

# Form ADV

February 8, 2015

## Part 2A

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This brochure ("Brochure") provides information about the qualifications and business practices of Lustrin Financial, LLC ("LF"). You should review this Brochure in conjunction with our separate brochure supplement ("Supplement"). The Supplement(s) has been prepared for the purpose of providing information about the qualifications and background of the supervised person(s) working with you on our behalf or who may otherwise participate in the advisory services provided to you. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

If you have any questions about the contents of this Brochure or our Supplement(s), please contact us at 212-991-9590 or alustrin@ltrlp.com. Additional information about LF or any of our supervised persons (who are registered under our firm) is also available on the SEC's Investment Adviser Public Disclosure ("IAPD") which can be found at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The format/layout of this Brochure has been dictated by the SEC. As such, the Brochure's table of contents can be found after the "Material Changes" section of this Brochure, not at the beginning of the Brochure. The subsections appearing under each heading shall follow the mandated ordering of the items required to be addressed in this Brochure as set forth in the instructions and guidance issued by the SEC in regard to Part 2A of the Form ADV. LF's response to each such item shall immediately follow each numbered item. We encourage any reader of this Brochure to also refer to the SEC's instructions and guidance related to Part 2A of the Form ADV. Throughout this Brochure, any references to "we," "our," "ours," "us," etc. are meant to refer to LF.

## **II. Material Changes**

Filing date of last annual ADV update: October 16, 2013. The last update was for the 2012 fiscal year.

Since the last annual update, the Firm has determined that it is no longer eligible for SEC registration.

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## Key Definitions

There are several terms used throughout this Brochure that are defined in the Glossary of the Form ADV. The full Form ADV and its glossary can be found on the SEC's web site at <http://www.sec.gov/about/forms/formadv.pdf>, however, several of the more important terms that are used throughout this Brochure are provided below for your reference. The definitions appear below as they appear in the glossary of the ADV so be mindful that all references made to "you," "your," or "yours" are intended to refer to LF. Each term is presented in alphabetical order, not necessarily its order of appearance or use in this Brochure.

**Advisory Affiliate:** Your advisory affiliates are (1) all of your officers, partners, or directors (or any person performing similar functions); (2) all persons directly or indirectly controlling or controlled by you; and (3) all of your current employees (other than employees performing only clerical, administrative, support or similar functions).

**Control:** Control means the power, directly or indirectly, to direct the management or policies of a person, whether through ownership of securities, by contract, or otherwise. Each of your firm's officers, partners, or directors exercising executive responsibility (or persons having similar status or functions) is presumed to control your firm. A person is presumed to control a corporation if the person: (i) directly or indirectly has the right to vote 25 percent or more of a class of the corporation's voting securities; or (ii) has the power to sell or direct the sale of 25 percent or more of a class of the corporation's voting securities. A person is presumed to control a partnership if the person has the right to receive upon dissolution, or has contributed, 25 percent or more of the capital of the partnership. A person is presumed to control a limited liability company ("LLC") if the person: (i) directly or indirectly has the right to vote 25 percent or more of a class of the interests of the LLC; (ii) has the right to receive upon dissolution, or has contributed, 25 percent or more of the capital of the LLC; or (iii) is an elected manager of the LLC. A person is presumed to control a trust if the person is a trustee or managing agent of the trust.

**Management Persons:** Anyone with the power to exercise, directly or indirectly, a controlling influence over your firm's management or policies, or to determine the general investment advice given to the clients of your firm. Generally, all of the following are management persons: Your firm's principal executive officers, such as your chief executive officer, chief financial officer, chief operations officer, chief legal officer, and chief compliance officer; your directors, general partners, or trustees; and other individuals with similar status or performing similar functions; The members of your firm's investment committee or group that determines general investment advice to be given to clients; and If your firm does not have an investment committee or group, the individuals who determine general investment advice provided to clients (if there are more than five people, you may limit your firm's response to their supervisors).

**Person:** A natural person (an individual) or a company. A company includes any partnership, corporation, trust, limited liability company ("LLC"), limited liability partnership ("LLP"), sole proprietorship, or other organization.

**Related Person:** Any advisory affiliate and any person that is under common control with your firm.

**Self-Regulatory Organization or SRO:** Any national securities or commodities exchange, registered securities association, or registered clearing agency. For example, the Chicago Board of Trade ("CBOT"), FINRA and New York Stock Exchange ("NYSE") are self-regulatory organizations.

**Supervised Person:** Any of your officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on your behalf and is subject to your supervision or control.

## IV. Advisory Business

### Item IV.(A). LF at a Glance

#### Firm Profile

Lustrin Financial provides comprehensive and independent wealth management services to a client base predominantly consisting of high net worth individuals, recognizing as a baseline that every individual, as an individual, requires personalized advice consistent with their unique goals and lifestyle.

Our comprehensive financial planning and wealth management process involves:

- Developing a comprehensive strategic personalized financial plan based on our clients' current financial position, future goals, plans for retirement, and thoughts about family planning (education, gifting, estate planning, etc.).
- Implementing agreed-upon client recommendations.
- Providing ongoing financial management and/or asset management services.

Our comprehensive financial planning and wealth management services are best described in terms of the following distinct modules that can be offered to our clients either on a stand-alone basis or on a comprehensive and integrated platform.

**Financial Planning Services:** Includes the preparation of a comprehensive initial financial plan and implementation of recommendations focusing on balance sheet planning, asset allocation, debt management and funding, cash management and savings "run rates," both in terms of current effect and long term impact, estate and income tax analysis and planning, retirement planning, education funding, real estate analysis (home purchases planning viz. affordability, structure, debt level, and mortgage type), and risk management.

**Investment Advisory and Management Services:** Includes full asset allocation recommendations, first in terms of the split between fixed income, equities, and alternative investment strategies (as appropriate), and then in terms of the types of investments within each category. Once agreed upon, we will implement the recommendations for the investment portfolio by establishing brokerage accounts in our clients' names at our custodial firm (currently Fidelity). We manage all portfolios to achieve our client's goals, employing a long term buy and hold strategy that does not involve active trading or market timing.

**Tax Planning and Preparation Services:** Includes a comprehensive review of our clients' income tax returns as prepared, making recommendations as warranted. If requested, we are also available to prepare the returns.

**Estate Planning Services:** We can either review, or create, estate plans for our clients (will, trusts, living wills, health care directives, power of attorney), making recommendations regarding optimal structure both in terms of ultimate estate tax liability and current dispositive intent. Moreover, we devise lifetime gifting strategies aimed at leveraging annual exclusion gifting and the lifetime gifting exclusion. This planning takes us into the worlds of irrevocable inter vivos trusts, family LLPs/LLCs, CRUTs/CRATs, QPRTs, etc.

**Risk Management Issues:** Includes review of disability and long term care insurance coverage. Through the financial planning function, we recommend insurance professionals to our clients as requested.

**Corporate Executive Services:** Includes the full range of services unique to corporate executives, including familiarity with all forms of compensation structures, employment and severance agreements, stock option/restricted stock planning, concentrated stock issues, and company benefit plans.

**Small Business/Individual Proprietor Services:** Includes the full range of services unique to sole proprietors and small businesses, including retirement planning issues and vehicles, business structuring and planning, estate planning issues, buy-sell arrangements, life and disability insurance considerations and planning, financing, etc.

As with our advice, our fee structure is geared towards and consistent with our clients' needs and may be structure in the form of an annual fixed fee or as a percentage of assets under management. In either case, our firm neither sells products nor earns commissions on investments made, thereby permitting us to render wholly unbiased advice, free of the potential conflicts associated with selling products and generating commissions.

## Years in Business

Date of formation: 02/2004

Date of initial investment adviser registration: August 11, 2008

## Principal Owners

The following party(s) maintains at least 25% direct/indirect ownership in LF.

Owning Party	Entity Owned	Percentage Owned
Alan Lustrin	Lustrin Financial , LLC	100%

## IV.(B). LF's Advisory Services

In this section, we will describe the services we offer as well as the fees that correspond to those services.

## Product Type Limitations

We generally provide investment advice in relation to the following specific types of securities/investments.

<input checked="" type="checkbox"/>	Exchange listed equities	<input checked="" type="checkbox"/>	Mutual funds (closed-end and open-end funds)
<input checked="" type="checkbox"/>	Over the counter equities	<input checked="" type="checkbox"/>	Real Estate Investment Trusts ("REITs")
<input checked="" type="checkbox"/>	Equities of foreign issuers	<input checked="" type="checkbox"/>	Exchange traded funds
<input checked="" type="checkbox"/>	Interests in privately offered securities (hedge funds, venture capital funds, private equity funds, etc.) involving any of the following: <ul style="list-style-type: none"> <li>Real estate</li> <li>Oil and gas</li> <li>Mortgages or other receivables/assets</li> <li>Other:</li> </ul>	<input checked="" type="checkbox"/>	U.S. government securities
<input type="checkbox"/>	Warrants	<input checked="" type="checkbox"/>	Options on securities
<input checked="" type="checkbox"/>	Corporate debt securities (other than commercial paper)	<input type="checkbox"/>	Options on commodities
<input checked="" type="checkbox"/>	Commercial paper	<input type="checkbox"/>	Options on futures
<input checked="" type="checkbox"/>	Certificates of deposit	<input type="checkbox"/>	Futures contracts (tangibles)
<input checked="" type="checkbox"/>	Municipal securities	<input type="checkbox"/>	Futures contracts (intangibles)
<input checked="" type="checkbox"/>	Variable life insurance		
<input checked="" type="checkbox"/>	Variable annuities		



## Specialized Services

As designated below, we specialize in the following services. As applicable, a description of each such service is also included below.

- ☐ 1. Financial planning.  
☐ 2. Quantitative analysis.  
☐ 3. Market timing services.  
☐ 4. Other:  
☒ 5. None. Although we may offer one or more of the services mentioned immediately above, we do not limit our services to specializing in any single service area. In the following grid(s), we will describe both the services we offer as well as other key issues related to those services.

## Our Services

Service:	<b>Ongoing Asset Management</b>										
Service description:	<p>Our ongoing asset management services can be described as follows:</p> <p><b>Non-Discretionary Management:</b> On a non-discretionary basis, we may design, revise, and reallocate a custom investment portfolio for you. Investments are determined based upon factors such as your investment objectives, risk tolerance, net worth, net income, age, time horizon, tax situation and other various suitability factors.</p> <p>Moreover, on a non-discretionary basis, we may provide periodic investment recommendations to you and if such recommendations are approved/authorized, we will ensure that the authorized recommendations are carried out for you.</p>										
Use of discretion:	<p>Depending on your individual needs and the services you request of us, we may exercise full discretion as to the following elements.</p> <p> <input type="checkbox"/> Securities to be bought or sold  <input type="checkbox"/> Amount of the securities to be bought or sold  <input type="checkbox"/> Timing as to when such securities are to be bought or sold  <input type="checkbox"/> Broker-dealer and/or custodian to be used  <input type="checkbox"/> Commission rates to be paid for securities brokerage activities  <input type="checkbox"/> Other:  <input checked="" type="checkbox"/> None         </p> <p>Our specific discretionary authority will be set forth in your service agreement (“Agreement”) with us.</p>										
Service fees:	<p>For the service described above, we will charge fees in the following manner:</p> <p><input checked="" type="checkbox"/> Annual, asset-based fees.</p> <table border="1"> <thead> <tr> <th colspan="2">Asset-Based Fee Schedule</th> </tr> <tr> <th>Account(s)/Portfolio Value</th><th>Annual Percentage</th></tr> </thead> <tbody> <tr> <td>Any</td><td>Up to 1.50%</td></tr> <tr> <td colspan="2">Other fee/account maintenance conditions...</td></tr> <tr> <td>Minimum account/portfolio balance (initial):</td><td> <input checked="" type="checkbox"/> None  <input type="checkbox"/> \$         </td></tr> </tbody> </table>	Asset-Based Fee Schedule		Account(s)/Portfolio Value	Annual Percentage	Any	Up to 1.50%	Other fee/account maintenance conditions...		Minimum account/portfolio balance (initial):	<input checked="" type="checkbox"/> None <input type="checkbox"/> \$
Asset-Based Fee Schedule											
Account(s)/Portfolio Value	Annual Percentage										
Any	Up to 1.50%										
Other fee/account maintenance conditions...											
Minimum account/portfolio balance (initial):	<input checked="" type="checkbox"/> None <input type="checkbox"/> \$										

	<table border="1"> <tr> <td data-bbox="495 191 982 254">Minimum account/portfolio balance (ongoing):</td><td data-bbox="982 191 1412 254"> <input checked="" type="checkbox"/> None  <input type="checkbox"/> \$ </td></tr> <tr> <td data-bbox="495 254 982 317">Minimum annual fee:</td><td data-bbox="982 254 1412 317"> <input checked="" type="checkbox"/> None  <input type="checkbox"/> \$ </td></tr> </table> <p><input checked="" type="checkbox"/> Annual, flat/fixed fees. Our annual, flat/fixed fees will range from \$1,000 to \$100,000</p> <p>All fee arrangements are negotiable at our sole discretion. Specific fee arrangements will be set forth in your service agreement (“Agreement”) with us.</p>	Minimum account/portfolio balance (ongoing):	<input checked="" type="checkbox"/> None <input type="checkbox"/> \$	Minimum annual fee:	<input checked="" type="checkbox"/> None <input type="checkbox"/> \$
Minimum account/portfolio balance (ongoing):	<input checked="" type="checkbox"/> None <input type="checkbox"/> \$				
Minimum annual fee:	<input checked="" type="checkbox"/> None <input type="checkbox"/> \$				
Other fees:	<p>In addition to our service fees, you may be assessed other fees by parties independent from us. You may also incur, relative to certain investment products (such as mutual funds), charges imposed directly at the investment product level (i.e. advisory fees, administrative fees, and other fund expenses.) Brokerage fees/commissions charged to you for securities trade executions may be billed to you by the broker-dealer or custodian of record for your account, not us. Any such fees are exclusive of, and in addition to our compensation. You will be solely and directly responsible for all fees, including fees other than those we may bill directly to you.</p> <p>Refer to Item V.(E) and Item 12 for additional information regarding other fees such as sales compensation, brokerage fees, custodial fees, etc.</p>				
Fee collection:	<p>For the service described above, we receive our service fees by the following method(s):</p> <p><input checked="" type="checkbox"/> automatic fee deduction via the custodian; and/or  <input checked="" type="checkbox"/> direct invoice to you.</p> <p><i>Billing Via Custodian.</i></p> <p>Contemporaneously with the execution of the Agreement, you will be asked to sign an authorization that will allow the custodian of any of your account(s) to debit the account(s) the amount of our service fees and remit the fee to us. The authorization will remain valid unless and until we receive a written revocation of such authorization from you. In connection with this fee deduction process, the custodian will send you a statement, at least quarterly, indicating:</p> <ul style="list-style-type: none"> <li>• all amounts disbursed from the account; and</li> <li>• the amount of advisory fees deducted on our behalf.</li> </ul> <p><i>Direct billing.</i></p> <p>If so desired, you may choose to be billed directly by us for our service fees. If so chosen, you will be invoiced by the fifth business day of the month subsequent to the most recently ended billing period. Payments are due on or by the final business day of the month in which the invoice is generated.</p> <p>Specific fee arrangements will be set forth in your Agreement with us.</p>				
Fee frequency/timing:	<p>For the service described above, the frequency and timing of our fee collection process occurs as follows: <input checked="" type="checkbox"/> quarterly, <input type="checkbox"/> monthly, <input checked="" type="checkbox"/> in advance, or <input type="checkbox"/> in arrears.</p> <p>Specific fee arrangements will be set forth in your Agreement with us.</p>				

<p>Advanced billing and refunds:</p>	<p>The first bill will be calculated and prorated according to the date of execution (“inception date”) of the Client Advisory Agreement (CAA) and will be payable at the end of the calendar quarter (or month, as will be designated on the CAA) in which the initial meeting between the client and LF takes place. The first bill will be based upon a percentage of client assets under management by LF as of the inception date. This fee portion will be referred to as the “inception fee.”</p> <p>At the same time the inception fee is assessed, LF will also calculate, in advance, the next quarter’s (or month’s) fee based upon a percentage of the assets under management by LF as of the last business day of that calendar quarter (month.) This fee amount will be calculated by assessing 1/4 of the total annual percentage charged against the assets under management by LF. The client’s first bill will include the inception fee. Thereafter, each subsequent quarterly fee will be calculated, in advance, based upon the dollar amount of assets under management by LF as of the last business day of each calendar quarter.</p> <p><b>Assessment of Annual Fixed Fees (in advance)</b>  50% of the first year’s fixed fee will be payable upon execution of the CAA. At the beginning of the fourth calendar month after the execution of the CAA, the client will be billed 25% of the overall fee. The remaining 25% of the overall fee will be billed at the beginning of the seventh calendar month after the execution of the CAA.</p> <p>For services rendered subsequent to the first year of the engagement, the annual fixed fee will be payable in four equal quarterly installments in advance. Each such quarterly payment will be based upon the execution date of the CAA.</p> <p>In the event of termination, the client will receive a pro rata refund of any pre-paid fees attributable to any period after the date of termination.</p> <p>Specific fee arrangements will be set forth in your Agreement with us.</p>
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<p>Service:</p>	<p><b><i>Financial Planning</i></b></p>
<p>Service description:</p>	<p>We may prepare a written financial plan for our clients. Our financial planning services may involve consultation, analysis, and recommendations in the six areas of financial planning, which include (1) financial situation; (2) income taxes; (3) insurance; (4) investments; (5) retirement planning; and (6) estate planning.</p> <p>In order to determine a suitable course of action for an individual client, we will perform a review of the variables that are presented. This review may include, but would not necessarily be limited to, investment objectives, consideration of your overall financial condition, income and tax status, personal and business assets, risk profile, and other factors unique to your particular circumstances.</p> <p>We will review your present financial situation and issue a written analysis and report of recommendations in accordance with your goals and objectives. This service may</p>

	<p>include an initial consultation and subsequent follow-up visits. The services provided in this regard may include but would not be limited to the following:</p> <ul style="list-style-type: none"> <li>• Prepare an annual net worth statement;</li> <li>• Create a cash flow statement;</li> <li>• Review current investments and make recommendations thereon;</li> <li>• Review client's most recent tax returns and provide tax planning advice or tax preparation services;</li> <li>• Review client's life insurance and disability insurance and refer them to life insurance professionals as requested;</li> <li>• Review client's estate plan and make recommendations thereon;</li> <li>• Complete a retirement analysis; and</li> <li>• Provide education planning advice.</li> </ul> <p>Unless engaged separately to do so, we will not be responsible for the implementation of the plan. You assume full responsibility for the implementation of the plan.</p>
Use of discretion:	<p>Depending on your individual needs and the services you request of us, we may exercise full discretion as to the following elements.</p> <p> <input type="checkbox"/> Securities to be bought or sold  <input type="checkbox"/> Amount of the securities to be bought or sold  <input type="checkbox"/> Timing as to when such securities are to be bought or sold  <input type="checkbox"/> Broker-dealer and/or custodian to be used  <input type="checkbox"/> Commission rates to be paid for securities brokerage activities  <input type="checkbox"/> Other:  <input checked="" type="checkbox"/> None </p>
Service fees:	<p>LF's fees for a written financial plan may be affected by several factors such as the complexity of pertinent circumstances, the responsibility assumed by LF, the potential benefit resulting to the client and the perceived probability of certain anticipated complications that may arise. Although not an all-inclusive list, the following factors may impact the fee charged to a client:</p> <ul style="list-style-type: none"> <li>• investment objectives;</li> <li>• consideration of the client's overall financial condition, including current financial holdings;</li> <li>• net worth;</li> <li>• income and tax status, personal and business assets;</li> <li>• marital status;</li> <li>• number of dependents;</li> <li>• risk profile;</li> <li>• previous investment experience; and</li> <li>• other factors unique to the client's particular circumstances.</li> </ul> <p>It should be noted that the above listed factors are NOT intended to represent prospective examples of ALL factors that may contribute to the ultimate fee determination for any given client, however, any of these factors COULD contribute to such. Further, no single one of these factors should be solely relied upon in a client's fee arrangement determination.</p> <p>For the service described above, we may charge fees in the following manner:</p> <p><input checked="" type="checkbox"/> Non-annual, flat/fixed fee. Our non-annual, fixed/flat fee for our financial planning services ranges from \$1,000 to \$100,0000</p>

	<p><input checked="" type="checkbox"/> Hourly fees. Our hourly fee rate for our financial planning services ranges from \$200 to \$400</p> <p>LF's hourly rate is determined based on anticipated work to be done. Since LF cannot accurately determine the hourly fee amount until learning about client's financial circumstances, it is LF's practice to provide an initial, no obligation, no cost meeting in order to become familiar with the client's circumstances.</p> <p>The services that may correspond to the designated hourly fee amount may vary. LF is unable to forecast the exact services that may be involved for a client who is charged \$200 as opposed to \$400 for LF's services on an hourly-fee basis. As such, the determination of the hourly-fee amount will vary based upon any number of factors that may be specific to each individual client's set of circumstances. Advisory services that are anticipated to be more complex will generally warrant a higher hourly-fee amount. Less complex services may generally result in a lower hourly-fee amount.</p> <p>There is no set group of services that may be obtained at the \$200 level nor is there any particular set of services that may be obtained at the \$400 level. The hourly-fees will be based on the complexity of the service that is anticipated to be necessary for the particular client(s).</p> <p>All fees are negotiable at our sole discretion. Specific fee arrangements will be set forth in your service agreement ("Agreement") with us.</p>
Other fees:	<p>In addition to our service fees, you may be assessed other fees by parties independent from us. You may also incur, relative to certain investment products (such as mutual funds), charges imposed directly at the investment product level (i.e. advisory fees, administrative fees, and other fund expenses.) Brokerage fees/commissions charged to you for securities trade executions may be billed to you by the broker-dealer or custodian of record for your account, not us. Any such fees are exclusive of, and in addition to our compensation. You will be solely and directly responsible for all fees, including fees other than those we may bill directly to you. LF reserves the right to bill clients for administrative costs incurred in relation to the performance of the services described in the CAA, such as overnight mail, etc.</p> <p>Refer to Item V.(E) and Item 12 for additional information regarding other fees such as sales compensation, brokerage fees, custodial fees, etc.</p>
Fee collection:	<p>Hourly fees will be billed in arrears, as specific services are performed. Hourly fees will be calculated by multiplying the number of hours of service performed by the designated hourly. LF bills in increments of fifteen (15) minutes.</p> <p>In most cases, the amount of the hourly fee will be automatically billed against a retainer. The amount of the retainer will be calculated as a percentage of the anticipated total fee amount. In cases where the retainer amount does not satisfy an outstanding hourly fee amount at a point of service, an invoice will be generated and submitted to the client. Invoices will generally be prepared by the fifteenth day of the calendar month following the month in which the service was performed that resulted in the fee.</p> <p>For the service described above, we receive our service fees by the following method(s):</p>

	<p><input checked="" type="checkbox"/> automatic fee deduction via the custodian  <input checked="" type="checkbox"/> direct invoice to you</p> <p><i>Billing Via Custodian.</i></p> <p>Contemporaneously with the execution of the Agreement, you will be asked to sign an authorization that will allow the custodian of any of your account(s) to debit the account(s) the amount of our service fees and remit the fee to us. The authorization will remain valid unless and until we receive a written revocation of such authorization from you. In connection with this fee deduction process, the custodian will send you a statement, at least quarterly, indicating:</p> <ul style="list-style-type: none"> <li>• all amounts disbursed from the account, and</li> <li>• the amount of advisory fees deducted on our behalf.</li> </ul> <p><i>Direct billing.</i></p> <p>If so desired, you may choose to be billed directly by us for our service fees. If so chosen, you will be invoiced during the month subsequent to the most recently ended billing period. Payments are due on or by the final business day of the month in which the invoice is generated.</p> <p>LF, in its sole discretion, may charge a lesser or no advisory fee based upon certain criteria (i.e. anticipated future earnings capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with the client, etc.) No increase in LF's fees will be effective without prior written notification of at least thirty (30) days to the client.</p> <p>Specific fee arrangements will be set forth in your Agreement with us.</p>
Fee frequency/timing:	<p>For the service described above, the frequency and timing of our fee collection process occurs as follows: <input type="checkbox"/> quarterly, <input checked="" type="checkbox"/> monthly, <input checked="" type="checkbox"/> in advance, <input checked="" type="checkbox"/> in arrears, or <input type="checkbox"/> a portion in advance and a portion in arrears.</p> <p>Specific fee arrangements will be set forth in your Agreement with us.</p>
Advanced billing and refunds:	<p><b>Assessment of Annual Fixed Fees (in advance)</b>  50% of the first year's fixed fee will be payable upon execution of the CAA. At the beginning of the fourth calendar month after the execution of the CAA, the client will be billed 25% of the overall fee. The remaining 25% of the overall fee will be billed at the beginning of the seventh calendar month after the execution of the CAA.</p> <p>For services rendered subsequent to the first year of the engagement, the annual fixed fee will be payable in four equal quarterly installments in advance. Each such quarterly payment will be based upon the execution date of the CAA.</p> <p>In the event of termination of the CAA, the client will receive a pro rata refund of any pre-paid fees attributable to any period after the date of termination.</p> <p>Either party may terminate the services described above, with written notice to the other. Any charges incurred prior to termination will be charged pro rata based upon the period covered. Termination requests may be sent to LF at the following address: Lustrin Financial, LLC. 450 Seventh Avenue – 40<sup>th</sup> Floor, New York, NY 10123.</p>

	Specific fee arrangements will be set forth in your Agreement with us.
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#### **IV.(C). Customization of Advisory Services**

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To the fullest extent possible, we will endeavor to tailor our advisory services to meet the specific needs of each and every client. In order to determine a suitable course of action for an individual client, we will perform a review of our clients' financial circumstances and other factors that may influence the investment recommendations we may make to you from time to time. Such review may include, but would not necessarily be limited to, investment objectives, consideration of a client's overall financial condition, income and tax status, personal and business assets, risk profile, and other factors unique to a client's particular circumstances.

In making investment recommendations on behalf of a client, we will rely on a data gathering questionnaire or other similar type of instrument, which would be completed based on information provided by a client.

Our clients are free to impose any restrictions or other conditions with regard to how we provide our advisory services. If we agree to such restrictions and/or conditions, please be advised that restrictions and guidelines that you impose on our investment management functions may affect the composition and performance of custom portfolios (as a result, performance of custom portfolios within the same investment objective may differ and you should not expect that the performance of a custom portfolio will be identical to any other individual's portfolio performance) as well as any recommendations provided to you.

## **IV. (E). Assets Under Management<sup>1</sup> (“AUM”)**

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AUM (discretionary): \$ 0  
AUM (non-discretionary): \$ 13,339,063.64  
Total AUM<sup>2</sup>: \$ 13,339,063.64  
Date of AUM calculation: December 31, 2013

## **V. Fees and Compensation**

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### **V.(A). LF Advisory Fees**

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Refer above to Item IV.(B).

### **V.(B). Fee Collection Process**

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Refer above to Item IV.(B).

### **V.(C). Other Fee/Expenses.**

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Refer above to Item IV.(B).

### **V.(D). Fees Charged in Advance**

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Refer above to Item IV.(B).

### **V.(E). Additional Compensation**

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Item V.(E) requires us to address situations in which we or any of our supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. Neither we, nor any of our supervised persons are party to such arrangements.

#### **V.(E).(1). Conflicts of Interest**

The instructions in the Form ADV require us to tell you that the receipt or potential for the receipt of Additional Compensation gives our supervised persons an incentive to recommend investment products based on the Additional Compensation received, rather than on your specific needs. As described above in Item V. (E), neither we nor any of our supervised persons are party to any such arrangement, therefore, no conflict in this regard is present.

#### **V.(E).(2). Client-Directed Brokerage**

You have the ability to purchase investment products that we recommend through any broker-dealer or other financial institution you choose. If you choose to use a firm other than the broker-dealer(s) we may normally recommend, we may not be able to properly monitor your assets and therefore we cannot be held responsible for the success or failure of any investment products or strategies that you implement at firms other than those we recommend. In other words, our services and responsibilities will not apply to transactions you effect on your own whether through firms you choose on your own or through any broker-dealer we may recommend.

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<sup>1</sup> The term, “assets under management” shall carry the same meaning as that term is defined by Form ADV.

<sup>2</sup> Rounded to the nearest \$100,000



### **V.(E).(3). Brokerage Compensation**

We are not registered as a broker-dealer and thus, we do not receive transaction-based compensation for securities-related activities.

### **V.(E).(4). Advisory Fee Offset**

Since none of our supervised persons receive compensation other than our advisory fees as described above in Item IV.(B), this issue does not apply to us.

## **VI. Performance-Based Fees and Side-By-Side Management**

We do not charge performance-based fees.

## **VII. Types of Clients**

We will generally provide our services to the following types of clients.

- Individuals
- High net worth individuals

For information on any minimum fees, minimum initial/ongoing account balances, or other conditions we may impose, please refer to Item IV.(B).

## **VIII. Methods of Analysis, Investment Strategies and Risk of Loss**

### **VIII.(A). Methods of Analysis**

In the course of our management process and as appropriate on a case by case basis, we will employ some or all of the following methods of analysis. For a description of the risks related to each particular method of analysis, see the information following each analysis method description. A description of each key risk appears later in this section.

#### **Fundamental**

Fundamental analysis is generally considered the opposite approach to technical analysis. Fundamental analysis involves the attempt to identify the intrinsic value (i.e. the actual, true/real value) of an investment instrument by examining any related economic, financial, and other quantitative/qualitative factors relevant to that instrument. Fundamental analysis can take into account anything that may impact the underlying value of the instrument. Examples of such things may include large-scale economic issues such as the overall condition or current cycle of the economy, industry-specific or sector-specific conditions, etc. Other company/issuer-specific factors may also be taken into consideration such as the company's/issuer's current financial condition, management experience and capabilities, legal/regulatory matters, the overall type and volume of current and expected business, etc.

One of the goals of fundamental analysis is to attempt to derive a value that can be compared to the current market price for a particular financial instrument in hopes of determining whether the instrument is overpriced (time to sell) or underpriced (time to buy).

Key risk(s): Economic Risk, Financial Risk, Inflation Risk, and Interest Rate Risk.

## **VIII.(A). (cont.) Investment Strategies**

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In the course of our management process and as appropriate on a case by case basis, we will employ any of the following investment strategies. For a description of the risks related to each particular investment strategy, see the information following each strategy description. The codes used below relate to risks described further below in this section.

### **Long-Term Purchases**

Long-term purchases generally involve the acquisition of an investment instrument and holding it for a period of at least one year.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Inflation Risk, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, and Strategy Risk.

### **Short-Term Purchases**

Short-term purchases generally involve the acquisition of an investment instrument and holding it for a period of not more than one year.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Higher Trading Costs, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, and Strategy Risk.

### **Trading**

Trading generally involves the acquisition of an investment instrument and holding it for a period of not more than thirty days.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Higher Trading Costs, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, and Strategy Risk.

### **Short Sales**

Selling short involves the sale of an investment instrument that you do not own. In most cases, a short seller will have to go out and borrow or arrange for the borrowing of a particular investment instrument before selling short. When selling short, the seller is expecting the price of the underlying investment instrument to decline but if it does, the seller is able to sell the investment instrument(s) at the present day price (in effect at the time of entering into the short sale) and the profit potential is the difference between the sale price of the borrowed shares and the cost of purchasing the borrowed shares in order to make good on the delivery of the investment instrument(s) to the party on the other side of the initial short sale.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, and Strategy Risk.

### **Margin Trading**

Margin trading, or “trading on margin,” as it is generally stated, involves the ability to purchase a dollar value of securities that is greater than the dollar value of funds you have available for the purchase. Essentially, trading on margin means that you can borrow additional funds, generally from the firm that holds your brokerage account, to purchase investment instruments that exceed the amount with which you have funded your account.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Margin Risk, Market Risk, Operational Risk, and Strategy Risk.

### **Option Writing** (including covered/uncovered options or spreading strategies)

We will also employ the use of options trading in the event that such trading complements an investment strategy we may be carrying out for a particular client. An option is the right either to buy or sell a specified amount or value of a particular underlying investment instrument at a fixed price (i.e. the “exercise price”) by exercising the option before its specified expiration date. Options giving you the right to buy are called “call” options. Options giving you the right to sell are called “put” options. When trading options on behalf of a client, we may use covered or uncovered options or various strategies such as spreads and straddles. Covered options involve options trading when you own the underlying instrument on which the option is based. Uncovered options involve options trading when you do not own the underlying instrument on which the option is based. Spread options are options whose values are derived from the difference in price of two different underlying assets or components.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Higher Trading Costs, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, and Strategy Risk.

## **VIII.(B). Risk Disclosures**

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### **Capital Risk**

Capital risk is one of the most basic, fundamental risks of investing; it is the risk that you may lose 100 percent of your money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

### **Credit Risk**

Credit risk can be a factor in situations where an investment’s performance relies on a borrower’s repayment of borrowed funds. With credit risk, an investor can experience a loss or unfavorable performance if a borrower does not repay the borrowed funds as expected or required. Investment holdings that involve forms of indebtedness (i.e. borrowed funds) are subject to credit risk.

### **Currency Risk**

Fluctuations in the value of the currency in which your investment is denominated may affect the value of your investment and thus, your investment may be worth more or less in the future. All currency is subject to swings in valuation and thus, regardless of the currency denomination of any particular investment you own, currency risk is a realistic risk measure. That said, currency risk is generally a much larger factor for investment instruments denominated in currencies other than the most widely used currencies (U.S. dollar, British pound, Euro, Japanese yen, etc.).

### **Economic Risk**

The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

### **Financial Risk**

Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of financial risk can be found in cases like Enron or many of the dot com companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.

### **Higher Trading Costs**

For any investment instrument or strategy that involves active or frequent trading, you may experience larger than usual transaction-related costs. Higher transaction-related costs can negatively affect overall investment performance.

### **Inflation Risk**

Inflation risk involves the concern that in the future, your investment or proceeds from your investment will not be worth what they are today. Throughout time, the prices of resources and end-user products generally increase and thus, the same general goods and products today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the proceeds from that investment will be worth less in the future than what they are today. Said another way, a dollar tomorrow will likely get you less than what it can today.

### **Interest Rate Risk**

Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once an investor has acquired or has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market will affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing interest rates in the market will have an inverse relationship to the value of existing, interest paying investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. The reverse is generally true as well.

### **Legal/Regulatory Risk**

Certain investments or the issuers of investments may be affected by changes in state or federal laws or in the prevailing regulatory framework under which the investment instrument or its issuer is regulated. Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of those investments and thus, can have a negative impact on the overall performance of such investments.

### **Liquidity Risk**

Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

### **Margin Risk**

- You can lose more funds than you deposit in a margin account. A decline in value of securities that are purchased on margin may require you to provide additional funds to the custodian holding your margin account in order to avoid a forced sale of those securities or other securities in your account.
- The custodian holding your margin account can force the sale of securities in your margin account. If the equity in your account falls below the margin maintenance level required by law or below the custodian's "house" requirement, the custodian can sell the securities in your account to cover the margin deficiency. You will be responsible for any shortfall in the account after such sale.
- Securities can be sold without contacting you prior to sale. Some investors mistakenly believe they must be contacted before a margin call becomes valid and that securities in their accounts cannot be liquidated to meet the call unless they have been contacted ahead of time. Most firms will attempt to notify you of margin calls, however, they are not required to do so. Even if the custodian has contacted you to provide a specific date by which you can meet a margin call, the custodian can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to you.
- You are not entitled to choose which securities in your margin account are liquidated or sold to meet your margin call. Because the securities are used as collateral for the margin loan, the custodian has the right to decide which securities to sell in order to protect its interests.
- The custodian can increase its "house" maintenance requirement at any time and is not required to provide you with advance, written notice. These changes in policy can take effect immediately and may result in the issuance of a margin maintenance call. Your failure to satisfy this call may cause a forced liquidation in your account.
- You are not entitled to an extension of time on a margin call. While an extension of time to meet margin requirements may be available to clients under certain conditions, a client does not have the right to the extension.

### **Market Risk**

The market value of an investment will fluctuate as a result of the occurrence of the natural economic forces of supply and demand on that investment, its particular industry or sector, or the market as a whole. Market risk may affect a single issuer, industry or sector of the economy or may affect the market as a whole. Market risk can affect any investment instrument or the underlying assets or other instruments held by or traded within that investment instrument.

### **Operational Risk**

Operational risk can be experienced when an issuer of an investment product is unable to carry out the business it has planned to execute. Operational risk can be experienced as a result of human failure, operational inefficiencies, system failures, or the failure of other processes critical to the business operations of the issuer or counter party to the investment.

### **Past Performance**

Charting and technical analysis are often used interchangeably. Technical analysis generally attempts to forecast an investment's future potential by analyzing its past performance and other related statistics. In particular, technical analysis often times involves an evaluation of historical pricing and volume of a particular security for the purpose of forecasting where future price and volume figures may go. As with any investment analysis method, technical analysis runs the risk of not knowing the future and thus, investors should realize that even the most diligent and thorough technical analysis cannot predict or guarantee the future performance of any particular investment instrument or issuer thereof.

### **Strategy Risk**

There is no guarantee that the investment strategies discussed herein will work under all market conditions and each investor should evaluate his/her ability to maintain any investment he/she is considering in light of his/her own investment time horizon. Investments are subject to risk, including possible loss of principal.

## **VIII.(C). Investment-Specific Risks**

There is no single type of investment instrument that we predominantly recommend, however, please be mindful that all investments carry some form and degree of risk. Certain types of investments carry greater types and levels of risk than others and you should make sure that you fully understand not only the investment product itself but also the attendant risk factors associated with such products.

## **IX. Disciplinary Information**

The purpose of this section is for us to disclose to you any legal, disciplinary, or other events that you may consider material in your evaluation of our firm or the integrity of our management. Following each of the items below, we shall provide details as to each applicable matter or we will answer "No." This information is presented in a question and answer format. The time period required to be covered by our answers in this section is ten years from the date of the events requiring disclosure.

### **IX.(A). Criminal or Civil Action**

In any domestic, foreign, or military court of competent jurisdiction, has LF or any of its management persons...		
Been convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Been identified as the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property,	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses?		
Been found to have been involved in a violation of an investment-related statute or regulation; or	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Been the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

## IX.(B). Administrative Proceedings

Has LF or any of its management persons been the subject of an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which LF or any of its management persons...		
Was found to have caused an investment-related business to lose its authorization to do business; or	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority...		
denying, suspending, or revoking the authorization of LF or one of its management persons to act in an investment-related business;	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
barring or suspending LF or one of its management person's association with an investment-related business;	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
otherwise significantly limiting LF or one of its management person's investment-related activities; or	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
imposing a civil money penalty of more than \$2,500 on LF or one of its management persons?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

## IX.(C). SRO Proceedings

Has LF or any of its management persons been involved in a SRO proceeding in which LF or any of its management persons ...		
Was found to have caused an investment-related business to lose its authorization to do business; or	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

## X. Other Financial Industry Activities and Affiliations

The following information will address any active or pending financial industry affiliations that you need to know about for the purpose of identifying any related conflicts of interest that you might consider material in regard to letting us handle your investment advisory needs.

### X.(A). Broker-Dealers

Neither LF nor any of its management persons is registered as a broker-dealer nor do either parties have an application pending or otherwise in process for the purpose of seeking registration as a broker-dealer. Further, none of our management persons are registered as or currently seeking registration as a registered representative of a broker-dealer.

## **X.(B). Futures Commission Merchants, Introducing Brokers, Commodity Trading Advisors, Commodity Pool Operators**

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Neither LF nor any of its management persons is registered as a futures commission merchant, an introducing broker, a commodity trading adviser, or a commodity pool operator, nor do either parties have an application pending or otherwise in process for the purpose of seeking registration as any of these types of firms. Further, none of our management persons are registered as or currently seeking registration as associated persons of any of these types of firms.

## **X.(C). Related Persons**

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The purpose of this section is to allow us the ability to identify any other entities that meet the definition of a “related person” of ours that fit one of the categories described below. Once identifying all of our related persons that fit one of these categories (if any), we need to explain to you certain details surrounding any material relationship between any of our related persons and our investment advisory business in general. Next, we will need to describe to you any material relationship between any of our related persons and our investment advisory clients. If there are no other entities in any of the categories introduced below that meet the definition of a related person of ours, then we obviously have no additional details to describe to you. If, however, we do have any related persons that fit one of those categories AND there is some material relationship between those parties and (1) our investment advisory business and (2) our investment advisory clients, we need to provide you some additional details accordingly.

Listed below are the specific categories of potential related persons of ours. In the event that we have a related person that is included in one of those categories, we will address not only the relationship or arrangement that is material to our advisory business or our clients but also any conflict(s) arising out of this relationship/arrangement and how we address such conflict(s). It should be understood that if the checkbox immediately preceding a category is unselected, that category shall be deemed not applicable for the purpose of this item X.(C).

☐ **Broker-dealer, municipal securities dealer, or government securities dealer or broker**

*Related Person:* None.

*Conflict(s):* None

*How we Address the Conflict(s):* N/A

☐ **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)**

*Related Person:* None.

*Fund:* None

*Conflict:* None

*How we Address the Conflict(s):* N/A

☐ **Other investment adviser or financial planner**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

☐ **Futures commission merchant, introducing broker, commodity pool operator, or commodity trading advisor**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

☐ **Banking or thrift institution**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

☐ **Accountant or accounting firm**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

☒ **Lawyer or law firm**

*Related Person:* Lustrin Tetelman, LLP.

*Conflict:* Alan Lustrin, the owner of LF is an attorney employed by this Firm.

*How we Address the Conflict(s):* First and foremost, we address this conflict by disclosing it to you in this Brochure. As a matter of general policy, we aggressively discourage activities that put your interests anywhere but first. Additionally, we have instituted a comprehensive supervisory program, detailed in our Written Supervisory Procedures (“WSPs”) that was designed to address, among other things, conflicts of interest such as the relationship between us and the entities named above. In addition, we have designated a Chief Compliance Officer, as set forth on Schedule A of our Form ADV, to be the party responsible for the overall application and oversight of our supervisory process and our WSPs.

☐ **Insurance company or agency**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

☐ **Pension consultant**



*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

☐ **Real estate broker or dealer**

*Related Person:*

*Conflict:*

*How we Address the Conflict(s):*

☐ **Sponsor or syndicator of limited partnerships**

*Related Person:* None

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A

## **X.(D) Use of Other Investment Advisers**

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As described previously in Item IV.(B), from time to time we may recommend or select other investment advisers for you and in return, we will participate in the compensation (i.e. solicitor/referral fees) derived from the services such other investment advisers provide in connection with your assets that they may manage throughout time.. In these cases, we will generally enter into a formal, written agreement (i.e. a solicitor agreement) with such other investment advisers. These sorts of arrangements are often times referred to as “solicitor arrangements” and under such arrangements, we would be serving the role of solicitor for the other investment adviser.

As a result of such arrangements, we may be incentivized to recommend only the investment advisers from whom we receive solicitor/referral fees as opposed to another investment adviser from whom we do not receive such fees. We continually monitor other investment advisers that we might recommend under a solicitor arrangement in the event that such investment advisers are not meeting the standards that we believe meet your needs, we will seek other investment advisers that may be a better fit for your specific management needs.

Additional details about any such arrangement can be found in the applicable solicitor disclosure document that we are obligated to provide to each of our clients that we may refer to any other investment adviser under one of these solicitor arrangements. You are always welcome to request a copy of our current solicitor disclosure document for any investment adviser that we may have recommended or selected for you.

## **XI. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### **XI.A Code of Ethics**

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We take great pride in our commitment to serving our clients’ needs and the integrity with which we conduct our business. In our recent history, the financial services industry has come under significant scrutiny, especially in the area of the inherent responsibility of financial professionals to behave in the best interests of their clients.

We have developed a Code of Ethics (“Code”) as a means of memorializing our vision of appropriate and professional conduct in carrying out the business of providing investment advisory services. Our Code addresses issues such as the following:

- Standards of conduct and compliance with applicable laws, rules, and regulations
- Protection of material non-public information
- The addressing of conflicts of interest
- Employee disclosure and reporting of personal securities holdings and transactions
- The firm’s IPO and private placement policy
- The reporting of violations of the Code
- Educating employees about the Code
- Enforcement of the Code

Each of our representatives has been furnished with a copy of our Code and has signed their names to a written acknowledgement attesting to their understanding of the Code and acceptance of its terms. A copy of our Code is available to all current and/or prospective clients upon request.

## **XI.(B) Participation in Client Trading**

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The information in this item is intended to address situations in which we or one of our related persons may have a material financial interest in the investment instruments we may recommend to you.

No such arrangements exist.

## **XI.(C) Trading Alongside Our Clients**

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We do not invest for our own accounts or have a financial interest in the same securities or other investments that we recommend or acquire for the accounts of our clients.

### **Investment Policy**

None of our associated persons may effect for himself/herself or for accounts in which he/she holds a beneficial interest, any transactions in a security which is being actively recommended to any of our clients, unless in accordance with the following procedures.

### **Firm Procedures**

In order to implement our Investment Policy, the following procedures have been put into place.

- 1) If we are recommending that any of our clients buy any security, no associated person may purchase that security prior to a client’s purchase of that security; and
- 2) If we are recommending that any of our clients sell any security, no associated person may sell that security prior to a client’s sale of that security.

As an alternative to the procedures described in the preceding points, we may include our own order(s) in a batch order with other client orders that would involve average pricing for the entire batch such that we would receive the same pricing as all other clients participating in the batch.

It is the primary intent of these procedures to ensure that the best interests of our clients are always served over that of our own. Trading on our own behalf that results in our own interests being served over that of our clients could be considered a breach of our fiduciary duty and thus, is aggressively discouraged.

## **XI.(D) Trading Around the Same Time as Clients**

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The information in this item is intended to address situations in which we or any of our related persons may invest in the investment instruments we may recommend to you.

Transactions for the client's account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at the same or approximately the same time. We may (but are not obligated to) combine or "batch" such orders in order to obtain best execution or to negotiate more favorable transaction rates. To the extent that we elect to aggregate client orders for the purchase or sale of securities, including securities in which our associated persons may invest, we will generally do so in accordance with the parameters set forth in SEC No-Action Letter, *SMC Capital, Inc.* We will not receive any additional compensation or remuneration as a result of a batched order.

## **XII. Brokerage Practices**

The purpose of this Item is to present to you the factors that we take into consideration when (1) selecting or recommending broker-dealers to you for the purpose of effecting transactions on your behalf and (2) for determining the reasonableness of such broker-dealers' compensation related to such transactions.

Unless the client directs otherwise, LF will generally recommend that all the client's accounts be maintained at, by, or through certain other firms that are unaffiliated with LF.

Although not all-inclusive, LF may recommend the following brokers of record and their corresponding custodian:

<b>Broker of Record</b>	<b>Custodian</b>
Fidelity Brokerage Services, LLC	National Financial Services, LLC

Factors that we consider in recommending certain broker-dealers or custodians to our clients may include such entity's financial strength, reputation, execution, pricing, and service. In return for effecting securities transactions through certain broker-dealers/custodians, we or certain of our supervised persons may receive certain support services that may assist us in our investment decision-making process for all of our clients.

In seeking best execution, the determinative factor is not always the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of brokerage services, including factors such as execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, we may not necessarily obtain the lowest possible commission rates for the client's account transactions.

### **XII.(A).(1). Research and Soft Dollar Benefits**

The SEC has defined soft dollar practices as arrangements under which products or services other than execution of securities transactions are obtained by an adviser from or through a broker-dealer in exchange for the adviser directing client brokerage transactions to the broker-dealer. Although soft dollar arrangements are perfectly acceptable if structured properly and as long as clients receive proper disclosure of them, soft dollar practices create an inherent conflict of interest because it is possible for an investment adviser to receive soft dollar benefits that it may not use specifically for the benefit of all clients whose commission dollars contributed toward the payment of such soft dollar benefits. In other words, a client may share in the cost of a soft dollar benefit but may not share in the benefit itself.

Section 28(e) of the Exchange Act ("Section 28(e)") provides the framework under which an investment adviser who has and exercises investment discretion (as defined in Section 3(a)(35) of the Exchange Act) over client assets can use client commissions to obtain certain soft dollar benefits (such as research).

<http://www.sec.gov/news/studies/softdollar.htm#back>  
<http://www.sec.gov/about/laws/sea34.pdf>  
<http://www.sec.gov/news/studies/2011/913studyfinal.pdf>  
<http://www.sec.gov/rules/interp/2006/34-54165.pdf>  
<http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2004.n1.4005>

We do not participate in any soft dollar arrangements.

## **XII.(A).(2). Brokerage for Client Referrals**

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In certain circumstances, firms like ours may receive client referrals as a result of recommending particular broker-dealers or other service providers. We, however, do not participate in any formal arrangements wherein we receive client referrals from any particular broker-dealer in return for selecting or recommending such broker-dealer.

## **XII.(A).(3). Directed Brokerage**

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This item is intended to address situations where we may recommend, request, or require you to provide us instructions as to how to direct brokerage activity on your behalf.

### ***XII.(A).(3)(a). Directed Brokerage – Recommended, Requested, or Required***

Not all investment advisers require their clients to direct brokerage activity through any particular broker-dealer. We do not routinely recommend, request, or require that you direct us as to how to execute brokerage transactions on your behalf (i.e. using a particular broker-dealer for execution purposes).

### ***XII.(A).(3)(b). Directed Brokerage – Permitted***

Not all investment advisers require their clients to direct brokerage activity through any particular broker-dealer, however, you may direct us to use a particular broker-dealer (subject to our right to decline such a request) to execute some or all transactions for your account or otherwise on your behalf. In such an event, we will not negotiate terms and arrangements for the account with the other broker-dealer, and we will not seek better execution services or prices from other broker-dealers or be able to “batch” the transactions for execution through other broker-dealers with orders for other accounts we manage. As a result, you may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

## **XII.(B). Order Batching**

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Transactions for the client’s account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at the same or approximately the same time. We may (but are not obligated to) combine or “batch” such orders in order to obtain best execution or to negotiate more favorable transaction rates. Reasoning for attempting to effect a batch order is that we may need to trade in the same security for multiple accounts at or around the same time and batching may allow us to achieve a more favorable price on average for all clients. Batching, however, doesn’t guarantee the lowest possible price for execution, however, it is intended to reduce the overall volatility in execution price for a large # of orders that if not batched together, may experience significantly different execution prices. Conversely, in the event that we do not batch a group of orders that otherwise may be a prime candidate for a batched order, the resulting cost for some clients may be higher or lower than what we might be able to achieve by processing a batched order for the benefit of those same clients.

To the extent that we elect to aggregate client orders for the purchase or sale of securities, including securities in which our associated persons may invest, we will generally do so in accordance with the parameters set forth in SEC No-Action Letter, *SMC Capital, Inc.* We will not receive any additional compensation or remuneration as a result of a batched order.

## **XIII. Review of Accounts**

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### **XIII.(A). Review of Accounts or Financial Plans**

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#### **Review of client accounts.**

We will review your accounts on an ongoing basis, but no less frequently than a quarterly basis. The designated reviewer(s) will review your accounts for best execution, suitability, and service. Not all transactions will be reviewed, rather, the designated reviewer(s) will perform a sampling-based review. The designated reviewer(s) will review the performance and cost basis for your transactions. Your investment objectives are used to review for suitability. Quarterly, transactions are reviewed referencing your investment objectives for any transaction that may not fit your stated objectives, or our understanding of your investment objectives will be flagged and reviewed with the investment adviser representative placing the trade.

The periodic review process described above will be performed by the LF personnel with the following titles.

- CEO/President/CCO

#### **Review of Financial Plans.**

Unless specifically engaged to do so, we do not periodically review financial plans that we have prepared for clients.

### **XIII.(B). Non-Periodic Account Reviews**

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Events that may trigger further client account reviews in addition to the standard quarterly review process may include, but would not be limited to, a notable increase in the volume of requests by the client to effect transactions in his/her accounts, where such transactions may appear to be inconsistent with the client's previously stated investment objectives. Other factors may include requests by the client to liquidate certain securities positions/contracts where such transactions may appear to be inconsistent with the client's previously stated investment objectives. Additional triggering factors could be the performance on an individual account being an outlier to the performance of accounts with similar investment objectives, and a very important trigger would be customer complaints. This last trigger would be a prime example of a trigger for an intermittent review of a client account.

### **XIII.(C). Reports to Clients**

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Account statements will be provided no less frequently than quarterly by the custodian, not by us.

Account statements will identify account positions, balances, and transaction details. Upon your request, a quarterly account appraisal (written or electronic) may be created for you as well as an annual year-end statement.

In the event we also send account statements to you in addition to those provided by the qualified custodian, you are urged to compare any account statements provided by us to those provided by the custodian.

## **XIV. Client Referrals and Other Compensation**

### **XIV.(A). Compensation We Receive**

Other than the compensation arrangements described above in Item IV.(B), LF does not receive any other compensation in connection with the investment advisory services provided to our clients.

### **XIV.(B). Compensation We Pay**

From time to time, we may enter into agreements with various independent solicitors who may refer prospective investment advisory clients to us. We do not charge clients introduced by third-parties fees or costs greater than the fees or costs that we would normally charge any other clients who were not introduced by a third-party solicitor, and have similar portfolios under management with us. Any such agreements will be handled in accordance with the provisions of Rule 206(4)-3 under the Investment Advisers Act of 1940. The specific compensation arrangements vary from situation to situation but can be found in the specific solicitor disclosure document relating to each such solicitor arrangement. For more information on our solicitor arrangements, please call 212-991-9590.

## **XV. Custody**

Although our client agreement allows for automatic fee deduction, we do not deduct fees from client accounts, nor do we engage in any other activity whereby we would be deemed to have custody.

## **XVI. Investment Discretion**

In connection with our investment advisory services, we will generally seek and obtain your authorization to carry out part of our services on a purely discretionary basis. We will memorialize your authorization of our discretionary authority in our investment advisory agreement.

If you have authorized us to do so, we will exercise discretion over the following areas.

- 1) The specific securities to be bought or sold on the client's behalf
- 2) The amount of securities to be bought or sold on the client's behalf
- 3) Timing as to when such securities are to be bought or sold
- 4) The particular broker or dealer to be used for arranging client securities transactions
- 5) Commission rates to be paid in relation to securities products effected on the client's behalf
- 6) The engagement of other investment advisers to provide the direct management of your assets

We will have authority to exercise complete discretion with regard to the above named factors without restriction. If done so on a non-discretionary basis, we will make certain recommendations that must be authorized by you prior to our facilitation of any such transactions. As may be separately agreed to in writing, we will observe any other specific limitations that may be imposed by you in relation to this discretionary authority.

## **XVII. Voting Client Securities**

### **XVII.(A). Proxy Voting**

#### **Proxy Voting Policies and Procedures and Client Instruction**

LF intends to offer its clients the option of LF voting proxies on their behalf. This service will not be aggressively promoted and will be offered only as a matter of convenience and must be specifically authorized by each client on whose behalf LF performs such services. In the event that you have authorized (via the Agreement) us to vote proxies on your behalf, we will perform the voting process for you subject to the following information and procedures. Alternatively, if you provide us with other, specific instructions as to how we are to carry out the proxy voting process on your behalf, we will do so. Such instructions must be written and included in or as part of our Agreement.

In an effort to assure that clients' proxy votes are carried out in our clients' best interests and not affected by any conflicts of interest that may exist, we have adopted the following elements as part of our proxy voting policy.

Regardless of the nature of the issue up for vote, we thoroughly and objectively research the voting options and the corporate landscape in order to arrive at a decision that we believe meets the best interests of the client as a shareholder of the company in question. The overriding theme of our policy is to vote client proxies in the manner that we believe is most consistent with the following:

- The client's stated investment objectives
- The client's desired voting interests
- The long-term well-being of the company soliciting the proxy
- An increase in shareholder value

#### **Conflicts of Interest...**

We recognize that conflicts of interest may arise when voting your proxies. A conflict of interest exists when your best interests are contrary to our best interests due to some relationship between us and/or our associated persons and a company that is soliciting a proxy. Some examples may include:

- The spouse of one of our associated persons is a board member of a company whose management is soliciting proxies to vote on a salary increase for the board.
- We are an affiliated company of a company that has issued a proxy notice to individuals who are our clients.
- We or one or more of our affiliates may manage a pension plan, administer employee benefit plans, or provide brokerage, underwriting, insurance, or banking services to a company whose management is soliciting proxies.

It is our policy to vote proxies in the best interests of its clients regardless of the existence of any conflict of interest.

As authorized in our Agreement, we may exercise complete discretionary voting authority in relation to proxy notices that we receive on your behalf. If no apparent conflict of interest exists in relation to our exercise of our voting authority on your behalf, we shall vote all such proxies as we see fit and in your best interest.

Under certain circumstances, the most prudent action on our part may be NOT to vote a proxy(s). Under such circumstances, we shall ensure that appropriate records are maintained so as to justify not having voted such proxy(s).

#### **How to obtain our proxy voting record...**

We will ensure that a complete record is retained of the initial proxy notice and the subsequent vote that we cast on your behalf. For a copy of our proxy voting record on your behalf, please write or call us at:

LUSTRIN FINANCIAL, LLC  
450 Seventh Avenue - 40<sup>th</sup> Floor  
New York, NY 10036  
212-991-9590  
212-216-9559...fax  
alustrin@ltrlp.com

## **XVII.(B). Proxy Voting**

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If you have authorized us to vote proxies on your behalf, we will do so in accordance with the information provided above in XVII.(A). Proxies related to the securities you own will be disseminated as dictated by the issuer, transfer agent, or as otherwise set forth in the account opening paperwork you completed for the custodian holding your account/assets. If you have questions related to a particular proxy notice, please call us at 212-991-9590.

## **XVIII. Financial Information**

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### **XVIII.(A). Balance Sheet**

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We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. As a result, we are not required to provide our clients with a copy of our balance sheet from our most recently completed fiscal year.

### **XVIII.(B). Adverse Financial condition**

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In the event that we have discretionary authority or custody of any of our clients' assets or if we require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, we are required to disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments with our clients. No such conditions exist.

### **XVIII.(C). Bankruptcy-Related Matters**

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LF has not been the subject of a bankruptcy petition.

## **XIX. Requirements for State-Registered Advisers**

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As a federally-registered investment adviser, this section of our Brochure is not applicable to us.