



**INFRASTRUCTURE**  
CAPITAL MANAGEMENT

## **FIRM BROCHURE AND BROCHURE SUPPLEMENT**

### **INFRASTRUCTURE CAPITAL ADVISORS, LLC**

1325 Avenue of the Americas, 28th Floor

New York, New York 10019

[www.icmlc.com](http://www.icmlc.com)

This brochure provides information about the qualifications and business practices of Infrastructure Capital Advisors, LLC, an investment advisor registered with the United States Securities and Exchange Commission. Registration with the Securities and Exchange Commission or with any state securities authority does not imply a certain level of skill or training. If you have any questions about the contents of this firm brochure and brochure supplement, please contact Edward F. Ryan by telephone at (212) 763-8510 or by electronic mail at [edward.ryan@icmlc.com](mailto:edward.ryan@icmlc.com). This information in this firm brochure and brochure supplement has not been approved or verified by the Securities and Exchange Commission or by any state securities authority.

Additional information about Infrastructure Capital Advisors, LLC also is available on the website maintained by the Securities and Exchange Commission at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

**June 2014**



## **MATERIAL CHANGES**

Infrastructure Capital Advisors, LLC has recently registered with the Securities and Exchange Commission as an investment advisor. This firm brochure and brochure supplement are the first to be prepared.

If at any time you would like to receive a copy of the current firm brochure and brochure supplement, please contact Edward F. Ryan by telephone at (212) 763-8510 or by electronic mail at [edward.ryan@icmlc.com](mailto:edward.ryan@icmlc.com).

## TABLE OF CONTENTS

Material Changes.....	i
Advisory Business .....	1
Fees and Compensation .....	2
Performance-Based Fees and Side-by-Side Management.....	3
Types of Clients.....	4
Methods of Analysis, Investment Strategies, and Risk of Loss .....	4
Disciplinary Information .....	9
Other Financial Industry Activities and Affiliations .....	9
Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading.....	10
Brokerage Practices .....	11
Review of Accounts .....	13
Client Referrals and Other Compensation .....	13
Custody.....	13
Investment Discretion .....	13
Voting Client Securities.....	14
Financial Information.....	14
Brochure Supplement.....	15

## **ADVISORY BUSINESS**

Infrastructure Capital Advisors, LLC (the “Advisor”) is a private company, wholly owned by Infrastructure Capital Management, LLC (“ICM”). The Advisor was organized as a limited liability company under the laws of the State of New York in 2012 and has offices in New York, New York. The Advisor is registered as an investment advisor with the United States Securities and Exchange Commission.

In addition to owning the Advisor, ICM owns interests in NGL Energy Holdings, LLC (“Holdings”) and NGL Energy Partners, LP (NYSE: NGL) (“NGL”). Holdings is the general partner of NGL. ICM also owns interests in entities that serve as general partners of private investment partnerships that are clients of the Advisor. ICM is principally owned by Jay D. Hatfield, its founder.

The Advisor serves as investment advisor to the following five private investment partnerships (each a “Fund” and collectively the “Funds”): Infrastructure Macro Income Fund, LP (the “Macro Fund”); Infrastructure Long/Short Energy Income Fund, LP (the “Energy Fund”); Infrastructure Real Estate Income Fund, LP (the “Real Estate Fund”); Infrastructure MLP Income Fund, LP (the “MLP Fund”); and InfraCap Long/Short Opportunity Fund, LP (the “Long/Short Fund”).

In the near future, the Advisor expects to serve as sub-advisor to a newly launched, exchange-traded fund to be called InfraCap MLP ETF (NYSE Arca: AMZA pending) (the “ETF”). The ETF will seek total return primarily through investments in equity securities of publicly traded master limited partnership and limited liability companies taxed as partnerships (each an “MLP”). The investment advisor to the ETF is Etfis Capital LLC, a Delaware limited liability company. The ETF is a separate series of Etfis Series Trust I, a Delaware statutory trust that is registered as an investment company under the Investment Company Act of 1940. Shares of the ETF will be continuously offered and sold in an offering registered under the Securities Act of 1933.

The Advisor does not currently advise any other entities or individuals, although the Advisor may in the future choose to do so. In this firm brochure and brochure supplement, the Funds and any other future clients of the Advisor are individually called an “Account.” The Advisor generally manages the assets of the Accounts on a fully discretionary basis. The Advisor does not call any of the services that it provides financial planning or any similar term. The Advisor tailors its investment advice to the particular needs, investment objectives, and investment guidelines of each Account. No clients have imposed restrictions on investing in particular securities or types of securities.

As of March 31, 2014, the Advisor managed approximately \$77,300,000 on a discretionary basis and no assets on a nondiscretionary basis.

## FEES AND COMPENSATION

The investment management fee schedules of the Funds vary. The standard management fee with respect to each Fund is based on assets under management. The management fees of the Macro Fund and the Long/Short Fund are 2% annually. The management fees of the Energy Fund, the Real Estate Fund, and the MLP Fund are 1% annually. Under the standard methodology, the management fee is paid quarterly, in advance, based on the net asset value of the relevant Fund as of the last business day of the immediately preceding quarter. Management fees are adjusted for the subscriptions and redemptions. The Advisor may waive or modify fees for strategic investors in a Fund and personnel of the Advisor.

The performance-based fee or incentive allocation for each Fund, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of the Fund, is described in the section of this firm brochure and brochure supplement entitled "Performance-Based Fees and Side-by-Side Management."

For its services as sub-advisor to the ETF, the Advisor will be paid a sub-advisory fee that has not yet been determined. The sub-advisory fee is paid by the ETF on or before the tenth date of each month. The fee is accrued daily based on the average net assets for the prior month. The ETF pays no performance-based compensation to the Advisor. Total expenses of the ETF, including transfer agency and registration fees, will be capped at 0.95% per annum.

Applicable management fees, sub-advisory fees, and performance-based compensation are deducted from the Accounts. Clients are not billed. Clients will obtain a refund of fees paid in advance if the advisory or sub-advisory relationship terminates before the end of the billing period. The amount of the refund will equal the unearned portion of the fee paid in advance, based on the number of days in the billing period that have elapsed.

In addition to paying investment management fees and, if applicable, performance-based fees or allocations, an Account may also be subject to other investment expenses. These expenses include but are not limited to: custodial charges, brokerage fees, commissions, and related costs; interest expenses, taxes, duties, and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; and other portfolio expenses. Additional information is included in the section of this firm brochure entitled "Brokerage Transactions."

Account assets may be invested in pooled investment vehicles. In these cases, an Account will bear its pro rata share of the operating and other expenses of the underlying vehicles, including but not limited to sales expenses, legal expenses, internal and external accounting, audit and tax preparation expenses, and organizational expenses. The Advisor expects to invest assets of the Macro Fund and the MLP Fund in the ETF. The investment management fee payable by the Macro Fund and the MLP Fund to the Advisor will be reduced by the amount of the sub-advisory fee payable by the ETF to the Advisor relating to assets of the Macro Fund and the MLP Fund invested in the ETF.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Advisor or the general partner of a Fund may receive performance-based fees or incentive allocations generally based upon net profits allocable to each Fund. The ETF does not pay performance-based compensation. The potential to earn performance-based compensation may create an incentive for the Advisor to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of this compensation. Further, performance-based compensation may be earned based on unrealized gains that a Fund investor never actually realizes. In addition, the fact that the ETF does not pay performance-based compensation may create an incentive for personnel of the Advisor to expend more efforts to manage the Funds than the ETF. The Advisor manages this potential conflict of interest by having the investment committee monitor the relative performance of the Funds as compared to the ETF on at least a quarterly basis.

The performance-based fees or incentive allocations allocation vary among the Funds. Some investors in a Fund may pay more or less than other investors in that Fund or other Funds for the same investment management services. These differences generally depend, for example, on the date of the investment, the size of the investment, or the total assets of the investor under management in a Fund or by the Advisor generally. The Advisor or a general partner of a Fund may waive or modify performance-based fees or incentive allocations for strategic investors in a Fund and personnel of the Advisor.

Whether the Advisor will be entitled to performance-based compensation with respect to a Fund in any particular year will be determined as of December 31 of that year, except with respect to investors who withdraw from the Fund as of a date other than December 31. Performance-based compensation is typically subject to a high-water mark. In other words, if an investor in a Fund were to suffer an aggregate loss of capital during a fiscal year, no performance-based compensation would be due with respect to that year until the loss of capital was first recovered.

The Advisor generally has the discretion to agree with a Fund investor to waive or modify the application of any provision of the investment terms applicable to the investor in a side letter or in another manner, generally without obtaining the consent of the other investors in the Fund. The terms of a side letter may include, among other things, lock-up waivers, asset-based fee rebates, and other types of more favorable fees or liquidity terms. In addition, the Advisor may grant additional transparency or another form of additional disclosure with respect to the performance or operation of a Fund to an investor without obtaining the consent of, or granting similar rights to, other investors in the Fund. Some investors in a Fund may negotiate a most-favored-nation provision that permits them to elect to receive the benefit of any modifications or waivers of terms that another investor in the Fund negotiates in the future. The Advisor may be obligated to disclose to other investors in a Fund who have most-favored-nation status that particular terms are being offered to other investors in the Fund through side letters and, in some cases, to offer those terms to other investors in the Fund who have most-favored-nation status.

## **TYPES OF CLIENTS**

The current clients of the Advisor are the Funds. Investors in the Funds include only individuals at the present time, although the Funds intend to accept institutions in the future. The minimum subscription amounts for each Fund are \$500,000 for individual investors and \$1,000,000 for institutional investors. The general partner of a Fund may waive or modify the minimum subscription amount.

The ETF is expected to become a client of the Advisor in the near future. Investors in the ETF are expected to be individuals and institutions. Because investors in the ETF will primarily purchase and sell shares in the secondary market, there is no minimum subscription amount.

It is the policy of the Advisor to know and understand the identities of its clients and prospective clients and the business reasons for any transactions in which the Advisor engages on behalf of its clients. The Advisor does not directly or indirectly conduct business with any person or entity whose identity and source of funds have not been verified to the satisfaction of the Account custodian.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

### **Investment Objectives**

The Advisor seeks total-return opportunities driven by catalysts, largely in key infrastructure sectors. These sectors include energy, real estate, transportation, industrials, and utilities. The Advisor often identifies investment opportunities in entities that are not taxed at the entity level, such as MLPs, real estate investment trusts (each a “REIT”), and business development companies. The funds may also invest in credit and related securities, such as preferred stock.

Current income is a primary objective in most, but not all, of the Funds. Consequently, the Funds generally invest in companies that generate and distribute substantial streams of free cash flow. The Advisor believes that tangible assets that produce free cash flow have intrinsic values that are unlikely to deteriorate over time.

### **Infrastructure Macro Income Fund, LP**

The Macro Fund seeks to provide a high level of current income, a growing income stream, and long-term capital appreciation. Capital preservation is also a primary objective.

The Macro Fund focuses on companies that own income producing “hard assets”—primarily in the energy infrastructure and real estate sectors—and related yield securities. The energy infrastructure investments may include MLPs that operate oil and natural gas gathering systems, pipelines, storage facilities, and processing plants, as well as other energy companies. Real estate investments may include REITs, as well as other companies with substantial real-estate holdings or operations. The Macro Fund also purchases related yield securities, including preferred stock, business development companies, and closed-end investment funds.

The Advisor prefers long-lived assets that produce sustainable streams of free cash flow that are available for distribution to investors like the Macro Fund. The Advisor believes that its strategy provides the potential for high returns and a strong basis for capital preservation. Macroeconomic risk hedges are used in an effort to further enhance the ability of the Macro Fund to preserve capital, especially when economic risks are high.

While the Macro Fund is generally long biased, it has the potential to generate excess returns by opportunistically establishing select short positions. Leverage is used to enhance current income and total return. Option strategies are used to enhance income and to manage risk. The mix of equities, options, and futures positions is adjusted frequently to fine-tune equity market risk, interest rate risk, and credit risk; accordingly, the Macro Fund may engage in high levels of trading activity.

### **Infrastructure Long/Short Energy Income Fund, LP**

The Energy Fund seeks to provide a moderate level of current income, a growing income stream, and long-term capital appreciation. Capital preservation is also a primary objective.

The Energy Fund is structured to appeal to investors who want exposure to the oil and gas exploration and production sector in the United States. Primary focus is on producers of oil and natural gas, principally in rapidly growing, unconventional shale oil and gas plays. The Energy Fund also invests in MLPs that are typically involved in the gathering, transportation, storage, and processing of oil and natural gas. The Energy Fund may invest up to 20% of its assets in non-energy related securities. In this regard, it will principally own equities with a high dividend yield.

The Energy Fund typically maintains substantial short positions in securities that the Advisor believes to be overvalued. Leverage is used to enhance returns, and option strategies are used to enhance income.

### **Infrastructure Real Estate Income Fund, LP**

The Real Estate Fund seeks to provide a high level of current income, a growing income stream, and long-term capital appreciation. Capital preservation is also a primary objective.

The Real Estate Fund is structured to appeal to investors who want exposure to publicly traded real estate securities in the United States. The Real Estate Fund invests in common and preferred stock of REITs; real-estate related companies, such as banks and service providers; and non-REITs whose real estate assets are perceived by the Advisor to be undervalued. The Real Estate Fund may invest as much as 20% of its assets in non-real estate stocks. In this regard, it will principally own equities with a high dividend yield.

While the Real Estate Fund is generally long biased, it has the potential to generate excess return by opportunistically establishing select short positions. Leverage is used to enhance current income and total return. Option strategies are used to enhance income and to manage

risk. The mix of equities, options, and futures positions is adjusted to fine-tune equity market risk and interest rate risk.

### **Infrastructure MLP Income Fund, LP**

The MLP Fund seeks to provide a high level of current income, a growing income stream, and long-term capital appreciation. Capital preservation is also a primary objective.

The MLP Fund is structured to appeal to investors who want exposure to the MLP sector of the U.S. energy infrastructure industry. The focus is primarily on midstream MLPs that are typically involved in the production, gathering, transportation, storage, and processing of oil, natural gas, natural gas liquids, and refined products.

The focus MLP on income-producing midstream MLPs provides the MLP Fund with a potential for high returns and a strong basis for capital preservation. Many midstream MLPs have a history of relatively stable and growing cash distributions. They are often referred to as “toll road” businesses.

While the MLP Fund is generally long biased, it has the potential to generate excess return by opportunistically establishing select short positions. Leverage is used to enhance current income and total return. The mix of equities, options, and futures positions is adjusted to fine-tune equity market risk, interest rate risk, and commodity risk.

### **InfraCap Long/Short Opportunity Fund, LP**

The Long/Short Fund seeks capital appreciation.

The Long/Short Fund maintains a concentrated portfolio of long and short investment positions. The Advisor considers the Long/Short Fund to be a “best ideas” fund. Focus on a small number of high-conviction investments is intended to increase the potential for substantial capital gains over the long term but may also increase short-term volatility.

While the Long/Short Fund is generally long biased, it typically maintains substantial short positions. Leverage is used to enhance returns. Option strategies are used to enhance income and to manage risk. The mix of equities, options, and futures positions is adjusted to fine-tune equity market risk, interest rate risk, and commodity risk.

### **InfraCap MLP ETF**

The ETF seeks to provide a high level of current income, a growing income stream, and long-term capital appreciation. Capital preservation is also a primary objective.

The ETF is structured to appeal to investors who want exposure to the MLP sector of the U.S. energy infrastructure industry. The focus is primarily on midstream MLPs that are typically involved in the production, gathering, transportation, storage, and processing of oil and natural gas.

The focus on income-producing midstream MLPs provides the ETF with the potential for high returns and a strong basis for capital preservation. Many midstream MLPs have a history of relatively stable and growing cash distributions. They are often referred to as “toll road” businesses.

While the ETF is generally long-biased, it has the potential to generate excess return by opportunistically establishing select short positions. Leverage is used to enhance current income and total return. Option strategies are used to enhance income. The mix of equities, options, and futures positions is adjusted to fine-tune equity market risk, interest rate risk, and commodity risk.

### **Initial Investment Process**

The Advisor generally identifies investment ideas through a sector-specific valuation or a catalyst screen. An investment analyst then undertakes an initial review and drafts a written report. The investment committee of the Advisor reviews the written report and draws an initial conclusion. If appropriate, due diligence is then conducted. After due diligence, the investment committee conducts a final review. If the idea is approved, an investment is made.

### **Fundamental Method of Analysis**

The Advisor conducts proprietary fundamental research to develop an understanding of a business and its position within its industry. In this process, the Advisor analyzes company filings and communicates with company management and industry analysts. The Advisor creates financial models that consider multiple scenarios, including a reasonable worst case. Once an investment is made, the holding is continuously monitored to ensure that the initial rationale for investment remains. If it is determined that the initial reason for investment is no longer valid, the Advisor may sell the holding. A portfolio holding may also be sold if the valuation exceeds a target, if valuation appears inconsistent with those of the securities of other comparable issuers, or if other investments with higher expected returns become available.

### **Sources of Information**

The main sources of information used by the Advisor include financial publications, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

The Advisor uses information, reports, and data from various sources, but the investment decisions that the Advisor makes on behalf of the Accounts are based primarily on its own internal research and analysis, as well as the experience of its key personnel. The Advisor may obtain advice from financial analysts, attorneys, accountants, and other experts to assist in its investment analysis. In addition, the Advisor may obtain research information from third

parties, including published reports of companies and other issuers, general economic data, and governmental publications and data compilations.

## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. The investment approach employed by the Advisor constantly keeps the risk of loss in mind. Like other investors, each Account face the following investment risks:

**Dependence on the Advisor:** The performance of the Accounts is critically dependent on the efforts of the portfolio managers of the Advisor. Biographical information about these portfolio managers is included in the brochure supplement at the end of this firm brochure. The portfolio managers devote the time and effort that they deem necessary to supervision of the Accounts for which they are responsible, but they have other business responsibilities. The past performance of the Advisor and its portfolio managers may not be indicative of future results.

**Market Risk:** The price of a security, bond, mutual fund, or exchange-traded fund may drop in reaction to tangible and intangible events and conditions. External factors cause this type of risk regardless of the particular circumstances that affect a security. For example, political, economic, and social conditions may influence market conditions.

**Interest-Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, fixed-rate bond coupons tend to become less attractive, which in turn causes bond market values to decline.

**Options Risk:** An option is a contract in which the holder (the buyer) pays a specified amount (the premium) to the writer (the seller) to obtain the right, but not the obligation, to buy from the writer (in a call) or to sell to the writer (in a put) a specific asset at an agreed-upon price (the strike price or exercise price) at or before a specified time (the expiration date). The holder pays the premium at inception and has no further financial obligation. The holder of an option will benefit from favorable movements in the price of the underlying asset but is not exposed to corresponding losses due to adverse movements in the value of the underlying asset. The writer of an option will receive fees or premiums but is exposed to losses due to changes in the value of the underlying asset.

**Inflation Risk:** When inflation is present, a dollar today will not buy as much as a dollar next year, because the purchasing power of the dollar is eroding at the rate of inflation.

**Volatility Risk:** Volatility refers to the amount of uncertainty or risk about the size of changes in the value of a security. High volatility means that the value of a security may potentially be spread over a larger range of values. High volatility means that the price of the security may change dramatically over a short time period in either direction. Low volatility means that the value of a security does not fluctuate dramatically but

instead changes at a relatively steady pace over a period of time. Many securities have experienced high volatility in recent years.

**Currency Risk:** A security that is not denominated in United States dollars is subject to fluctuations in the value of the United States dollar as against the currency in which the security is denominated. For example, the value of a security denominated in euros will decrease if the dollar strengthens against the euro. This type of risk is also called exchange-rate risk.

**Reinvestment Risk:** Future proceeds from investments may be reinvested at a lower rate of return because yields generally have decreased. This risk primarily relates to fixed-income securities.

**Business Risk:** This risk is associated with a particular industry or a particular issuer. For example, an oil production company depends upon a lengthy process of finding, transporting, and then selling oil before the company can generate a profit. As a result, an oil production company carries a higher risk of profitability variance than an electric company, which generates income from a relatively stable customer base that must purchase electricity regardless of the economic environment.

**Liquidity Risk:** Liquidity is the ready ability to convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not. Only investors who are financially able to maintain their investment without a need for immediate liquidity should consider an investment with the Advisor.

**Financial Risk:** Excessive borrowing to finance the operations of a business increases the risk of profitability, because the company is required to repay principal and interest in both good and bad economic times. During periods of financial stress, the inability of a company to meet its loan obligations may decrease the value of its securities and, in some cases, force the company to seek bankruptcy protection.

## **DISCIPLINARY INFORMATION**

This item is not applicable.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The Advisor is wholly owned by ICM. ICM is owned by Mr. Hatfield and members of his immediate family. Mr. Hatfield is a general partner of Holdings, which is the general partner of NGL, and an observing member of the board of directors of NGL. He also serves on the board of directors of Pacific Commerce Bank (OTCBB: PFCI). These activities require approximately six hours of Mr. Hatfield's time each month.

In the near future, the Advisor will serve as sub-advisor to InfraCap MLP ETF, which is a separate series of ETFs Series Trust I, a Delaware statutory trust registered as an investment company under the Investment Company Act of 1940.

Kathryn Beller, the chief compliance officer and general counsel of the Advisor, is an attorney who practices through a professional services corporation. Ms. Beller serves as chief compliance officer for several other investment advisors and one broker-dealer. She is a registered representative of the broker-dealer in her capacity as chief compliance officer but does not purchase or sell securities in connection with her duties. The broker-dealer is not affiliated with the Advisor. Ms. Beller is licensed as a real estate broker in the State of New York. The Advisor believes that these arrangements create no material conflicts of interest.

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

The Advisor has adopted a code of ethics that obligates the Advisor and its supervised persons to put the interests of the client of the Advisor before their own interests and to act honestly and fairly in all respects in their dealings with clients. All personnel of the Advisor are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the code of ethics by contacting Ms. Beller by telephone at (845) 270-9025 or by electronic mail at [kathryn.beller@icmlc.com](mailto:kathryn.beller@icmlc.com). Ms. Beller is responsible for overseeing adherence to the code of ethics. The Advisor seeks to avoid conflicts of interest with its clients and will take appropriate steps consistent with the code of ethics to resolve any conflicts of interest that may arise.

The Advisor, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Advisor or its related persons have invested or seek to invest on behalf of the Accounts. The Advisor is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether the other person is a client. The Advisor maintains and enforces written policies and procedures that prohibit the communication of material nonpublic information to persons who do not have a legitimate need to know such information and to ensure that the Advisor is meeting its obligations to clients and remains in compliance with applicable law. In some circumstances, the Advisor may possess certain confidential or material nonpublic information that, if disclosed, might be material to a decision to buy, sell, or hold a security. The Advisor will be prohibited from communicating this information to a client or using the information to benefit a client benefit. In these circumstances, the Advisor will have no responsibility or liability to the client for not disclosing the information to the client (or the fact that the Advisor possesses the information) or for not using the information to benefit the client.

The Advisor and its personnel may invest their personal assets in the Funds and the ETF. As a result, the Advisor and its personnel may hold the same securities as the Accounts. However, without prior approval from Ms. Beller, personnel of the Advisor and their related parties are

not permitted to purchase or hold securities in their personal accounts that are recommended by the Advisor for the Accounts. The Advisor has established procedures intended to limit conflicts of interest in cases in which the Advisor, its personnel, or a related person purchases or sells securities recommended by the Advisor for the Accounts.

The code of ethics and other compliance materials of the Advisor establish policies and procedures in a number of areas, including the treatment of confidential proprietary information, recordkeeping, conflicts of interest, and personal securities transactions.

Ms. Beller conducts compliance reviews at least annually and monitors for indications of potential violations of law or the code of ethics on a monthly basis. In addition, the Advisor has a written policy that requires personnel who become aware of a compliance risk to report the possible violation promptly to her or another member of senior management. The Advisor would investigate any such report and would not retaliate against someone who makes a report in good faith.

The code of ethics requires the Advisor to administer discipline to maintain the quality of services that it provides to clients by encouraging legal and appropriate behavior and by deterring illegal and inappropriate behavior. Disciplinary actions may include a written warning, fines, suspension of employment, and termination of employment.

## **BROKERAGE PRACTICES**

All of the transactions in the Accounts are in fully registered securities, all of which are listed and traded on national securities exchanges.

The Advisor places orders for the purchase and sale of securities with broker-dealers selected in its discretion. The Advisor determines the allocation of transactions to brokers-dealers and the frequency of transactions in its best judgment and in a manner deemed to be in the best interest of clients, rather than by any formula.

### **Best Execution**

The Advisor seeks best execution for all portfolio transactions. This means that the Advisor seeks the most favorable price and execution available. An Account may not always pay the lowest commission or spread available. Rather, in determining the amount of commissions (including dealer spreads) paid in connection with securities transactions, the Advisor takes into account factors such as size of the order, the difficulty of execution, the efficiency of the facilities of the executing broker-dealer (including the research services described below), and any risk assumed by an executing broker-dealer. An Account may also pay a higher commission if, for example, the broker-dealer has specific expertise in a particular type of transaction (due to factors like size or difficulty) or is highly efficient in trade execution.

The Advisor may also give consideration to research services furnished to the Advisor by broker-dealers and may cause a client to pay these broker-dealers a higher commission or

spread than may be charged by other broker-dealers. Research services may include reports that are common in the industry, such as research reports and periodicals, quotation systems, software for portfolio management, and formal databases. Also included may be meetings with analysts and company executives. Typically, the Advisor uses research to manage all Accounts. Therefore, commission dollars spent for research generally benefit all Accounts, although a particular Account may not benefit from research received on a particular occasion. The Advisor does not reduce its management fee because it receives research.

### **Conflicts of Interest**

Actual or apparent conflicts of interest may arise when a portfolio manager of the Advisor has day-to-day management responsibilities with respect to more than one Account. Specifically, a portfolio manager who manages multiple Accounts may be presented with the following conflicts:

The management of multiple Accounts may cause a portfolio manager to devote unequal time and attention to the management of each Account.

If a portfolio manager identifies a limited investment opportunity that may be suitable for more than one Account, each Account may be unable to take full advantage of the opportunity due to an allocation of filled purchase or sale orders across all eligible accounts. To deal with these situations, the Advisor has adopted procedures for allocating portfolio transactions across multiple accounts.

The Advisor has compliance procedures that are designed to address these types of conflicts. However, there is no guarantee that these procedures will detect every situation in which a conflict may arise.

### **Trade Error Policy**

On occasion, the Advisor may experience errors with respect to trades made on behalf of the Accounts. The Advisor endeavors to detect trade errors prior to settlement and to correct them in an expeditious manner. The Advisor will reimburse an Account for net losses directly due to uncorrected trade errors attributable to the personnel of the Advisor.

### **Soft Dollars**

The Advisor participates in no formal soft-dollar arrangements.

### **Order Aggregation**

Each portfolio manager of the Advisor generally aggregates for block execution multiple orders for the purchase and sale of the same security on behalf of several Accounts for which he is responsible. Securities purchased in an aggregated order receive the average price obtained on the order. When aggregating transactions for block execution, the portfolio manager will make a good-faith determination that the participating Accounts will benefit from the aggregation,

that aggregation is consistent with the duty of the Advisor to seek best execution for its clients, and that aggregation is permitted by the investment management agreement or sub-advisory agreement between the Advisor and each client whose Accounts participate in the aggregation.

### **REVIEW OF ACCOUNTS**

The Accounts are regularly reviewed by Jay D. Hatfield, Edward F. Ryan, and William S. Schreier. Mr. Hatfield is a co-founder, the managing member, the Executive Managing Director, the President, and a portfolio manager of the Advisor. Mr. Ryan is a co-founder, a Managing Director, the Chief Financial Officer, and the Chief Operating Officer of the Advisor. Mr. Schreier is a Managing Director and a portfolio manager of the Advisor.

The reviewers are generally aware of the holdings in each Account on a continual basis. These holdings are monitored in light of trading activity, significant corporate developments, and other activities that may dictate a change. Generally, each reviewer collects and reviews the net asset values of the Accounts for which he is responsible on at least a weekly basis. In addition, the portfolio composition of each Fund is reviewed at least quarterly to align the portfolio with the specific investment objectives of the Fund.

Each Fund distributes periodic reports as described in its offering memorandum. The ETF distributes periodic reports as described in its prospectus and statement of additional information.

### **CLIENT REFERRALS AND OTHER COMPENSATION**

The Advisor may make cash payments to third-party solicitors for client referrals, so long as (to the extent required law or regulation, the solicitor has entered into a written agreement with the Advisor pursuant to which the solicitor will provide each prospective client with, among other things, a copy of this firm brochure and brochure supplement.

### **CUSTODY**

The funds and securities of each Account are held by a qualified custodian. The Advisor does not maintain any physical custody of client securities. The Advisor may be deemed to have custody of some client assets because a related party acts as general partner with respect to the Account.

### **INVESTMENT DISCRETION**

The Advisor provides investment management or sub-advisory services on a discretionary basis to each Account. The authority of the Advisor in managing the assets of each Fund is governed by an investment management agreement, the terms of which are described in the relevant

offering memorandum. The authority of the Advisor in managing the assets of the ETF is governed by a sub-advisory agreement, the terms of which are described in the prospectus and statement of additional information for the ETF. The duties and responsibilities of the Advisor with regard to the supervisory services for separately managed Accounts for other clients will be governed by an Account agreement.

Account investments will differ because of various factors, including distinct investment objectives and strategies and risk tolerances. Accordingly, there may be differences among invested positions and securities held from Account to Account. Where investments are considered appropriate for more than one Account, it is the policy of the Advisor to allocate investment opportunities to Accounts for which the opportunities are appropriate based on the relative value of the assets of each participating Account.

### **VOTING CLIENT SECURITIES**

The Advisor has adopted proxy-voting policies and procedures that are designed to ensure that, in cases in which the Advisor votes proxies, the proxies are voted in the best interests of clients. These policies and procedures also require the Advisor to identify and address conflicts of interest between the Advisor and its clients. If a material conflict of interest exists, the Advisor will determine whether voting in accordance with the guidelines set forth in its policies and procedures or taking some other action is in the best interests of the affected clients. In voting proxies, the Advisor generally votes in favor of routine corporate housekeeping proposals, including the election of directors, if no corporate governance issues are implicated. Generally, the Advisor will vote against proposals that make it more difficult to replace members of a board of directors. For all other proposals, the Advisor will determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others: whether the proposal was recommended by management and Advisor's; whether the proposal acts to entrench existing management; and whether the proposal fairly compensates management for past and future performance. Clients may obtain a copy of the proxy-voting policies and procedures by contacting Ms. Beller by telephone at (845) 270-9025 or by electronic mail at [kbeller@securities-compliance.com](mailto:kbeller@securities-compliance.com) email. Also available upon request by any client is a record of how the Advisor has voted client proxies since becoming registered with the Securities and Exchange Commission.

### **FINANCIAL INFORMATION**

This item is not applicable.

## **BROCHURE SUPPLEMENT**

### **Educational Background and Business Experience**

The Advisor considers relevant business experience to be one of the most important criteria in selecting persons to provide investment advice to and research for its clients. The Advisor does not have specific hiring guidelines but generally requires at least a college degree. The Advisor seeks to hire personnel whose educational and professional backgrounds are compatible with the functions that they perform. Absent suitable business experience, the Advisor seeks to entrust investment advisory and research responsibilities to personnel with academic backgrounds, including advanced training, that reflect the skills and intelligence necessary to perform the assigned functions.

#### ***Jay D. Hatfield***

Born January 24, 1960

University of California at Davis, BA

Wharton School, University of Pennsylvania, MBA

Mr. Hatfield is the founder, the managing member, the Executive Managing Director, the President, and a portfolio manager of the Advisor. In addition, Mr. Hatfield is a founder and the general partner of NGL Energy Partners, LP (NYSE: NGL). Prior to co-founding the Advisor, Mr. Hatfield was a portfolio manager with SAC Capital Advisors (now Point72 Asset Management). Prior to joining SAC, Mr. Hatfield was a Managing Director and Head of Fixed-Income Research at Zimmer Lucas Partners, an energy and utility-industry focused hedge fund with over \$1.5 billion under management.

Prior to entering the investment management business, Mr. Hatfield was an investment banker focused on the energy and utility infrastructure industry. He began his investment-banking career at Morgan Stanley & Co., Inc., where he covered companies in the energy and utility industry for over 10 years. He was responsible for executing over \$10 billion of capital raising transactions for energy and utility-related companies and also executed a number of high profile mergers and acquisitions in the sector. After working at Morgan Stanley, Mr. Hatfield became the head of the utility and power group at CIBC Oppenheimer (now CIBC World Markets), where he led a 15-member professional team that originated capital raising and strategic transactions in the energy, power, and utility industries.

Mr. Hatfield began his career as an auditor and consultant at Arthur Young & Co. (now Ernst and Young), where he was a certified public accountant and consultant, providing auditing and consulting services to companies in the technology, biotechnology, and retailing industries.

#### ***Edward F. Ryan***

Born October 3, 1956

St. John's University, Minnesota, BA

Columbia Business School, Columbia University, MBA

Mr. Ryan is a co-founder, a Managing Director, the Chief Financial Officer, and the Chief Operating Officer of the Advisor. Prior to co-founding the Advisor, Mr. Ryan was engaged in venture capital projects in the financial technology sector for two years. Before that, he was the founder and a Managing Partner of Mansion Partners, LP, a private investment partnership focused on value stocks and special situations, which he ran for 12 years.

Before launching Mansion Partners, Mr. Ryan was Vice President and Director of Ansbacher (Dublin) Asset Management, Ltd. There he was part of a small team that managed investments in global equity and fixed-income markets for an offshore investment company and U.S. trusts and foundations. His primary investment focus was on financially troubled utilities, REITs, banks, and thrifts. Prior to joining Ansbacher, Mr. Ryan was an Investment Analyst for and the Secretary/Treasurer of J. Rothschild Capital Management Corp., a unit of RIT Capital Partners plc, where he was a member of the team that launched the U.S. operation. There he evaluated U.S. investment opportunities and managed all corporate financial functions.

Mr. Ryan began his career at The Bank of New York, where he was a Senior Industry Analyst specializing in the oil services industry.

***William S. Schreier***

Born October 13, 1956

Wharton School, University of Pennsylvania, BS *cum laude*

Fordham University School of Law, JD (*Law Review*)

Mr. Schreier is a Managing Director and a portfolio manager of the Advisor. Prior to his joining the Advisor in 2012, Mr. Schreier spent seven years as Executive Managing Director and Head of United States Equity Capital Markets for BMO Capital Markets, the U.S. investment banking division of the Bank of Montreal Group of Companies. In that capacity, Mr. Schreier was responsible for all equity financings in the United States in which BMO participated or served as underwriter, including public and private financings of all types, such as initial public offerings, follow-on offerings, convertible financings, registered direct offerings, and equity bought deals. As part of his duties, Mr. Schreier served as Chairman of BMO's U.S. Equity Commitment Committee, which had oversight responsibility for all aspects of equity offerings, including risk management, supervision of due diligence, and oversight of marketing efforts. While at BMO, Mr. Schreier served on several firm-wide management committees, including the U.S. Investment Banking Management Committee, the U.S. Institutional Equities Management Committee, and the New York Banking Branch Office Management Committee. In addition, he spent a substantial amount of time working in close cooperation with BMO's U.S. Energy Investment Banking team, where he successfully ran the books for and managed a large number of public and private equity offerings for oil and gas companies and MLPs.

Prior to joining BMO, Mr. Schreier spent seven years as a Managing Director of U.S. Equity Capital Markets for CIBC Oppenheimer. In addition to his role in equity capital markets, while at CIBC, Mr. Schreier created, marketed, and introduced a new type of security to the U.S. market. Called an income deposit security (an "IDS"), it consisted of a paired unit of dividend-yielding equity and high-yielding subordinated debt, which traded as a single security on the

New York Stock Exchange. The IDS was designed to have similar characteristics to Canadian Income Trusts, a popular high-yielding investment vehicle at the time. Prior to working at CIBC, Mr. Schreier was a Managing Director of U.S. Equity Capital Markets for Salomon Brothers Inc.

Mr. Schreier started his investment-banking career in 1985 at Morgan Stanley & Co., Inc., where he first was senior counsel to the Institutional Equity Trading Division and then a Vice President in Equity Capital Markets. He began his career as an attorney with Willkie Farr & Gallagher, where he practiced corporate and securities law.

### **Disciplinary Information**

This item is not applicable.

### **Other Business Activities**

The Advisor is wholly owned by ICM. Mr. Hatfield and members of his immediate family own ICM. Mr. Hatfield is a general partner of Holdings, which is the general partner of NGL, and an observing member of the board of directors of NGL. He also serves on the board of directors of Pacific Commerce Bank (OTCBB: PFCI). These activities require approximately six hours of Mr. Hatfield's time each month.

### **Additional Compensation**

This item is not applicable.

### **Supervision of Personnel**

Mr. Hatfield supervises all personnel of the Advisor. He closely monitors the advice that supervised persons provide to clients of the Advisor to ensure that the information correctly expresses the views of the portfolio managers regarding the securities to be purchased and sold for client accounts. Because clients grant discretionary authority to the Advisor, its personnel render investment advice primarily by effecting transactions in client accounts rather than by recommending transactions to clients for their approval. Ms. Beller, the chief compliance officer and general counsel of the Advisor, supervises Mr. Hatfield with respect to compliance matters. Questions relating to the supervision of personnel of the Advisor may be addressed to Ms. Beller by telephone at (845) 270-9025.