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**FORM ADV BROCHURE
January 31, 2013**

This brochure provides information about the qualifications and business practices of Los Angeles Investment Company, LLC (“Adviser”). If you have any questions about the content of this brochure, please contact us at (213)270-0342 or at info@losangelesinvestmentcompany.com. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about Adviser also is available on the SEC’s website at www.adviserinfo.sec.gov.

Adviser refers to itself as a “registered investment adviser” in materials distributed to current and prospective clients. As a registered investment adviser with the SEC and the State of California, Adviser is subject to the rules and regulations adopted by the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) and by the State of California under the California Corporate Securities Law of 1968, as amended.. Registration as an investment adviser is not an indication that Adviser or its directors, officers, employees or representatives have attained a particular level of skill or ability.

ITEM 2: MATERIAL CHANGES TO ADV BROCHURE SINCE LAST ANNUAL AMENDMENT

This is the first version of Adviser’s brochure. Accordingly, there are no prior versions of the brochure and no material changes to be noted. In the future, when Adviser amends its brochure for its annual update and the amended version contains material changes from the last annual update, Adviser will identify and discuss those changes either on this page or as a separate document accompanying the brochure.

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ITEM 4: ADVISORY BUSINESS

A. Advisory Firm

Adviser is a Delaware limited liability company that commenced operation in November 2012, and is owned and controlled by LAIC Holdings, LLC.

B. Specialization

Adviser generally provides investment advice on a wide variety of U.S. and foreign investment products, including publicly traded and privately placed securities, but does not hold itself out as specializing in any particular type of investment advisory service.

C. Advisory Services

Adviser provides investment advisory services with respect to one or more private investment funds (each, a “Fund”), individually managed accounts for institutional investors and high net worth individuals (collectively, “Accounts”), individuals and institutions participating in programs (each, a “Wrap Program”) sponsored by multi-service financial institutions unaffiliated with Adviser (each, a “Wrap Sponsor”), one or more investment companies (each, an “Investment Company”) registered with the U.S. Securities and Exchange Commission under the Investment Company Act of 1940, as amended.

Adviser intends to manage each Fund pursuant to the investment strategy described in the confidential offering memorandum of the Fund (the “Memorandum”). Under the investment management agreement with each Fund, Adviser has wide latitude to act upon any investment strategy or to change any investment strategy to achieve the investment objective of the Fund without obtaining the consent of Fund investors. Prospective investors should carefully read the Fund’s Memorandum and consult with their own counsel and advisers as to all matters concerning an investment in the Fund.

D. Assets Under Management (as of January 31, 2013)

Discretionary: \$0

Non-Discretionary: \$0

ITEM 5: FEES AND COMPENSATION

Private Investment Funds

A. Types of Fees

Under Adviser’s investment management agreement with each Fund, Adviser will receive an annual management fee equal to a percentage of the account balance of each Fund investor. Adviser, in its discretion, may waive or reduce the management fee as to all or any of the investors in the Fund or agree with an investor to waive or alter the management fee as to that investor.

Under Adviser’s investment management agreement with each Fund or the Fund’s charter documents, as applicable, Adviser will also receive annual performance-based compensation in arrears equal to a percentage of the net capital appreciation (i.e., capital appreciation less capital depreciation) of each investor’s account in the Fund. The performance-based compensation is payable only if, and to the extent that, the net capital appreciation of the investor’s account exceeds any net capital depreciation

accumulated in prior years (as adjusted for withdrawals of capital). Adviser, in its discretion, may waive or reduce the performance-based compensation as to all or any of the investors in the Fund or agree with an investor to waive or alter the performance-based compensation as to that investor.

Lower fees for comparable services may be available from other sources. The expenses of a Fund, including Adviser's management fee and performance-based compensation, may constitute a higher percentage of average net assets than would be found in other investment vehicles.

B. Payment Method

The management fee will be paid by each Fund quarterly in advance by deduction from each investor's account in the Fund on the first business day of the calendar quarter. The performance-based compensation is also paid by deduction from each investor's account in the Fund on December 31 (or the closest business day prior to December 31) for the 12-month performance period ending on the prior calendar year for each year in which performance-based compensation is earned.

C. Costs and Expenses

Each Fund bears all expenses of its organization and operation, expenses incurred in the purchase and sale of investments, and accounting fees, as determined by Adviser. Such expenses include but are not limited to: (i) investment-related expenses, including brokerage and execution charges, commissions, custodial charges, and fees for quotation and other data services; (ii) fees related to accounting, trading, portfolio management and risk management systems; (iii) research subscriptions and expenses; (iv) broken trade and broken deal fees; (v) expenses to register securities and transfer taxes; (vi) costs and expenses incurred for the purpose of protecting and enhancing the value of the Fund's investments (including the costs of instituting and defending litigation); (vii) taxes, filing and registration fees of the Fund; (viii) all costs, fees and expenses relating to investor communications, relations, accounting and the preparation and mailing of financial, tax and performance information to investors; (ix) fees, costs and expenses incurred in connection with borrowings; (x) administration fees, costs and expenses; and (xi) fees for attorneys, accountants, consultants and other professionals or experts. Fund investors may also indirectly bear a portion of any fees or expenses charged by investment funds (including mutual funds or other hedge funds) in which the Fund invests or other investment managers to which Adviser allocates a portion of Fund assets. Adviser may, at its discretion, choose to pay or reimburse the Fund for all or any portion of such expenses. In such event, Adviser may be reimbursed at a later date by the Fund for such expenses borne by Adviser. For additional information regarding brokerage and execution fees, see Item 12 below.

D. Refunds

If an investor withdraws all or a portion of its account in a Fund on a date other than the end of a calendar quarter, any unearned portion of the management fee (calculated from the date of withdrawal to the last day of the calendar quarter) paid at the beginning of the calendar quarter will be refunded by Adviser to the investor at the same time as the payment of withdrawal proceeds.

E. Sales Compensation

Adviser will not receive sales commissions in connection with sales of interests in a Fund.

Individually Managed Accounts

A. Types of Fees.

Fees paid to Adviser by Account clients are negotiable and will vary. Fees will be set forth in Adviser's investment management agreement with each Account client and determined based on the client's needs, the complexity of the client's investment objective and the number of portfolio restrictions.

Under Adviser's investment management agreement with an Account client, Adviser may receive an annual management fee from the Account client equal to a percentage, typically 2%, of the fair market value of the assets under management in the Account. Adviser may also receive annual performance-based compensation in arrears equal to a percentage of the net capital appreciation (i.e., capital appreciation less capital depreciation) of the assets held in the Account of a client that is eligible to enter into a performance compensation arrangement under the [California Corporate Securities Law of 1968][Investment Advisers Act of 1940, as amended ("Advisers Act")]. The performance-based compensation is payable only if, and to the extent that, the net capital appreciation of Account assets exceeds any net capital depreciation accumulated in prior years.

Lower fees for comparable services may be available from other sources. The expenses of an Account, including Adviser's management fee and performance-based compensation, may constitute a higher percentage of average net assets than would be found in other investment vehicles.

B. Payment Method

The management fee, if any, typically will be paid quarterly in advance by deduction from the assets held in an Account on the first business day of the calendar quarter. The performance-based compensation, if any, is also paid by deduction from the assets held in the Account on December 31 of each year in which the performance-based compensation is earned. If a client terminates its investment management agreement on a date other than December 31, any performance-based compensation will be made on the net capital appreciation of Account assets for the period from the prior January 1 of the year of the termination to the date of termination.

C. Costs and Expenses

In addition to the management fee [and performance-based compensation, if any], an Account client is responsible for any fees, expenses or charges incurred by or on behalf of the Account related to (i) custodial services provided for the Account, (ii) transactions effected for the Account, including brokerage and execution charges, markups and commissions, and (iii) any other service provided for the Account by any person other than Adviser. For additional information regarding brokerage and execution charges, see Item 12 below.

D. Refunds

If a client terminates its investment management agreement on a date other than the end of a calendar quarter, any unearned portion of the management fee (calculated from the date the agreement is terminated to the last day of the calendar quarter) paid at the beginning of the quarter will be refunded to the client by Adviser at the same time as the payment of liquidated account assets.

E. Sales Compensation

Adviser will not receive sales commissions in connection with sales of interests in a client Account.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Adviser receives performance-based compensation from each Fund [and certain Accounts] that it manages. Fees based on performance will only be charged in accordance with the provisions of Rule 205-3 under the Advisers Act. Performance-based compensation may create an incentive for Adviser to cause a Fund [or Account] to make investments that are riskier than it would otherwise make. In addition, since Adviser's performance-based compensation is calculated on a basis which includes unrealized appreciation of the assets held by the Fund [or in an Account], it may be greater than if such compensation were based solely on realized gains.

In the event that some clients to which Adviser provides investment advisory services are charged a performance-based compensation but not others, a conflict may arise where Adviser has an incentive to treat some clients preferentially as compared to others because those clients pay a performance-based compensation or because Adviser or one of its portfolio managers or affiliates has an interest in the client account. Adviser has adopted a policy to allocate portfolio transactions and investment opportunities across multiple client accounts on a fair and equitable basis over time. All eligible clients that can participate in a transaction share the same price on a pro rata allocation basis in an attempt to mitigate any conflict of interest. Investment opportunities are allocated among similarly managed client portfolios to maintain consistency of portfolio strategy, taking into account cash availability, investment restrictions and guidelines, and portfolio composition.

Since management fees and performance-based compensation paid to Adviser are based on the net asset value of a Fund [or Account], a conflict may also arise when Adviser or a related person is valuing the assets held by the Fund [or in an Account]. Assets will generally be valued at fair value by Adviser or its related person in accordance with U.S. generally accepted accounting practices.

ITEM 7: TYPES OF CLIENTS

Private Investment Funds

Adviser generally requires investors in a Fund to make a minimum initial investment of at least \$100,000 and to maintain a minimum account balance of \$100,000 in the Fund. Investors generally must be "accredited investors" under Regulation D who are also "qualified purchasers" under Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended or eligible to enter into a performance-based compensation arrangement under the California Corporate Securities Law of 1968 (the Advisers Act). Adviser generally requires Fund investors to make representations concerning their financial sophistication and ability to bear the risk of loss of their entire investment in the Fund. The minimum contribution and investor requirements may be waived by Adviser in its sole discretion.

Individually Managed Accounts

Adviser generally requires individually managed account clients to initially provide and maintain a minimum of \$1,000,000 in assets under management. Those clients generally must be eligible to enter into a performance-based compensation arrangement under the California Corporate Securities Law of 1968the Advisers Act. The account minimum and investor requirements may be waived by Adviser in its sole discretion.

Registered Investment Companies

Not applicable

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies

Investment Analysis

Investments for each Fund and any Accounts are identified and selected by the Adviser. Adviser evaluates investments based on an intensive due diligence process and critical analysis of each potential portfolio company's fundamentals (e.g., financial statements, profitability, cash flow, lines of business and market share), by making extensive use of quantitative models and algorithms and analytical computer programs and based on a proprietary valuation methodology developed by Adviser to achieve the investment objective of each Fund and the investment goals and guidelines of each Account client. Following an investment by the Fund or by Adviser for and on behalf of an Account, Adviser will continue to monitor the progress and suitability of portfolio investments as well as market and economic outlook.

To help develop its investment recommendations, Adviser may use commercially available information services and financial publications dealing with investment research, securities law and taxation. Such information may be obtainable in print, via the internet or by some other means. Issuer-prepared materials (particularly prospectuses), private placement due diligence materials, and research releases prepared by third parties are also utilized. Adviser also may use research materials prepared by various investment product vendors or custodians as well as in-house analysts. Adviser may also obtain information by meeting with an issuer's management, customers or competitors, attending industry conferences and consulting with experts in the appropriate field.

Investment in securities involves risk of loss that investors in a Fund and Account clients must be prepared to bear.

Investment Strategies

The investment strategies the Funds expect pursue include (but are not limited to) the following: long/short equity, emerging markets, global macro, fixed income, event driven, relative value, multi-strategy and others.

While Adviser intends to manage each Fund pursuant to the investment strategy described in the Memorandum, under the investment management agreement with each Fund, Adviser has wide latitude to act upon any investment strategy or to change any investment strategy to achieve the investment objective of the Fund, all without obtaining the consent of Fund investors. Prospective investors should carefully read the Fund's Memorandum and consult with their own counsel and advisers as to all matters concerning an investment in the Fund.

Under Adviser's investment management agreements with Account clients, Adviser is authorized to employ any investment strategy and enter into any type of investment transaction that it deems appropriate for the Account client in accordance with each client's investment objective and subject to any investment guidelines and restrictions imposed by a client in the investment management agreement for the Account. Adviser may provide investment advice to clients on any type of investment product, including the purchase, sale, short sale, exchange or trade in publicly traded or over-the-counter stocks, bonds, options and other derivative instruments. Adviser may also offer advice to Account clients regarding investment in commodities, real estate and private companies and private investment funds.

B. Investment Strategy Risks

Acquiring interests in the Fund(s) and/or opening an Account with Adviser is intended for sophisticated investors who can accept a high degree of risk in their portfolio, do not need regular current income from their investment with Adviser and can accept a potential loss of their entire investment. Investment risks specific to the investment strategy of each Fund are described in the Memorandum of the Fund (and risks specific to any investment strategy employed Adviser in managing an Account will be explained to the client prior to the opening of the Account). Such risks may include (but are not limited to):

- *Concentration.* Client accounts may hold a relatively small number of securities. Losses incurred in such securities could have a disproportionate effect on the account's overall financial condition.
- *Portfolio Management.* The performance of a client account depends on the skill of Adviser and its portfolio manager(s) in making appropriate investment decisions.
- *Leverage.* The use of leverage by buying securities on margin or use of certain derivatives is a speculative technique that involves special risk considerations. Interest costs on borrowings may fluctuate with changing market rates of interest and may partially offset or exceed the return earned on borrowed funds. Interest on borrowings will be an expense of a client account and will affect the investment performance of the account. To the extent a client account is leveraged, the value of its assets will tend to increase more when its portfolio securities increase in value, and to decrease more when its portfolio securities decrease in value, than if its assets were not leveraged.
- *Activist Investing.* There can be no assurance that the management of any company in which a Fund invests will agree or acquiesce to Adviser's involvement in the affairs of the company, or that the strategies that Adviser hopes to implement will be effective. Portfolio companies may be hostile to Adviser's activities and may respond to Adviser's proposals by litigation or other defensive measures. Such measures may adversely affect the value of a Fund's investment and may result in high transaction expenses, particularly if Adviser resorts to measures to protect the value of a Fund's investment that involve litigation or shareholder governance activities.
- *Short Selling.* Short sales that are not part of a hedging strategy are speculative and involve special risk considerations. Since a short seller in effect profits from a decline in the price of the securities sold short without the need to invest the full purchase price of the securities on the date of the short sale, returns will tend to increase more when the securities sold short decrease in value, and to decrease more when the securities sold short increase in value, than would otherwise be the case if the short seller had not engaged in such short sales. Short sales theoretically involve unlimited loss potential as the market price of securities sold short may continuously increase.
- *Portfolio Turnover.* Buying and selling securities generally involves some expense to a client account, such as commissions and other transaction costs. Generally, the higher an account's portfolio turnover, the greater its brokerage costs and the greater the likelihood that it will realize taxable capital gains. Increased brokerage costs may adversely affect an account's performance. The advisory activities of each Fund may involve a high level of trading, and the portfolio turnover is expected to generate substantial transaction costs.
- *Highly Volatile Markets.* The prices of investments held by a client account can be highly volatile. Price movements of forward contracts, futures contracts and other derivative contracts in which Adviser may invest client assets 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.

- *Hedging Strategies.* Special risks are associated with the use of options, futures contracts and swaps as hedging techniques, including fluctuations in the volatility of the underlying security, fluctuations in prevailing interest rate and a lack of correlation between price movements in the hedging vehicle and in the portfolio securities being hedged which may result in a loss on both the hedged securities and the hedging vehicle. In addition, a decision as to whether, when and how to use a particular hedging strategy involves the exercise of skill and judgment which are different from those needed to select portfolio securities, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior, currency fluctuations or interest rate trends. If Adviser is incorrect in its forecasts relating to a hedge, a client may be in a worse position than if Adviser had not engaged in the hedging transaction. The potential loss incurred by a client in swaps, futures and writing options on futures is unlimited. There can be no assurance that a liquid market will exist at a time when Adviser, on behalf of a client, seeks to close out an option position or futures or swap contract.

C. Portfolio Investment Risks

Adviser generally provides investment advice on a wide variety of U.S. and foreign investment products, including publicly traded and privately placed securities, but does not invest in any particular type of investment product.

ITEM 9: DISCIPLINARY INFORMATION

Adviser does not have any legal, financial or other disciplinary items to report.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS

A. Registration as a Broker-Dealer or Registered Representative

Adviser is not registered as a broker-dealer and its employees are not registered representatives of any broker-dealer.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser or Associated Person

Neither Adviser nor its employees hold any of the above registrations.

C. Material Relationships with Affiliates

Adviser has no material relationships with any affiliates.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker

Not applicable.

2. *investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)*

See Item 7 above. Investors in a Fund must understand that each Fund was formed as an investment product to be managed by Adviser, and that Adviser does not intend to cause any Fund to terminate its investment management relationship with Adviser absent Adviser’s liquidation or bankruptcy. However, Adviser has a fiduciary duty to act in the best interest of each Fund that it manages, and investors in each Fund have the right to withdraw from the Fund at any time subject to any notice requirement, lock-up period or other withdrawal limitations described in the Fund’s Memorandum. Adviser may from time to time enter into a side letter agreement with one or more investors in a Fund which may, among other terms, provide for (i) withdrawal rights that are more favorable than the rights granted to all other Fund investors, (ii) a reduced management fee and/or performance-based compensation, or (iii) greater or more frequent transparency with respect to the Fund.

In addition, neither Adviser nor its related persons are obligated to allocate any specific amount of time or investment opportunities to a particular Fund. Adviser and its related persons intend to devote as much time as they deem necessary for the conduct of each Fund’s operation and portfolio management, and will allocate investment opportunities in accordance with Adviser’s trade allocation policy described in Item 6 above.

3. *other investment adviser or financial planner*

Not applicable.

4. *futures commission merchant, commodity pool operator, or commodity trading adviser*

Not applicable.

D. Recommendation of Other Investment Advisers

Not applicable.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

A. Code of Ethics

In order to address conflicts of interest, Adviser has adopted a code of ethics (the “Code”) which is applicable to all of Adviser’s officers, manager, members, and employees (collectively, “Employees”). Adviser’s Code generally sets the standard of ethical and professional business conduct that Adviser requires of its Employees, requires Employees to comply with applicable federal securities laws and regulations, and sets forth provisions regarding personal securities transactions by Employees. Additionally, the Code sets forth Adviser’s policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary obligations that Adviser and each of its Employees owes to each advisory client. The Code is circulated at least annually to all Employees, and each Employee at least annually must certify in writing that he or she has received and followed the Code and any amendments thereto. Adviser will provide a copy of the Code to any client or prospective client upon request.

B. Participation or Interest in Client Transactions

Adviser may solicit qualified Account clients to invest in a Fund or other investment vehicle sponsored or managed by Adviser (each, an “Adviser-related fund”). Because of the relationship between Adviser and any Adviser-related fund, Adviser could be considered to have recommended the investment as suitable for an Account client if such person should invest in the fund. Adviser will inform each Account client of its relationship with an Adviser-related fund prior to the client’s investment, but does not intend to advise Account clients as to the appropriateness of the investment and will not receive any compensation for doing so or for selling interests in an Adviser-related fund (except to the extent that Adviser receives management fees and performance-based compensation from all Fund investors). Adviser may, from time to time at its discretion, suggest that investors in the Fund invest in a co-investment vehicle sponsored by Adviser.

Periodically, Adviser may seek to adjust or rebalance client accounts by effecting cross-trades between or among client accounts (i.e., causing one or more client accounts to sell securities to one or more other client accounts). In effecting such cross-trades, Adviser seeks to reduce the transaction costs to its clients of such account adjustments. All such cross-trades will be consistent with the investment objectives and policies of each client account involved in the trades, and will be effected at the current independent market price of the securities involved in the trades. Such cross-trades will generally be effected through a broker-dealer. The client accounts involved in such cross-trades will not pay any brokerage commissions or mark-ups in connection with the trades (to the broker-dealer or Adviser), but will reimburse the applicable broker-dealer for any customary trading costs and/or transfer fees (i.e., aggregate ticket charges) that such broker-dealer incurs and that are assessed by any other broker-dealers through which such broker-dealer effects the trades.

C. Personal Trading

Under Adviser’s Code, Employees are generally prohibited from trading in securities, other than unwinding transactions effected prior to employment with Adviser or investing in registered open-end investment companies (i.e., mutual funds), direct obligations of the U.S. government, bankers’ acceptances, bank certificates of deposit, commercial paper, short-term high-quality debt securities, including repurchase agreements, and such other money market or investment instruments as may be authorized by Adviser from time to time. The Chief Compliance Officer or the Chief Executive Officer may, on a pre-approved basis, allow exceptions to this policy.

D. Concurrent Trading Activity

Under Adviser’s Code, Employees are generally subject to black-out periods surrounding securities transactions for client accounts, other than to unwind transactions effected prior to employment with Adviser. Any unwinding transaction by an Employee will be subject to the Code’s pre-clearance procedures.

Transactions for client accounts generally will be effected independently from other client accounts. However, there will be occasions on which transactions to purchase or sell the same security may be effected at the same time for numerous accounts, some of which accounts may have similar investment objectives. Adviser may (but is not obligated to) combine or “batch” such orders. When combined orders occur, Adviser will seek to allocate the execution in a manner that is deemed equitable to the accounts involved. Generally, transactions will be averaged as to price and transaction costs and thereafter will be allocated among the accounts involved in proportion to the purchase and sale orders placed for each account on any given day. If Adviser cannot obtain execution of all the combined orders at prices or for transaction costs that Adviser believes are desirable, Adviser will allocate the securities

Adviser has purchased or sold as part of the combined orders by following Adviser's trade allocation procedures.

ITEM 12: BROKERAGE PRACTICES

A. Selection of Broker-Dealers

Execution Quality. Adviser will generally seek "best execution" in light of the circumstances involved in transactions. In selecting a broker for any transactions, Adviser may consider a number of factors, including, for example, net price, availability, reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security. Adviser will not obligate itself to obtain the lowest commission or best net price for an account on any particular transaction.

Adviser will monitor transaction results as orders are executed to evaluate the quality of execution provided by the various brokers and dealers it uses, to determine that compensation rates are competitive and otherwise to evaluate the reasonableness of the compensation paid to those brokers and dealers in light of all the factors described above.

Research and Other Soft Dollars. In addition to execution quality, Adviser may consider the value of various research services or products, beyond execution, that a broker-dealer provides to Adviser or its clients. Selecting a broker-dealer in recognition of such other services or products is known as paying for those services or products with "soft dollars." Because many of those services could benefit Adviser, it may have a conflict of interest in allocating client brokerage business. In other words, Adviser could have an incentive to execute client transactions through a broker or dealer that provides valuable services or products and pay transaction commissions charged by that broker or dealer which may be higher than Adviser might otherwise be able to negotiate. Adviser could also have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate soft dollars with which to acquire research products and services.

Adviser will make decisions involving "soft dollars" in a manner that satisfies the requirements of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. That is, Adviser will generally determine, considering all appropriate factors (including those described here), that commissions paid are reasonable in relation to the value of all the brokerage and research products and services provided by the broker-dealer. In making that determination, Adviser may consider not only the particular transaction, and not only the value of brokerage and research services and products to a particular client, but also the value of those services in Adviser's performance of its overall responsibilities to all of its clients. In some cases, the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge. Additionally, in some cases, a client's transaction may be executed by a broker in recognition of services or products that are not used in managing that client's account. Broker-dealers are not excluded from a client's business simply because they have not provided research services or products, although Adviser may not be willing to pay the same commission to such broker as Adviser might have been willing to pay had the broker provided research products and services.

For these purposes, "research" means advice, analysis and reports used to provide lawful and appropriate assistance to Adviser in making investment decisions for its clients. During the last fiscal year, Adviser acquired the following types of research: reports on or other information about particular companies or industries; economic data such as unemployment reports, inflation rates or gross domestic product figures; recommendations as to specific securities; financial publications relating to the value, availability

or advisability of investing in securities, and issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of the accounts; and portfolio evaluation services and financial database software and services. In addition, the types of brokerage services that Adviser obtained during the last fiscal year include: execution clearing and settlement service, exchange of messages among brokers, custodians and institutions; and communication services related to the execution, clearing and settlement of securities transactions and other incidental services. Where a particular service or product that a broker or dealer is willing to provide for soft dollars has not only a “research” application, but is also useful to Adviser for non-“research” purposes, Adviser will allocate the cost of the product or service between its research and non-research uses and pay only the “research” portion with soft dollars. Adviser’s interest in making such an allocation may differ from clients’ interests in that Adviser has an incentive to designate as great a portion of the cost as “research” as possible in order to permit payment with soft dollars.

When a broker-dealer provides research or other products or services in expectation of brokerage business, it generally suggests the level of business it would like to receive as compensation. Actual transactional business received by a particular broker or dealer during any period may be less than the suggested level, but may and typically will exceed that level. In other cases, a broker or dealer may establish “credits” based on brokerage commissions paid in the past, which may be used to pay, or reimburse Adviser, for specified expenses. In making its brokerage selections, Adviser considers those suggestions as part of its evaluation of the factors described above.

Brokerage for Client Referrals. Subject to applicable law and regulation, in selecting brokers for any securities transactions, Adviser may direct a portion of a client’s brokerage business to brokers who introduce the client to Adviser. Because referrals could benefit Adviser, selecting a broker based on client referrals may give rise to a conflict of interest in allocating client brokerage business. Adviser will not allocate client brokerage business to a referring broker unless Adviser determines in good faith that the commissions and transaction costs payable to such broker are not materially higher than those available from other non-referring brokers offering services of similar execution quality.

Directed Brokerage.

Not applicable.

B. Aggregation of Orders

See Item 11(D) above.

ITEM 13: REVIEW OF ACCOUNTS

A. Periodic Account Review

All accounts are generally reviewed on a daily basis by Joe Nikolson, COO/CCO. Account reviews focus on the review of all securities using [fundamental and technical analysis]. Particular attention is given to] changes in company fundamentals, industry outlook, market situation, general economic trends, and relative/absolute valuation levels.

B. Non-Periodic Account Review

Not applicable.

C. Client Reports

Adviser and/or the qualified custodian of each client account will transmit unaudited quarterly performance reports and account statements to Fund investors and Account clients. Each investor in a Fund will also receive annual audited financial statements and, if necessary, annual tax information for completion of its individual tax returns. Adviser may make the reports available in hardcopy or solely via electronic transmission or in electronic form on its website unless otherwise requested by a Fund investor (or Account client). Adviser, in its discretion, may provide more frequent reports and/or more detailed information to all or any of the investors in the Fund (or Account clients).

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

A. Compensation By Non-Clients

There is no one who is not a client that provides an economic benefit to Adviser for providing investment advice or other advisory services to Adviser's clients.

B. Compensation for Client Referrals

Subject to applicable law, Adviser may employ solicitors to whom it will pay either a portion of the advisory fees received from clients referred by such solicitors or cash at Adviser's own expense. In such cases, this arrangement will be disclosed in writing to the client and Adviser will comply with any other applicable requirements under Rule 206(4)-3 under the Investment Advisers Act. In particular, Adviser will [(i)] ensure that each solicitor provides clients with a current copy of Adviser's Form ADV Brochure and the solicitor's written disclosure document [and (ii) furnish to the California Department of Corporations a Form U-4 and the requisite filing fee for each individual who solicits investment advisory services for Adviser].

ITEM 15: CUSTODY

Private Investment Funds

Custody of the assets of the Fund will be maintained with a qualified custodian selected by Adviser in its exclusive discretion, which selection may change from time to time without the consent of investors in the Fund. While Adviser will not maintain physical possession of the funds or securities of any private investment fund, [Adviser][an affiliate of Adviser], as the general partner of the Funds, has authority to direct the qualified custodian to transfer funds and securities in a Fund's portfolio and pay out the management fees and performance-based compensation.

In accordance with the custody requirements contained in Rule 206(4)-2 under the Advisers Act, Adviser has entered into an arrangement with an independent public accountant pursuant to which each Fund will be subject to an annual audit. In addition, as described in Item 13(C) above, Adviser will provide a copy of the audited financial statements to investors for each Fund in which they are invested.

Individually Managed Accounts

Adviser will not maintain possession or custody of the funds or securities placed in an Account. The assets transferred by an Account client will typically be deposited with a qualified custodian selected in accordance with Adviser's investment management agreement with the Account client. Under the

investment management agreement, Adviser may cause management fees [and performance-based compensation] to be paid out of the Account by the qualified custodian. When it does so, Adviser will send the client an invoice, concurrently with billing the qualified custodian, showing the amount of the fees, the value of the assets on which they are based, and the computation. In addition, as described in Item 13(C) above, the qualified custodian will provide Account clients with [at least quarterly] performance reports and account statements. Account clients should carefully read these reports and compare any reports received from Adviser against reports received from the qualified custodian.

ITEM 16: INVESTMENT DISCRETION

Adviser has discretionary authority to make the following determinations without obtaining the consent of any Fund [or any Account client] before the transactions are effected:

- the securities that are to be bought or sold;
- the total amount of the securities to be bought or sold;
- the brokers through which securities are to be bought or sold; and
- the commission rates at which securities transactions for client accounts are effected.

Adviser's discretionary authority is derived from an express grant of authority under an investment management agreement that Adviser enters into with each Fund and with each Account client.

ITEM 17: VOTING CLIENT SECURITIES

Adviser has deemed it to be in the best interests of each Fund (and each Account client) not to vote proxies.

ITEM 18: FINANCIAL INFORMATION

Not applicable. .

Adviser has no financial conditions that are reasonably likely to impair its ability to meet contractual commitments to its clients and Adviser has not been the subject of a bankruptcy petition in the last ten years.