the advice given or the timing or nature of any action taken with respect to financial instruments and transactions in the current clients due to a variety of differences such as regulatory and tax issues and differences in investment programs. As a result, even though our clients may have similar investment objectives and pursue similar investment strategies, they may have substantially different portfolios and investment returns. Conflicts of interest may also arise when we make decisions on behalf of clients with respect to matters where the our interests and those of one or more other clients differ from the interests of the current clients.

We will devote as much of our time to the activities of our clients as we deem necessary and appropriate. We are not restricted from forming additional investment funds, from entering into other investment advisory relationships, or from engaging in other business activities, even though such activities may be in competition with our clients and/or may involve a substantial amount of our time and resources. These activities could be viewed as creating a conflict of interest in that the our time and effort will not be devoted exclusively to our current clients, but will be allocated among all of our then current clients.

Possession of Material, Non-public Information. We may not trade for our clients or for our own benefit or recommend trading in a company while we are in possession of material, nonpublic information concerning such company, or disclose such inside information to any person not entitled to receive it. We may have access to inside information. Accordingly, there may be certain cases where we may be restricted from effecting purchases and/or sales on behalf of our clients. There can be no assurance that we will not receive inside information and that such restrictions will not occur. At times, we, in an effort to avoid restriction for our clients, may elect

not to receive inside information, which may be relevant to client portfolios, that other market participants are eligible to receive or have received.

Trade Errors. We may, on occasion, experience errors with respect to trades executed on behalf of our clients. We endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a counterparty, such as a broker, we will strive to recover any loss associated with such error from such counterparty. We will determine whether any trade error has resulted from fraud, bad faith, gross negligence or willful misconduct on our part (or from the negligence, dishonesty or bad faith of one of client brokers or agents) and, unless we find that to be the case, any losses will be borne by (and any gains will benefit) the client. Trade errors frequently result in losses but may, occasionally, result in gains. It is possible that the cost of a trade error made by us will be paid for directly by the client to the extent it is affected by any such error. We may also offset any errors resulting in a gain to the client with errors resulting in a loss to the client. We have established internal guidelines regarding the manner in which such determinations are to be made, but clients should be aware that, in making such determinations, we will have a conflict of interest.

Allocation of Investment Opportunities. Although we expect to allocate investment opportunities among the clients in a manner which we believe to be fair and equitable over time, we have no obligation to obtain for clients any particular investment opportunity, and we may be precluded from offering to certain clients particular securities in certain situations including, without limitation, where we may have a prior contractual commitment with other accounts or clients or as to which we possesses material, non-public information. There is no assurance that clients will hold the same investments or perform in a substantially similar manner as other clients with similar strategies. There is also a possibility that certain clients will invest in opportunities declined by us for the accounts of others or for their own accounts. We may, in our sole discretion, give priority over certain clients in the allocation of investment opportunities (i) to certain accounts or clients designated by us in our sole discretion and (ii) to other clients or our accounts to the extent obligated, provided that all such allocations will be made in accordance with applicable regulatory requirements, internal policy and client guidelines and principles of fiduciary duty.

When we determine that it would be appropriate for one or more of our clients to participate in an investment opportunity, we will seek to execute orders for all of the participating investment accounts on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments, relative exposure to short-term market trends and the investment programs and portfolio positions of clients for which participation is appropriate. While we have no obligation to obtain for clients a particular investment opportunity, we may be precluded from offering to clients particular securities in certain situations including, without limitation, where we have a prior contractual commitment with other accounts or clients. Orders may be combined for all such accounts, and if any order is not filled at the same price, they may be allocated on an

average price basis. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, securities may be allocated among the different accounts on a basis which we consider equitable. There is no assurance that clients will hold the same investments or perform in a substantially similar manner as other clients with similar strategies.

Additional Conflicts of Interest. Certain actual and potential conflicts of interest may also arise from the fact that (i) we has sole discretion in determining our clients' level of participation in the strategies; (ii) personnel who provide services to the us may choose to personally invest in certain, but not all, or none of the Fund and the other clients advised by us; (iii) we and investment funds and accounts managed by us may actively engage in transactions in the same investments sought by our clients and, therefore, may compete with our clients for investment opportunities; and (iv) we and accounts managed by us may acquire investments representing different parts of the capital structure of issuers that the clients invests in and, in connection therewith, may take actions that have an adverse effect on the clients' investments.

Other present and future activities of our firm and our affiliates may give rise to additional conflicts of interest. In the event that a conflict of interest arises, we will attempt to resolve such conflicts in a fair and equitable manner.

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

Code of Ethics

LDR has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at LDR must acknowledge the terms of the Code of Ethics on an annual basis, or as amended. A copy of LDR's Code of Ethics will be provided to any client or prospective client upon request, which request may be submitted to Carol Ann Hutchings, Chief Compliance Officer, at (212) 446-2444, or by email at chutchings@ldrcapitalmgmt.com.

Financial Interest in Client Transactions

We may, from time to time, take a position in a security in which our firm or one of our related persons, directly or indirectly, has an interest. For instance, it may be expected that the assets or one or more managed accounts will be invested in securities of issuers in which the Fund holds positions. In addition, Fund's assets may be invested in securities of issuers in which one or more

of the managed account hold positions. Given the likelihood of such occurrence, clients will not be provided with notification of such occurrences. These practices may give rise to conflicts of interest, and such conflicts, and our procedures for addressing them, are described in detail in Item 10 of this Investment Adviser Brochure.

Participation in Client Transactions and Personal Trading

LDR's employees and persons associated with LDR are required to follow LDR's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of LDR and its affiliates may trade for their own accounts in securities which are traded for LDR's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of LDR will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not interfere materially with the best interest of LDR's clients. In addition, the Code requires pre-clearance of certain transactions. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between LDR and its clients.

Please refer to Item 12 of this Investment Adviser Brochure for a description of LDR's trade aggregation and allocation procedures.

Item 12 – Brokerage Practices

Selecting Brokerage Firms

We have full investment discretion with respect to the initiation of all portfolio securities transactions for the client accounts as well as full authority to select broker-dealers to execute such transactions. We may utilize a number of broker-dealers to effect transactions for client accounts.

Portfolio transactions for our clients are allocated to brokers and dealers on the basis of best execution and in consideration of such factors as price, transaction costs, a broker's or dealer's ability to effect the transactions, its facilities, reliability and financial responsibility, commitment of capital and the provision or payment by the broker of the costs of research and research-related services which are of benefit to our managed account clients, the Fund or the Managing Member, as well as other factors that are deemed appropriate to consider under the circumstances. Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to our clients by brokers or dealers in the

foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such services.

Subject to the considerations described above and below, the selection of a broker to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services may be influenced by, among other things, the provision by the broker of the following: capital introduction, marketing assistance and consulting services with respect to technology and operations, commitment of capital, access to company management, access to deal flow, equipment and office space. Generally, neither the LDR, the Fund nor our managed account clients separately compensate any broker for any of these other services.

Soft Dollar Arrangements

LDR has no formal soft dollar arrangements with specific brokers or dealers to receive research or other services beyond transaction execution in exchange for brokerage commissions from client transactions. However, we may receive brokerage, research or research related services or products that are paid for through the use of commission or “soft dollars,” provided that such arrangements are consistent with the “safe harbor” provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended. In accordance with Section 28(e) of the Securities Exchange Act of 1934, broker-dealers providing such services may be paid commissions on transactions for client accounts in excess of those that other broker-dealers not providing such services might charge so long as LDR determines in good faith the amount of commissions is reasonable in relation to the value of the brokerage and research services provided, taking into account all of the client accounts over which LDR exercises investment discretion. Under Section 28(e), research obtained with soft dollars generated by one client may be used by LDR to service other clients. Where a product or service obtained with commission dollars provides both research and non-research assistance to us, we will make a reasonable allocation of the cost which may be paid for with commission dollars.

Client Referrals and Directed Brokerage

From time to time, broker-dealers may assist the Fund in raising funds from investors. Subject to its obligation to seek best execution, LDR may consider referrals of investors to the Fund in determining its selection of brokers. LDR does not require any client to direct LDR to execute transactions through a specified broker-dealer. *See Item 10 of this Investment Adviser Brochure for additional information regarding conflicts of interest, trade aggregation and allocation procedures.*

Item 13 – Review of Accounts

LDR reviews client accounts on a continuing basis to determine accomplishment of investment objectives, the cash balances available and/or margin debit balances outstanding, diversification of the portfolio and security positions. Such reviews are performed by Mr. Raiman. Reviews also may be triggered by economic and political events, specific company information, and/or market conditions. The Fund's third party administrator also reviews the Fund's account on a regular basis to price the portfolio based on independent third party pricing sources or methodologies approved by LDR.

The Fund

Within 90 days after the completion of each year-end audit of the Fund's books and records, or as soon as reasonably practicable thereafter, Fund investors will receive the Fund's audited financial statements prepared in accordance with GAAP. The Fund will also provide unaudited performance information to investors on a monthly basis.

Managed Accounts

Brokerage statements are generated no less than quarterly. These statements are sent directly to the client by the account custodian. These reports list the account positions, activity in the account over the covered period, and other related information. The client is also sent confirmations following each brokerage account transaction unless receipts of confirmations has been waived by the client. In addition, LDR provides clients, on a quarterly basis, portfolio performance information and other information related to the client account.

Item 14 – Client Referrals and Other Compensation

We may compensate third parties for client referrals. Any cash solicitation agreements will comply with Rule 206(4)-3 of the Investment Advisers Act. The Fund currently does not intend to charge any investor third party sales commissions or fees in connection with the offering of its interests. However, we may enter into arrangements with placement agents to solicit investors in the Fund, and such arrangements may provide for the compensation of such placement agents for their services at either our or the prospective investor's expense on a fully-disclosed basis. As discussed above in Item 12, we may consider broker referrals of investors to the Fund in determining our selection of brokers.

Item 15 – Custody

The Fund

The Fund's assets are held at a third party brokerage firm or firms meeting the definition of "qualified custodians" under SEC Rule 206(4)-2. Account statements are provided directly to

the Managing Member. Individual investors in the Fund receive the reports from LDR described in Item 13 of this Investment Adviser Brochure. LDR does not maintain physical custody of the assets in the Fund.

Managed Account

LDR does not maintain physical custody of the assets in the managed accounts. The managed account clients' assets are held at a third party brokerage firm or firms meeting the definition of "qualified custodians" under SEC Rule 206(4)-2. The qualified custodian will typically provide these clients with at least quarterly account statements relating to their assets. These clients should carefully review the qualified custodian's account statement upon receipt to determine that it completely and accurately states all holdings in their account and all account activity over the relevant period. The clients are urged to compare these account statements to the performance report statements provided by LDR. LDR's reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Any discrepancies identified by the client should be immediately reported to LDR and the qualified custodian.

Item 16 – Investment Discretion

LDR usually receives discretionary authority from a client at the outset of an advisory relationship to select the identity and amount of securities to be purchased or sold. Unless otherwise instructed or directed by a client, LDR has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment advisory agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for the client account.

The Fund

LDR has full discretionary authority and responsibility with respect to the investment management of the Fund pursuant to investment management agreement, which is subject to the terms and conditions set forth in the Fund's confidential offering documents, and, as such, is generally authorized to place orders for the execution of securities transactions without prior consultation with the client.

Managed Account

LDR has full discretionary authority and responsibility with respect to the investment management of the managed accounts pursuant to an investment advisory agreement with each client and, as such, is generally authorized to place orders for the execution of securities transactions without prior consultation with such client.

Item 17 – Voting Client Securities

Where LDR has authority to vote proxies, such authority is established by the terms of each client's investment advisory agreement with LDR. LDR has established proxy voting policies and procedures and Mr. Raiman oversees the proxy voting process. LDR will generally vote proxies on a case-by-case basis and the proxy voting procedures are designed to ensure that proxies are voted in the clients' best interest. In addition, the proxy voting policy includes guidelines for Mr. Raiman to follow if a material conflict of interest arises between LDR and/or its employees, and the clients to ensure any material conflict is resolved in the best interest of the clients. Clients and Fund investors may request information on how LDR voted with respect to the securities of such client and obtain a copy of LDR's proxies and procedures by contacting Carol Ann Hutchings, Chief Compliance Officer at (212) 446-2444, or by email at chutchings@ldrcapitalmgmt.com.

Item 18 – Financial Information

No financial condition presently exists that is reasonably likely to impair LDR's contractual commitments to its clients.