

FIRM BROCHURE

(Part 2A of Form ADV)

June 11, 2015

Lido Advisors, Inc.

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Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Lido Advisors, Inc. If you have any questions about the contents of this Brochure, please contact us at (310) 278-8232 and/or gkushner@lidoadvisors.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Lido Advisors, Inc. is a registered investment adviser with the U.S. Securities and Exchange Commission; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.

Additional information about Lido Advisors, Inc. and its investment adviser representatives also is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 1: COVER PAGE

Please refer to previous page.

ITEM 2: MATERIAL CHANGES

Below is a summary of the material changes made to LAI's Client Brochure since the Brochure was last updated:

Item 4 – *Advisory Business* – updated to include information on the allocation process for recommending the Private Funds to clients. Also, updated to include language on the sub-advisory arrangement and service agreement LAI entered into with Ken Stern & Associates, Inc (“KS&A”). Additionally, provided information reflecting that some investment adviser representatives of LAI have affiliations with some of the Private Funds that LAI clients invest in.

Item 5 – *Fees and Compensation* – updated to reflect that Ken Stern, who is a Managing Director of LAI, has an ownership affiliation with a Private Fund (“Churchill II Fund”) that is recommended to LAI clients for investment, along with the fees charged by the fund.

Item 6 – *Performance Fees and Side by Side Management* – updated to include disclosures on the fact that Ken Stern, due to his ownership affiliation, indirectly shares in the performance fees paid by investors in the Churchill II Fund.

Item 7 – *Types of Clients* – removed language regarding the requirement for a minimum account size.

Item 8 – *Methods of Analysis, Investment Strategies and Risk of Loss* – added information regarding the service agreement between LAI and KS&A and included more disclosures regarding this illiquidity risks surrounding Private Funds.

Item 10 – *Other Financial Industry Activities and Affiliations* – added information regarding the service and sub-advisory arrangements with KS&A. Added information on outside business activities for certain senior managers of LAI, along with disclosures on the fact that some of the LLCs owned by senior managers invest in certain Private Funds that clients are invested in. Added language that LAI has entered into certain business consulting arrangements with employees, officers and/or owners of certain Private Funds. Also, included language regarding the conflicts of interest surrounding these activities and how the firm addresses such conflicts.

Item 12 – *Brokerage Practices* – added information on the allocation process for recommending the Private Funds to clients.

The previous version of this Brochure is dated March 31, 2015. There were other non material changes, so LAI encourages each client to read the Brochure carefully and to call us with any questions you may have.

Pursuant to SEC Rules, LAI will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of LAI's fiscal year, along with a copy of this Brochure or an offer to provide the Brochure. Additionally, as LAI experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover. For more information about the firm, please visit www.lidoadvisors.com. Additional information about LAI and its investment adviser representatives is available on the SEC's website at www.adviserinfo.sec.gov.

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ITEM 4: ADVISORY BUSINESS

A. Description of Firm

LAI is a Los Angeles-based investment management firm founded in 2001. LAI also has branch offices located in Dallas, Texas, Rancho Santa Fe, California, San Diego, California, Broomfield, CO, Las Vegas, Nevada, and New York City, New York. LAI offers customized investment management services to individuals, high net worth clients, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, unaffiliated registered investment companies (mutual funds) and other types of business entities. As discussed more fully below, LAI assists clients in investment management, financial planning and consultation services, which includes tax optimization advice, portfolio analysis, retirement and estate planning, and selection of other advisers. Investment management services are offered primarily on a fully discretionary basis, unless otherwise noted. Some of the investment instruments LAI advises its clientele on include, among other things, mutual funds, exchange-traded funds (“ETFs”), equities, fixed income, and other investments, including private funds, limited partnerships, and first trust deeds. LAI also utilizes the management services of third party advisers (“TPA”) as outlined further below.

LAI currently is registered with the SEC as an investment adviser and with the State of California as an S-Corporation. The states that we conduct business in are reflected in Part 1 of our Form ADV, a copy of which can be found on www.adviserinfo.sec.gov.

The principal owner of LAI is Gregory P. Kushner, who also serves as the Firm’s President and Chief Compliance Officer. While Jason Ozur (Managing Director, Chief Operations Officer and Portfolio Manager), Jeffery Westheimer (Senior Vice President), Alyssa Weinberger (Senior Vice President), and Ken Stern (Managing Director) are not principal owners, each has a very active participation in certain senior management discussions.

B. Types of Advisory Services Offered

As part of its advisory service offerings, LAI provides its clientele with a variety of options, including asset management by LAI, selection of third-party advisers (“TPAs”), financial planning, family office and consultation services, which may include tax optimization, portfolio analysis, retirement planning and/or estate planning, and family governance and legacy planning advice.

1. Asset Management by LAI

LAI provides its investment management services utilizing its proprietary Asset Management Program. LAI offers clients a tailored investment management solution that encompasses not only the traditional asset classes of fixed income and domestic equities, but also includes hybrid offerings, liquid and non-liquid alternative investments, non-liquid fixed income investments and cash. For purposes of these categorizations, equities are defined as common stocks, exchange traded funds (ETFs) based on stock indices, equity mutual funds, publicly traded master limited partnerships, publicly traded royalty trusts, and publicly traded REITs. Fixed income are defined

as government bonds, municipal bonds, corporate bonds, high yield bonds, foreign bonds, preferred stocks, CDs, loans, ETFs based on bond indices, fixed income mutual funds, short-term fixed income instruments, structured notes, and certain preferred stocks. The hybrid categorization generally includes merger funds, long-short commodity funds, structured notes, covered options, and other hybrid mutual funds (based on equity volatility). Liquid alternative investments represent long-only investments which invest exclusively in single sector or commodities ETFs or mutual funds. On the other hand, non-liquid alternative investments include hedge funds, fund of funds, private equities, private real estate investment trusts, private real estate holdings and oil and gas LPs. Non-liquid fixed income investments, defined as longer-term investments in loans secured by first trust deed mortgages, include first trust deed loans and client directed family mortgages. Cash represents either money market funds or cash equivalents.

Lido also offers the following specific investment strategies:

- *Hedged Hybrid Strategy* - quantitative focused hedge fund of funds replication strategy investing primarily in publicly traded registered mutual funds
- *Core Equity Mutual Fund Strategy* - seeks to enhance risk adjusted returns, realize gains and reduce risk over time by varying the level of exposure to asset classes when deemed appropriate by investing primarily in registered mutual funds.
- *Tactical (ETF) Portfolio Management Strategy* – aims to achieve attractive absolute returns while providing lower volatility, utilizing only ETFs.
- *S&P 500 Sector ETF Strategy* – a momentum based strategy that seeks to invest in some of the nine S&P sectors of the U.S. economy on the basis of general industry classification from a universe of companies defined by the Standard & Poor's.
- *Equity Collar Strategy* – an options based equity strategy that seeks to limit downside participation in an equity oriented strategy, by both purchasing downside protection (buying a put option) while financing (partially or fully) the protection with selling some potential upside participation (writing a covered call option).

Please refer to Item 8 below for further details on the above strategies.

LAI provides investment management services based on a thorough understanding of each client's investment objectives. This is accomplished by gathering pertinent investment objective and risk tolerance information vis-à-vis a Client Risk Profile Form, Investment Policy Statement or other similar documentation process. This information, together with any other information relating to the client's overall financial circumstances, will be used by LAI to determine an appropriate portfolio asset allocation and investment strategy.

Clients assets invested in one or more of LAI's specific investment strategies are invested and continuously managed based on a "model" account of securities that pertain to the investment strategy(ies) selected and that are in line with each client's investment objectives outlined in their Client Risk Profile Form.

In some cases, LAI uses certain TPAs to affect various strategies on behalf of a client's account and/or receive research and investment recommendations; (*see* 4.B.2., below regarding the use of

TPAs and Item 8 for more information on LAI's methods of analysis and investment strategies, and their associated risks).

LAI has entered into independent contractor agreements with certain individuals employed at Ken Stern & Associates, Inc. ("KS&A"), including the CEO and Managing Director, Ken Stern, to serve as registered investment adviser representatives ("IARs") of LAI. KS&A is an SEC registered investment adviser that is not affiliated with LAI. The services they provide as IARs of LAI include, but are not limited to (i) general investment advice and recommendations, including research in the above referenced asset classes, and (ii) investment management recommendations for certain LAI client accounts (as determined by LAI) based on the client investment objectives and guidelines. All investment recommendations made by these IARs are reviewed by LAI for suitability purposes. Please refer to Items 8, 10, 12 & 14 for further information regarding this arrangement, including the conflicts of interest created by this arrangement and how LAI addresses such conflicts. LAI also has entered into a sub-advisory relationship with KS&A, along with a services agreement, which are described more fully in Item 4.B.2 below.

LAI generally manages all client assets on a fully discretionary basis, but for select clients, may provide non-discretionary management upon request and at the sole discretion of LAI. In exercising full discretionary authority, LAI selects, without first obtaining client's permission: (1) the securities to be bought and sold; (2) the amounts of securities to be transacted and whether it will be individually or blocked traded; (3) the broker-dealer through which transactions will be executed; and where applicable, (4) the TPA to be used to manage a portion of the client's portfolio (see below). LAI's discretionary authority may be subject to conditions imposed by a client. This occurs when a client restricts or prohibits transactions in a security for a specific company or for an industry sector, or requests that the Firm place trades with a specific broker-dealer (aka "directed brokerage"). While LAI generally allows Clients to impose reasonable restrictions on the types of securities and/or industries they do not want to be included in their portfolio, each client assumes responsibility for informing LAI in writing of any changes to these restrictions or to their overall investment objectives.

For certain clients, LAI recommends that a portion of such client's assets be invested in certain private investments. These include, without limitation, hedge funds, real estate funds, managed futures funds, private equity funds, venture capital funds, and other types of private pooled investment vehicles (collectively "Private Funds"). The Private Funds may invest in various types of instruments, including but not limited to equities, debt securities, commodities, futures contracts, real estate, first trust deeds, private companies, and other private investment funds.

When determining which clients should receive a recommendation to invest in a Private Fund, LAI considers a number of factors, including but not limited to a client's sophistication, risk tolerances and qualifications, investment objectives, and the amount of available assets in client accounts. LAI's goal is to allocate in a fair and balanced manner; however, given these differing factors, the allocation of investment opportunities in Private Funds to LAI clients is mainly subjective and not all qualifying clients will be provided an investment opportunity.

For those clients that do receive a recommendation to invest, it is important that you read each offering or private placement memorandum prior to investing to fully understand the risks and conflicts pertaining to the Private Fund investment. (Please refer to Item 12 for further information on the allocation of Private Fund investments.)

The client assets with each Private Fund are held at the custodian selected by each Private Fund's sponsor or investment manager and LAI tracks the performance of these Private Funds separately from other securities purchased for clients. Clients are provided with private placement memorandums and other offering and subscription documentation that detail the nature, risks and associated fees of each Private Fund. It is important that the client read these documents before investing to fully understand the types of investments, risks and conflicts pertaining to the Private Funds. Certain LAI IARs have affiliations with the issuer of certain Private Funds. Also, there are times when certain LAI employees invest in the Private Funds. Please also refer to Items 5, 6, 10, 11 and 12 for further information.

Notably, some of the mutual funds and ETFs selected by LAI employ alternative or riskier strategies, such as the use of leverage, derivatives or hedging. Leverage is the use of debt to finance an activity. For example, leverage is used when one uses margin to buy a security. Derivatives can be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns. Hedging on the other hand occurs when an investment is made in order to reduce the risk of adverse price movements in a security. For example, hedging is used when one takes an offsetting position in a related security, such as an option or short sale. While leverage or hedging can operate to increase rates of return, it also increases the amount of risk inherent in an investment. Other funds may employ other alternative techniques which carry inherent higher degrees of risks. Please review these considerations carefully with your portfolio manager prior to investing. Please also refer to Item 8 below for detailed information regarding the Firm's methods of analysis and the risks surrounding such investments.

There are times when a client decides to use margin in their account, or when a margin account is necessary, such as when a client invests in the Equity Collar Strategy. Use of margin in an investment advisory account increases a client's asset-based fee. If margin is used to purchase additional securities, the total value of eligible account assets increases, as does your asset-based fee. In addition, clients will be charged margin interest by the custodian on the debit balance in their custodial account. Notably, the increased asset-based fee that a client pays presents a conflict since it creates an incentive for LAI to recommend the use of margin. However, please note that using margin is not suitable for all investors; the use of margin increases leverage in a client's account and therefore increases overall risk. To assist clients in understanding risks surrounding margin accounts, LAI provides clients considering margin accounts with a summary page outlining the main risks, which must be executed by the client upon opening an account with LAI.

2. Selection of Third-Party Advisers (“TPAs”)

LAI may delegate the active discretionary management of all or part of a discretionary client’s assets in their managed account(s) to one or more independent third party investment managers (“TPAs”) based on the client’s stated investment objectives, guidelines, and restrictions. Access to TPAs may be provided by LAI through a third party platform of approved investment managers that is made available by agreement between LAI and the platform provider, through a sub-advisory relationship between LAI and the TPA, and/or LAI may recommend TPAs to be appointed through direct advisory contracts with a client.

The TPAs will have discretionary authority over those assets allocated to them for management and they will be authorized to buy, sell, and trade in securities in accordance with the client’s investment objectives. LAI’s fees could differ, if and when it allocates a client’s assets to one or more TPAs and such client may be required to enter into a separate investment management agreement directly with the TPA selected in addition to the agreement entered into between the client and LAI.

Once a TPA is selected, LAI continues to monitor the chosen TPA to ensure the TPA adheres to the philosophy and investment style for which they were selected.

LAI has the authority (pursuant to the investment management agreement between LAI and each client) to add, replace or change any TPA on behalf of a client, without the client’s prior consent, as LAI determines to be in the best interests of the client, in its sole discretion.

As mentioned above, certain individuals of KS&A, including the CEO and Managing Director, Ken Stern, also are IARs of LAI. Additionally, LAI has entered into a sub-advisory arrangement with KS&A, whereby KS&A will serve as a TPA for certain LAI clients. LAI also has entered into a “Services Agreement” with KS&A, whereby KS&A provides services to LAI including, but not limited to: providing research and investment management recommendations, prospect and client services and support to other IARs of LAI. These relationships create a conflict of interest, which LAI addresses by providing disclosure to clients at the time of entering into an advisory agreement with LAI, mainly through the delivery of this Brochure and the Supplemental Brochures (ADV Part 2Bs). Additionally, LAI has implemented supervisory procedures to oversee and monitor the outside business activities of all its IARs. Importantly, as part of LAI’s fiduciary duty to clients, the Firm and its IARs endeavor at all times to put the interests of the clients first, and recommendations and investments will only be made to the extent that they are reasonably believed to be suitable and in the best interests of the client.

3. Financial Planning

LAI provides financial planning services to its investment management clientele who desire such services. Generally, these services are provided for no additional fee, other than the investment management fee being paid, and include, but are not limited to, providing advice on the following:

Evaluation of outside investment accounts
Coordination of overall financial goals and risk management

Estate and retirement planning
Tax efficiency
Wealth transfer and charitable giving
Family governance and living expense considerations

To begin the process, LAI generally collects, organizes and assesses various client data including information concerning the client's lifestyle, risk tolerance, and cash flow, as well as identification of the client's financial concerns, goals, and objectives. The primary objective of this process is to allow LAI to assist the client in developing a strategy for the successful management of income, assets, and liabilities in order to meet the client's individual financial goals and objectives.

As applicable, Clients will receive LAI's recommendations about available alternatives and will have the option of utilizing LAI to implement those plan recommendations. Advice may be given on non-securities matters and any implementation of LAI's recommendations is entirely at the client's discretion. Clients are advised that a potential conflict of interest exists if LAI recommends its own investment management services or if a LAI representative recommends products or services offered in such representative's capacity as a registered representative of a broker-dealer. Furthermore, there can be no assurance that LAI's financial planning services or any products recommended by a financial plan are at the lowest available cost.

Clients are free at all times to accept or reject any of LAI's financial planning recommendations provided and further retain the authority and discretion over all such implementation decisions. However, it is likely that through the financial planning process, LAI may advise a client to use LAI for all its asset management services. Clients are advised that this poses a potential conflict of interest since LAI and its principals will receive remuneration if/when LAI's Asset Management Services are utilized by the client. Should a client decide to implement any financial planning recommendations provided by LAI, the client may, but is under no obligation to, utilize LAI to implement those recommendations.

4. Consultation Services Offered to Clients

Depending on a client's needs, LAI may provide its clients with a broad range of consultation services, which may include non-investment related matters, such as a review of estate and tax planning issues. LAI or its investment adviser representatives do not provide specific estate or income tax advice but will introduce unaffiliated CPAs or attorneys if client desires or work directly with client's advisors as needed.

Clients who initially engage LAI for consultation services only and later wish to engage LAI for discretionary investment management services are generally required to enter into a separate written agreement with LAI for such services, for which LAI will be paid a separate and additional fee based on assets under management in accordance with the fee schedule set forth under Item 5, below. Similarly, to the extent that clients desire to implement securities transactions recommended in a financial plan through a LAI representative in his/her capacity as a registered representative of a broker-dealer, such representatives would receive usual and

customary commissions or fees for effecting such transactions (See Item 5 “Fees and Compensation—Compensation for Sales of Securities or Other Investment Products”).

5. Sub-Advisory Services to a Registered Investment Company

LAI also provides investment management services to an unaffiliated investment company registered under the Investment Company Act of 1940, the Vertical Capital Defined Risk Fund, through a sub-advisory arrangement (“Sub-Advised Mutual Fund”). LAI manages the Sub-Advised Mutual Fund portfolio assets based on the Fund’s specific investment objectives and restrictions, as outlined in the Sub-Advised Mutual Fund’s prospectus and statement of additional information. Please refer to prospectus of the Vertical Capital Defined Risk Fund for a complete description of the investment objective and risks pertaining to the Fund.

C. Information Relating to All LAI Services

1. Gathering Individual Client Information

The investment advice provided by LAI is customizable, with each client’s portfolio managed based upon the individual needs, objectives, and other financial goals of the client. At the onset of the client relationship, LAI memorializes each client’s investment objectives, risk tolerance, investment guidelines, time horizons and other important and necessary information in a Client Risk Profile. The information provided in the Client Risk Profile, together with any other information relating to the client’s overall financial circumstances, will be used by LAI to determine the appropriate portfolio asset allocation and investment strategy or to formulate a customized financial plan (as applicable) for each client.

LAI will not assume any responsibility for the accuracy of the information provided by the client. LAI is not obligated to verify any information received from the client or from the client’s other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Under all circumstances, clients are responsible for promptly notifying LAI in writing of any material changes to the client’s financial situation, investment objectives, time horizon, or risk tolerance. In the event that a client notifies LAI of changes in the client’s financial circumstances or to the information in their Client Risk Profile, LAI will review such changes and recommend any necessary revisions to the client’s portfolio. LAI representatives will generally meet with all clients no less than annually to review the client’s investment goals and current advisory portfolios. Advisory representatives are also available during normal business hours to consult with clients.

2. Advisory Agreements

Prior to engaging LAI to provide investment advisory services, the client will be required to enter into one or more written agreements with LAI setting forth the terms and conditions under which LAI shall render its services (collectively the “Agreement”).

In accordance with Rule 204-3 under the Investment Advisers Act of 1940, as amended (“Advisers Act”), LAI will provide a disclosure brochure (Form ADV Part 2A) and one or more

brochure supplements (Form ADV Part 2B) to each client or prospective prior to or contemporaneously with the execution of an investment advisory agreement.

The Agreement between LAI and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. LAI's annual fee shall be prorated through the date of termination as defined in the Agreement and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

Neither LAI nor the client may assign the Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of LAI shall not be considered an assignment.

D. Assets Under Management

As of December 31, 2014, the following represents the amount of client assets under management by LAI on a discretionary and non-discretionary basis:

Type of Account	Assets Under Management ("AUM")
Discretionary	\$1,069,689,502.00
Non-Discretionary	\$61,976,456.00
Total:	\$1,131,665,958.00

ITEM 5: FEES AND COMPENSATION

A. Advisory Fees

LAI charges fees based on a percentage of assets under management as well as hourly charges and fixed fees, depending on the particular types of advisory services to be provided. The specific fees charged by LAI for its advisory services will be set forth in each client's written agreement with LAI. Although LAI believes its advisory fees are competitive, clients should be aware that lower fees for comparable services may be available from other sources.

1. Asset Management Fees

LAI generally charges an asset management fee based on the account's assets under management (AUM) as of the close of business on the last business day of the preceding calendar quarter. Asset management fees are calculated and paid quarterly in advance based on the following annual percentages:

- 1.25% on account assets under \$1,000,000
- 1.00% on the next \$9,000,000
- 0.75% on next \$10,000,000
- 0.50% on next \$30,000,000
- 0.25% over \$50,000,000

A Minimum Fee of \$2,500 per quarter applies. The minimum fee level may be waived at the sole discretion of LAI. Lower fees for comparable services may be available from other sources. These fees may be negotiated or changed by LAI at the sole discretion of LAI. LAI reserves the right to waive or reduce the management fee with respect to any client, including but not limited to accounts for our employees and/or family members. Some of the factors relevant to charging different fees are the account size, the investment strategy, the type of client, and the nature of the relationship between the potential client and LAI.

The above mentioned fees will be charged on assets that are managed by LAI. Clients may have assets in accounts or portfolios which are not managed by LAI but which are included in clients' statements. LAI charges a quarterly fee of 0.0625% (0.25% annual fee) for this service, but has the sole discretion to lower or waive the fee.

Should a client open an account during the quarter, management fees will be prorated for assets held for a partial quarter based on the number of days that the account was open during the quarter. In the event that LAI's services are terminated mid-quarter, the annual fee shall be prorated through the date of termination as defined in the Agreement and any earned, unpaid balance will be immediately due and payable by client, and any pre-paid unearned fees will be promptly refunded to the client.

Please note that the fees charged by mutual funds, Private Funds, and third party managers are exclusive of, and in addition to, LAI's investment advisory fee. Please refer to Item 5.B below.

2. Fixed Management Fees

While most clients are charged an asset based management fee, LAI does negotiate an annual fixed rate management fee with certain clients. The annual fee is billed either quarterly in advance or arrears as negotiated with the client. Pre-paid unearned fees will be promptly refunded to client.

3. Client Consultation Fees

LAI may offer consultation services at a negotiable hourly rate that does not exceed \$500 per hour. Alternatively, clients may elect to receive these services on a fixed fee basis.

4. Sub-Advised Mutual Fund Fees

LAI is paid an annual management fee of 0.50% of the daily net assets of the Sub-Advised Mutual Fund by the Fund's adviser. The fee is calculated by the adviser monthly based on the average daily net assets of the Fund's portfolio and paid quarterly. LAI has agreed to allow the adviser to the Sub-Advised Mutual Fund to withhold the fee equal to 50% of the adviser's expenses in accordance with an Expense Limitation Agreement between the adviser and the Sub-Advised Mutual Fund. Detailed management fee and related expense information are contained in the prospectus and statement of additional information for the Sub-Advised Mutual Fund, which should be read carefully before investing. No performance fees are charged to this mutual fund.

5. Billing Authorization

Through the investment advisory agreement, clients provide LAI with authority to invoice the client's custodian directly for payment of LAI's fees. The custodian debits the fees from the client's account(s) as soon as practicable following the last business day of each calendar quarter and sends the amount to LAI. Clients may, if preferred, pay LAI's quarterly fees by check. In such cases, LAI will send the invoice directly to the client.

Clients will receive a periodic (at least quarterly) account statement from the custodian, reflecting among other things, any fees withdrawn by the custodian and paid to LAI. Clients are urged to compare statements received by their custodian, with those statements sent by LAI. For more information on the reports LAI provides to its clients, please refer to Item 13 below.

B. Other Fees and Expenses

Clients should understand that the advisory fees described in the sections above do not include certain charges imposed by third parties such as custodial fees, mutual fund fees and expenses, fees charged by third party separate account managers, and Private Fund management and performance/incentive fees. Client assets may also be subject to transaction costs, retirement plan administration fees (if applicable), deferred sales charges on mutual funds initially deposited in the account, 12b-1 fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Client assets invested in mutual funds will be subject to certain fees and expenses imposed directly by mutual funds to their shareholders, which shall be described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the sponsor also imposes sales charges, a client may pay initial or deferred sales or surrender charge. Also, from time to time Lido recommends that certain clients purchase the Sub-Advised Mutual Fund. When this happens, any portion of a client's account assets that is invested in the Sub-Advised Mutual Fund will not be subject to Lido's investment management asset based fee. However, the client will be subject to the fees and charges applicable to all shareholders of the Sub-Advised Mutual Fund, which includes a sub-advisory fee paid to LAI, as outlined in the Fund's prospectus and statement of additional information. Clients that are charged a fixed management fee by LAI for advisory services will be subject to both the LAI fixed fee and the fees and charges applicable to all shareholders of the Sub-Advised Mutual Fund, which includes a sub-advisory fee paid to LAI. This creates a conflict of interest since LAI receives both fees for the management of the assets invested in the Sub-Advised Mutual Fund. Importantly, as part of LAI's fiduciary duty to clients, LAI and its representatives will endeavor at all times to put the interests of the clients first, and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, the conflicts presented by this practice are disclosed to clients at the time of entering into an advisory agreement, mainly through the delivery of the LAI Disclosure Brochure (ADV Part 2A).

In addition, client assets invested with TPAs recommended and/or utilized by LAI will be subject to management fees charged by those TPAs, as described in each manager's disclosure brochure (Form ADV Part 2A).

Client assets invested in hedge funds or other Private Funds will be also be subject to management fees, performance fees and other expenses as described in each fund's offering materials. These fees and expenses are separate from and in addition to the fees charged by LAI. Accordingly, the client should review the fees charged by any third party separate account managers, mutual funds and hedge funds or other Private Funds in which the client's assets are invested, together with the fees charged by LAI, to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Mr. Ken Stern of KS&A, who also serves as a Managing Director and is an IAR of LAI, is an owner, Managing Member and Managing Director of APS/Hill Street Partners, LLC ("APS/HSR") which is a real estate syndication firm. Among other things, APS/HSR serves as managing member of the Churchill Fund II, LLC (the "Churchill Fund II"), a real estate investment fund. There are times when LAI IARs will recommend that LAI clients invest in the Churchill Fund II. For those clients who invest in the Churchill Fund II, LAI will reduce the investment management fees collected on assets invested in the Churchill Fund II such that the fees shall be the lesser of: (i) 0.75% of the assets under management invested in the fund; or (ii) a 25% reduction on the client's applicable investment management fee (as described in the fee schedule above) for assets invested in the fund. Thus, in no case will an LAI client be assessed fees that exceed 0.75% on assets invested in the Churchill Fund II. Please see Items 6 & 10 below for additional information regarding fees and conflicts of interest concerning this relationship.

Additionally, clients will incur brokerage commissions and other execution costs charged by the custodian or executing broker-dealer in connection with transactions for a client's account. Clients should further understand that all custodial fees and any other charges, fees and commissions incurred in connection with transactions for a client's account will be paid out of the assets in the account and are exclusive of and in addition to the fees charged by LAI. LAI does not share in any of these fees but may elect at its option, to bear the cost of certain transactions under certain circumstances. Please refer to Item 12 of this Brochure entitled "Brokerage Practices" for additional important information about the brokerage and transactional practices of LAI.

C. Important Considerations

1. Compensation for Sales of Securities or Other Investment Products

Certain representatives of LAI, in their individual capacities, are also registered representatives of Investment Security Corp. ("ISC"), a securities broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority ("FINRA"). In this capacity, these individuals may transact in various types of securities or investment products and receive separate and typical compensation for doing so.

While LAI does not sell securities or other investment products to its advisory clients, clients may implement securities transactions through certain of LAI's investment adviser representatives, in their respective individual capacities as registered representatives of ISC. These individuals may receive commissions or fees for the sale of Private Funds or other securities purchased in a client's advisory account. In addition, certain LAI representatives (as applicable), also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment. LAI will generally reduce the advisory fees payable by clients to offset the amount of any net commissions received by LAI representatives.

For more information on the compensation LAI IARs receive in their capacities outside of LAI and the conflicts surrounding these arrangements, including how LAI addresses such conflicts, please refer to Item 10 below.

2. Conflicts of Interest

Clients should be aware that the receipt of additional compensation itself creates an inherent conflict of interest, and may affect the judgment of these individuals when making recommendations. LAI and ISC are separate, nonaffiliated entities. Nevertheless, to the extent that a LAI representative recommends the purchase of securities or other investment products where the representative receives commissions for doing so, a conflict of interest exists because the representative may have an incentive to make recommendations based on the compensation received rather than on a client's needs. As more fully described below, to mitigate this conflict of interest, LAI will generally reduce the advisory fees payable by clients to offset the amount of any net commissions received by LAI representatives.

LAI has also adopted certain procedures designed to mitigate the effects of these conflicts. Importantly, as part of LAI's fiduciary duty to clients, LAI and its representatives will endeavor at all times to put the interests of the clients first, and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, the conflicts presented by these practices are disclosed to clients at the time of entering into an advisory agreement, mainly through the delivery of the LAI Disclosure Brochure (ADV Part 2A) and ADV Part 2B Supplement Brochures. Clients are not obligated to implement recommended transactions through any LAI representative or any particular broker-dealer. Clients have the option to purchase any recommended investment products or services through brokers or agents other than ISC.

Please refer to Item 10 for additional information regarding the financial industry affiliations of LAI and its representatives.

3. Advisory Fee Reduced to Offset Commissions

As noted above, LAI charges a quarterly advisory fee based on assets under management and such advisory fee is in addition to commissions, if any, received by LAI IARs in their capacity as registered representative of ISC (see additional information in Item 4.C.1 above and Items 10 and 12 below) on sales of securities or investment products made to LAI advisory clients. However, LAI generally reduces the advisory fees payable by such clients with respect to those

securities purchased for the client's account to offset the amount of any net commissions received by IARs of LAI for such securities.

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

LAI does not charge performance-based fees (*i.e.*, fees calculated based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client). Consequently, LAI does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management). As described above, LAI provides investment management services for a fixed fee, hourly charges and/or based upon a percentage of assets under management, in accordance with SEC Rule 205(a)(1). Notably, accounts that are managed in the same style (*e.g.*, moderately aggressive) may not be managed the same way due to the client's overall investment objective, discretion of the investment professional assigned to the account, asset size and account restrictions.

Importantly, some of the Private Funds that LAI's clients invest in do charge performance/incentive based fees, which are outlined in the respective product's offering documents and should be reviewed by investors prior to investing. LAI does not receive any portion of these fees. However, Mr. Stern of KS&A, who also is a Managing Director and IAR of LAI, as owner of APS/HSR does indirectly participate in the compensation received by APS/HSR, including manager compensation (including any performance fees) paid by the Churchill Fund II. Please refer to Item 10 below for additional information on Mr. Stern's association with APS/HSR, the conflicts surrounding this association and how LAI addresses such conflicts. Also refer to Item 8 below regarding risks surrounding Private Funds and other investments made by LAI.

ITEM 7: TYPES OF CLIENTS

LAI provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, registered investment companies (mutual funds), corporations and business entities.

. LAI generally does not require a minimum account size but does reserve the right to decline any potential client for any reason. Prior to engaging LAI to provide any of the investment advisory services described in this Brochure, the client will be required to enter into one or more written agreements with LAI setting forth the terms and conditions under which LAI shall render its services. In addition, as noted above, LAI does charge a minimum fee of \$2,500 per quarter. The minimum fee level may be waived at the sole discretion of LAI.

If a Client's account is a pension or other employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), LAI may be a fiduciary to the plan. In providing our investment management services, the sole standard of care imposed upon us is to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. LAI will provide certain required

disclosures to the “responsible plan fiduciary” (as such term is defined in ERISA) in accordance with Section 408(b)(2), regarding the services we provide and the direct and indirect compensation we receive by such clients. Generally, these disclosures are contained in this Form ADV Part 2A, the client agreement and/or in separate ERISA disclosure documents, and are designed to enable the ERISA plan’s fiduciary to: (1) determine the reasonableness of all compensation received by LAI; (2) identify any potential conflicts of interests; and (3) satisfy reporting and disclosure requirements to plan participants.

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

A. Methods of Analysis and Investment Strategies

Generally, LAI uses a variety of analytical information to assist with its security analysis. Such information includes fundamental and technical analysis. The primary sources of information used by LAI include market news reports, financial publications, outside research reports, prospectuses, and interpretation of exchange market data.

As described in Item 4 above, LAI also has entered into independent contractor agreements with certain individuals employed at KSA, including the CEO and Managing Director, Ken Stern, to serve as registered IARs of LAI. The services they provide as IARs of LAI include, but are not limited to (i) general investment advice and recommendations, including research in the above referenced asset classes, and (ii) investment management recommendations for certain LAI client accounts (as determined by LAI) based on the client investment objectives and guidelines. While the investment research and recommendations provided by the IARs to LAI clients are typically provided simultaneously with investment research and recommendations made to KS&A clients, such recommendations may be the same or different depending upon the individual needs, goals and objectives of each client, along with the investment strategy(ies) determined appropriate for each client. All investment recommendations made by these IARs are reviewed by LAI for suitability purposes. Additionally, LAI has entered into a Services Agreement with KS&A, whereby KS&A provides services to LAI including, but not limited to: research and investment management recommendations, prospect and client services and support to IARs of LAI. Please refer to Items 4, 10, 12 & 14 for additional information regarding this arrangement.

The investment strategies LAI pursues on behalf of clients may include, depending on each client’s risk tolerance and overall investment objectives, long- and short-term purchases, trading, short sales, trading on margin, and option writing including covered options, uncovered options or spreading strategies. LAI may recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk and increase performance. LAI may recommend specific investments to increase sector weighting and/or dividend potential, or may recommend employing cash positions as a possible hedge against market movement which may adversely affect a client’s portfolio. Additionally, LAI may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position(s) in a client’s portfolio, change in the risk tolerance of the client, or any risk deemed unacceptable for the client’s risk tolerance.

In addition, as outlined in Item 4 above, LAI offers the following specialized investment strategies:

- The Hedged Hybrid Strategy is a quantitative focused hedge fund replication strategy investing only in publicly traded registered mutual funds. The mutual funds utilized all have a common characteristic; the managers are opportunistic in nature and are not “style box” managers. These managers have the ability to raise cash, be short or market neutral and can invest in a variety of assets. The strategy has an overall targeted risk (Beta) that helps us have a better understanding of how the portfolio may perform during various market conditions. The strategy has up to six different model allocations with varying Beta. The allocations are continually monitored to track their performance compared to their risk level, as well as how each mutual fund manager is correlated to the stock market and to the other funds in the allocation. This strategy’s objective is to keep correlations in the 30-60% range in an effort to provide greater diversification.
- The Core Equity Mutual Fund Strategy seeks to enhance risk adjusted returns, realize gains and reduce risk over time by varying the level of exposure to asset classes when deemed appropriate, through the allocation of investments in mutual funds. The selected mutual funds chosen are based on qualitative and quantitative evaluation. The equity allocation in a client’s portfolio may also utilize hedging strategies in an effort to reduce the overall market volatility risk exposure that is associated with equity investments.
- The Tactical (ETF) Portfolio Management Strategy aims to achieve attractive absolute returns while attempting to provide lower volatility, utilizing only ETFs. This strategy utilizes an active, tactical approach to attempt to obtain good risk adjusted returns using a disciplined fundamental and technical research methodology. The strategy also seeks to enhance risk adjusted returns, realize gains and reduce risk over time by varying the level of exposure to asset classes and sectors when deemed appropriate. There may be times when hedging strategies are implemented in an effort to reduce equity risk exposure. In addition, there may be times the strategy is invested in excess or high levels of cash and/or cash equivalents during adverse market conditions in an effort to reduce market risk.
- S&P 500 Sector ETF Strategy seeks to invest in some of the nine sectors of the U.S. economy on the basis of general industry classification from a universe of companies defined by Standard and Poor’s. The nine sector indexes, as represented by the Select Sector SPDR Funds, together comprise all of the companies in the S&P 500 Index. By using a rules based model, the strategy seeks to outperform the S&P 500® Index over time and provide relative outperformance in the U.S. large/mid capitalization allocation.
- Equity Collar Strategy is an options based equity strategy that seeks to limit downside participation in an equity oriented strategy, by both purchasing downside protection (buying a put option) while financing (partially or fully) the protection with selling some potential upside participation (writing a covered call option). A “collar” is an option strategy that entails writing an out of the money call option and at the same time

purchasing an out of money put option on a long underlying security position. The purchase of the put helps protect the investor from large downward movements. The put is financed by writing the out of money call option, as it provides immediate income. However it also limits the future gains on the underlying security. This strategy can be at \$0 cost, other than transaction costs, and income generating, or require additional financing depending on the level of protection and exposure required.

As noted in Item 4 above, in some cases LAI allocates certain of its clients' assets to TPAs for investing. When selecting a TPA for a client, LAI reviews information about the TPA, such as its disclosure brochure and/or other material supplied by the TPA or independent third parties for a description of the TPA's investment strategies, past performance and risk results to the extent available.

The Private Funds in which LAI clients may invest pursue different investment processes and strategies than LAI, which may be considered risky. The processes and strategies for the Private Funds are disclosed in each Private Fund's offering documents and can include, but not limited to hedging, leverage, short sales, uncovered options, futures, and forward foreign exchange contracts, private loans, real estate investments, and other non liquid investments. Such strategies carry a risk of total loss of principal. Each Private Fund investment have varying degrees of illiquidity depending on the type of fund and its underlining investments, which are outlined in a fund's offering documents and should be reviewed prior to investment.

B. Material Risks

Investing in securities involves a significant risk of loss. LAI's investment recommendations are subject to various market, currency, economic, political and business risks, and such investment decisions may not always be profitable. Clients should be aware that there may be a loss or depreciation to the value of the Client's account, which Clients should be prepared to bear. There can be no assurance that the Client's investment objectives will be obtained and no inference to the contrary should be made. Clients are advised that they should only commit assets for management that can be invested for the long term, that volatility from investing can occur, and that all investing is subject to risk and consequently, the value of the client's account may at anytime be worth more or less than the amount invested. In addition, there is no assurance that a mutual fund, ETF or Private Fund will achieve its investment objective or that any of LAI's investment strategies will be profitable. Past performance of investments is no guarantee of future results.

The following is an outline of the main risks pertaining to the asset classes utilized by LAI:

- **Market Risk:** The price of the security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances.
- **Equity Risk:** Historically, the equity markets have moved in cycles, and the value of equity securities may fluctuate significantly from day-to-day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and

developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility.

- **Business Risk:** This risk is associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Foreign Risk:** Investments in foreign securities pose special risks, including currency fluctuation and political risks, and such investments may be more volatile than that of a U.S. only investment. The risks are generally intensified for investments in emerging markets.
- **Currency Risk:** Foreign investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Political and Legislative Risk:** Companies face a complex set of laws and circumstances in each country in which they operate. The political and legal environment can change rapidly and without warning, with significant impact, especially for companies operating outside of the United States or those companies who conduct a substantial amount of their business outside of the United States.
- **Credit Risk:** The risk that principal and/or interest on a fixed income investment will not be paid in a timely manner or in full due to changes in the financial condition of the issuer. Generally, the higher the perceived credit risk, the higher the rate of interest investors will receive on their investment.
- **Interest Rate Risk:** The risk that the value of an interest-bearing investment will change due to changes in the general level of interest rates in the market. The market value of a bond fluctuates inversely to the change in interest rates; that is, as interest rates rise, bond prices fall and vice versa.

Interest rate risk is commonly measured by a bond's duration; the greater a bond's duration, the greater the impact on price of a change in interest rates. Investors may incur a gain or loss from bonds sold prior to the final maturity date.

Many bonds are rated by a third party Nationally Recognized Statistical Rating Organization (NRSRO), for example, Moody's Investor Services or Standard & Poor's Inc. While ratings may assist investors to determine the creditworthiness of the issuer, they are not a guarantee of performance. U.S. Treasury bills, notes and bonds are guaranteed by the full faith and credit of the United States and therefore are deemed to carry no risk of default.

- **Reinvestment Risk:** The risk that interest and principal payments from a bond will be reinvested at a lower yield than that received on the original bond. During periods of declining interest rates, bond payments may be invested at lower rates; during periods of rising rates, bond payments may be invested at higher rates.

- **Call Risk:** The risk that a bond will be called by its issuer. A callable bond has a provision which allows the issuer to purchase the bond back from the bondholders at a predetermined price. Generally, issuers call bonds when prevailing rates are lower than the cost of the outstanding bond. Call provisions allow an issuer to retire high-rate bonds on a predefined call schedule.
- **Prepayment Risk:** Some types of bonds are subject to prepayment risk. Similar to call risk, prepayment risk is the risk that the issuer of a security will repay principal prior to the bond's maturity date, thereby changing the expected payment schedule of the bonds.

Prepayment risk is particularly prevalent in the mortgage-backed bond market, where a drop in interest rates can trigger a refinancing wave. When investors in a bond comprised of the underlying pool of mortgages receives his or her principal back sooner than expected, they may be forced to reinvest at prevailing, lower rates.
- **Liquidity Risk:** The risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Liquidity risk is typically reflected in a wide bid-ask spread or large price movements. It also is a risk associated with an investment in Private Funds.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Opportunity Cost Risk:** The risk that an investor may forego profits or returns from other investments.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Below are some of the main risks associated with investing in options:

- When writing covered call options to produce income for a client's account, there may be times when the underlying stock is "called" (call option contract exercised or assigned) by the investor that purchased the call option. That means the client would be required to sell the underlying security at the exercise (pre determined) price to that investor.
- Clients may be required to open a margin account in order to invest in options, which carries additional risks (see page 7 above for details) and would result in margin interest costs to the client.
- Option positions may be adversely affected by company specific issues (the issuer of the underlying security) which may include but are not limited to bankruptcy, insolvency, failing to file with regulatory bodies, being delisted, having trading halted or suspended, corporate reorganizations, asset sales, spin offs, stock splits, mergers and acquisitions. In addition, market related actions, political issues, and economic issues may adversely affect the option market. These factors could restrict, halt, suspend, or terminate option positions written (sold) or purchased.

- Changes in value of the option may not correlate with the underlying security, and the account could lose more than principal amount invested.

Options involve risk and are not suitable for all clients. Therefore, a client should read the option disclosure document, “Characteristics and Risks of Standardized Options”, which can be obtained from any exchange on which options are traded, at www.optionsclearing.com, or by calling 1-888-OPTIONS, or by contacting your broker/custodian.

Prior to entering into an agreement with LAI, a client should carefully consider: (1) committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis, usually a minimum of three to seven years, (2) that volatility from investing in the stock market can occur, and (3) that over time the client’s assets may fluctuate and at anytime be worth more or less than the amount invested.

LAI typically invests for the long-term and generally does not engage in high frequency trading. Nevertheless, third party investment managers selected by LAI may employ such strategies, and as a result, such frequent trading can result in increased brokerage and other transaction costs.

Depending on the sophistication and risk tolerances of its clients, LAI may recommend, as part of a client’s overall investment strategy, that a portion of such client’s assets be invested in Private Funds or other alternative investments. Such investments present special risks for LAI’s clients, including without limitation, limited liquidity, higher fees, volatile performance, heightened risk of loss, limited transparency, special tax considerations, subjective valuations and limited regulatory oversight. Therefore, private investments may not be suitable for all LAI clients and will be offered only to those qualifying clients for whom an investment therein is determined to be suitable (Please refer to Item 12 below for further information on allocation of Private Fund investments). Generally, such investments are available for investment only to a limited number of sophisticated investors who meet the definition of “accredited investor” under Regulation D of the Securities Act of 1933, as amended (the “Securities Act”) and “qualified client” under the Investment Advisers Act of 1940. It is important that each potential qualified investor fully read each offering or private placement memorandum prior to investing.

Private Funds often impose performance-based fees or incentive allocations payable to the fund manager or general partner. Such performance-based fee/incentive allocation structures may create an incentive for the managers of the Private Funds to make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee/incentive allocation structure. Additionally, the performance-based fee structure could also cause the portfolio managers responsible for the Private Funds to devote a disproportionate amount of time to the management of the Private Funds, and compensation may be larger than it otherwise would have been because the fee/incentive allocation will be based on account performance instead of a percentage of assets under management. Please refer to Item 6 above for additional information.

Some of the Private Funds, ETFs and mutual funds that LAI invest in for clients, along with some of LAI’s investment strategies employ alternative or riskier strategies, such as the use of leverage or hedging. Leverage is the use of debt to finance an activity. For example, leverage is

used when one uses margin to buy a security. Hedging on the other hand occurs when an investment is made in order to reduce the risk of adverse price movements in a security. For example, hedging is used when one takes an offsetting position in a related security, such as an option or short sale. While leverage or hedging can operate to increase rates of return, it also increases the amount of risk inherent in an investment. Other Private Funds, ETFs and mutual funds may employ other alternative techniques which carry inherent higher degrees of risks.

LAI may recommend investments in Private Funds or mutual funds that are considered “funds of funds” and the investments and strategies for the underlying portfolio funds may include leverage, short sales, uncovered options, futures, derivative instruments, forward and swap foreign exchange contracts, non-U.S. securities, “junk” bonds, and illiquid investments. Such funds carry high costs, substantial risks, such as the risks inherent in an investment in securities, as well as specific risks associated with each particular underlying fund’s investment strategy.

Additionally, certain Private Funds may be more illiquid than others, meaning that an investor’s investment may be “locked up” for a defined period of time or for the life of the Private Fund. The illiquidity of each Private Fund depends on a few factors, including but not limited to the type and liquidity of the Private Fund’s underlying investments. It is important for investors to read the Private Fund’s offering documents fully before investing.

LAI may recommend that certain clients invest in various types of structure notes. These securities are highly complex, generally defined as a debt obligation whose cash flow characteristics depend upon one or more indices or that have embedded forwards or options or securities where an investor's investment return and the issuer's payment obligations are contingent on, or highly sensitive to, changes in the value of underlying assets, indices, interest rates or cash flows. These types of investments carry a number of risks, which include, but are not limited to:

- Credit/Forfeiture risk - structured notes are unsecured debt from investment banks (borrower), so there is the risk that the bank cannot pay back the loan.
- Liquidity risk - structured notes rarely trade after issuance and selling a structured note before maturity may prove difficult and be executed at significant discount to the purchase price.
- Pricing risk - structured notes are priced on a matrix, not net-asset-value. Matrix pricing is essentially a best-guess approach.
- Income Risk - Under certain structures, anticipated income may not be fixed or guaranteed and may be dependent upon the performance of an underlying index or securities.
- Foreign Currency Risks – there may be exposure, directly or indirectly, to foreign currency risk due to any foreign currencies, securities or commodities that may be linked to the respective structured note.
- Call Feature Risk - Structured notes may have early redemption rights for the issuer bank, which if exercised would result in a required redemption prior to maturity and loss of any remaining coupon payments.

Full disclosure of the risk factors for each structured note invested in by LAI is available from the relevant term sheets and prospectuses or offering documents, which is generally provided to clients at the time of investment by the executing broker. Clients should carefully review the risk factors section in the relevant offering documents for complete information.

LAI may recommend to certain clients that they invest in first trust deeds (*i.e.*, you lend money to a borrower to purchase real property and receive a deed of trust on the real property until the loan is paid in full) and/or certain private investment vehicles, such as limited liability companies (LLC), limited partnerships (LP) and/or private funds that utilize invested assets to purchase real property (private residences, commercial property or a combination of both). While LAI believes this type of investment suitable for certain clients, such investments are not guaranteed from loss of principal and carry risks. Mainly, investments in trust deeds or real estate are considered illiquid investments since there is no publicly traded market for these types of investments. In addition, investments in trust deeds or real estate are not insured by the Federal Deposit Insurance Corporation (FDIC) or any other state or federal agency. Some of the more specific risks include, but are not limited to the following:

Risks for Investments in First Trust Deeds:

1. The value of the underlying property is appraised as of a specific date. There is no guarantee or assurance that the appraised value reflects a value that a buyer would be willing to pay.
2. The borrower's ability to continue to make payments and repay the loan will depend upon the borrower's financial condition, which could change over time.
3. Default by the borrower could effect monthly payments. Under extreme cases, it may be necessary to foreclose or take other actions to protect your investment. The total amount received upon foreclosure could be more or less than the total amount invested.
4. If a borrower files a reorganization or full insolvency bankruptcy, the foreclosure process could be stalled. Additionally, investors could incur significant legal fees and costs in attempting to obtain a relief. (Relief consists of getting court approval to release the property out of the bankruptcy so that the property can be foreclosed upon.) Furthermore, the court could modify the terms of the loan by extending the due date, changing the interest rate and payment structure, or causing the priority of the loan to be subordinated to a bankruptcy court-approved financing plan.
5. Investing in any trust deed investment also is subject to possible loss due to uninsured losses from disasters such earthquakes, floods, tsunami, terrorist attacks, etc. Clients should carefully review the risk factors section in the relevant offering documents for complete information.

Risks for Investments in Private Investment Vehicles that Invest in Real Estate (Please note the risks listed below are in addition to the principal risks associated with investing in a private investment vehicle, which are outlined in their respective offering materials provided to clients prior to investing):

1. The value of the real estate property is generally appraised upon purchase. Over time, the value of the real estate property can vary widely depending on market conditions. There is no guarantee or assurance that the carried value reflects a value that a buyer would be willing to pay.
2. If the real estate investments are obtained by a loan and the borrower (*i.e.*, private fund, LLC or LP) is unable at any time to make the loan payments, it may cause the holder of the note (*e.g.*, bank etc.) to foreclose or take other actions to protect their investment.

Additional risks associated with trust deed or real estate investments include economic conditions, neighborhood values, interest rates, the supply of and demand for properties of like kind, the ability of the borrower to obtain necessary alternative financing and certain city, state and/or federal regulations.

Investing in any general real estate investment also is subject to possible loss due to uninsured losses from disasters such earthquakes, floods, tsunami, terrorist attacks, etc. Clients should carefully review the risk factors section in the relevant offering documents for complete information.

There are risks pertaining to investments made for the Sub-Advised Mutual Fund that are outlined in detail in the Fund's prospectus and statement of information. It is important for potential mutual fund shareholders to fully read these documents before investing.

ITEM 9: DISCIPLINARY INFORMATION

Registered investment advisers such as LAI are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of LAI or the integrity of its management. LAI does not have any such legal or disciplinary events and thus has no information to disclose with respect to this Item.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Other Financial Industry Activities

LAI's President, Greg Kushner, is a registered representative and branch manager of Investment Security Corporation ("ISC"), an SEC registered broker-dealer and member of FINRA. Mr. Kushner conducts securities brokerage and related business through ISC and may receive separate and typical commissions or fees for doing so. As a registered representative of ISC, Mr. Kushner may introduce money managers to other broker-dealers, and introduces potential clients to money managers who may direct trades to such broker-dealers. Mr. Kushner may also refer clients to hedge funds or other Private Funds in his capacity as a registered representative of ISC. Mr. Kushner receives commissions on trades conducted through introduced broker-dealers and a portion of the fees charged by hedge funds or other Private Funds for clients who are referred to those funds.

LAI and ISC are separate, nonaffiliated entities. Nevertheless, a conflict of interest exists to the extent that LAI recommends the purchase of securities where Mr. Greg Kushner or another LAI representative receives commissions or other compensation for doing so. LAI has adopted certain procedures designed to mitigate the effects of these conflicts. Importantly, as part of LAI's fiduciary duty to clients, LAI and its representatives will endeavor at all times to put the interests of the clients first, and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, the conflicts presented by these practices are disclosed to clients at the time of entering into an advisory agreement, mainly through the delivery of this Disclosure Brochure (Form ADV Part 2A) and the Form ADV Part 2B Supplemental Brochures. Clients are not obligated to implement any recommended transactions through any LAI representative or any particular broker-dealer. Clients have the option to purchase any recommended investment products or services through brokers or agents other than ISC.

In addition, LAI charges a quarterly advisory fee based on assets under management and such advisory fee is in addition to commissions, if any, received by LAI IARs in their capacity as registered representative of ISC on sales of securities or investment products made to LAI advisory clients. However, LAI generally reduces the advisory fees payable by such clients with respect to those securities purchased for the client's account to offset the amount of any net commissions received by IARs of LAI for such securities.

As mentioned in Item 4 and Item 8 above, LAI has entered into independent contractor agreements with three IARs, Ken Stern, Jeffrey Christie, and Brendan Van Cleve, who perform advisory services to certain LAI clients on behalf of LAI. Each IAR is a senior manager and IAR of KS&A, which is an SEC registered investment advisory firm. KS&A and LAI are not affiliated companies. Additionally, LAI and KS&A have entered into a Services Agreement, whereby LAI pays KS&A for performing certain services, including research and investment management recommendations, prospect and client services support to IARs of LAI. Mr. Stern, as owner and Managing Director of KS&A indirectly receives a benefit from such arrangement.

LAI also has three IARs, Scott Gunn, William Walsh, and Alisha Reilly who perform advisory services on behalf of LAI as independent contractors and have affiliations with unaffiliated investment advisory and broker-dealer firms. Mr. Gunn and Mr. Walsh are senior managers and IARs of LGT Financial Advisors, LLC ("LGT"), an SEC registered investment advisory firm. All three are RRs of ISC.

LAI has an IAR, Craig Sheftell, who performs advisory services on behalf of LAI as an independent contractor and has an affiliation with an unaffiliated broker-dealer. Mr. Sheftell is an RR of Fallbrook Capital Securities Corporation.

When all these IARs/RRs conduct business through their outside investment advisory and brokerage firms, they receive separate and typical compensation for doing so. While they devote as much time to the business and affairs of LAI as is necessary to perform their duties, they also devote a significant amount of time to performing services for the outside businesses. The dual

roles and additional compensation create conflicts of interest, mainly due to the fact that their obligations to the outside businesses take time away from their duties performed for LAI.

The conflicts surrounding these outside business activities are disclosed to clients at the time of entering into an advisory agreement with LAI, mainly through the delivery of this Brochure and the respective Supplemental Brochures (ADV Part 2Bs). Additionally, LAI has implemented certain policies, procedures and internal controls to help mitigate the conflicts. Importantly, as part of LAI's fiduciary duty to clients, the Firm and its IARs endeavor at all times to put the interests of the clients first, and recommendations and investments will only be made to the extent that they are reasonably believed to be suitable and in the best interests of the client.

B. Affiliations

In addition to serving as a registered representative and branch manager of ISC, Mr. Kushner is also the founder and President of Lido Consulting, Inc., a personal services consulting firm specializing in providing consulting and other services to family offices and high net worth individuals. Mr. Kushner's workday is divided among his activities for LAI, ISC and Lido Consulting.

Mr. Kushner also serves as the managing member for seven limited liability companies ("LLCs") that invest in commercial and residential real estate, both directly and through investments in private limited partnerships, including certain Private Funds that LAI clients invest in. The members of these limited liability companies are family members and close friends and the main purpose of each LLC is passive real estate investing. While Mr. Kushner serves as the managing member for the LLCs, he is not involved in the day to day management of the various properties. Additionally, Mr. Kushner serves as trustee to two family related trusts and CFO to a family foundation, and all three are clients of LAI. Also, Mr. Kushner serves as CFO and is a shareholder of a California corporation that performs real estate management services. This company does provide management services to some of the real estate invested in by the family LLCs. Mr. Kushner spends less than 10% of his work time performing his duties for these outside entities. Please refer to Mr. Kushner's Form ADV Part 2B for completed details, including information on the compensation received regarding these outside business activities. Mr. Jeffrey Westheimer, who is a Senior Vice President of LAI, also is the owner of 10 Fifteen Consulting, which is a sole proprietor that provides non-investment related business consulting services. Additionally, Mr. Westheimer is a managing member of a limited liability company ("LLC"), which invests in various commercial and residential real estate, both directly and through investments in private limited partnerships, including certain Private Funds that are invested in by LAI clients. Mr. Westheimer spends less than 5% of his time on his outside business activities. Please refer to Mr. Westheimer's Form ADV Part 2B for complete details, including information on the compensation received regarding these outside business activities.

Mr. Jason Ozur, who serves as a Managing Director, Chief Operating Officer and Portfolio Manager of LAI, also provides back office, accounting and related services to certain Private Funds, including the Private Funds managed by Mapleton Capital Management, LLC and related entities, and Thomas James Capital (TJC), in which certain LAI clients have invested. Mr. Ozur also serves as the portfolio manager to the Sub-Advised Mutual Fund. Additionally,

Mr. Ozur is a managing member of a limited liability company that invests in commercial and residential real estate, both directly and through investments in private limited partnerships, including certain Private Funds that LAI clients invest in. Mr. Ozur spends less than 5% of his time on this outside business activity. Please see LAI's Brochure Supplement (Form ADV Part 2B) for Mr. Ozur for additional information, including information on the compensation received regarding these outside business activities.

The fact that Messrs. Kushner, Westheimer and Ozur are managing members of an LLC that invest in certain Private Funds that are invested in by clients creates a conflict of interest due to the fact that the Private Funds are limited offerings. LAI addresses the conflict through its written Code of Ethics that includes preapproval and reporting requirements of certain personal securities transactions by LAI employees, including Private Funds, and through disclosures to clients. In addition, clients are not obligated to implement recommended transactions in Private Funds or other private limited partnerships.

C. Recommendations of Certain Private Fund Investments and Related Conflicts

Mr. Greg Kushner and/or other LAI representatives, in their individual capacities as registered representatives of ISC, have entered into and may continue to enter into arrangements under which they receive a portion of the fees charged by Private Funds as compensation for referring clients to such Private Funds. This activity creates conflicts of interest. LAI has adopted certain procedures designed to mitigate the effects of these conflicts. Importantly, as part of LAI's fiduciary duty to clients, LAI and its representatives will endeavor at all times to put the interests of the clients first, and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, the conflicts presented by these practices are disclosed to clients in writing at the time of entering into an advisory agreement through delivery of this Disclosure Brochure and other written disclosure document(s). Clients are not obligated to implement recommended transactions through any LAI representative or any particular broker-dealer. Clients have the option to purchase any recommended investment products or services through brokers or agents other than ISC.

To the extent that any LAI representatives, in their capacity as registered representative of a broker-dealer, receive compensation for transactions in a client's account, LAI will reduce the advisory fee payable by such clients to offset the amount of any such compensation received by the LAI representative.

LAI IARs may recommend an investment in the Churchill Fund II to certain LAI clients. The Churchill Fund II is owned by APS/HSR, which is a real estate syndication firm owned by Mr. Ken Stern of KS&A. Neither Mr. Stern nor any IARs of LAI will receive commissions or any other transaction based compensation in connection with LAI clients' investment in the Churchill Fund II. However, the value of clients' investment in the Churchill Fund II will be included in the value of the clients' advisory account assets for purposes of calculation of the investment management fee paid by such clients to LAI. Such investment management fees will be reduced however in the following manner: For those clients who invest in the Churchill Fund II, LAI will reduce the investment management fees collected on assets invested in the Churchill Fund II such that the fees shall be the lesser of: (i) 0.75% of the assets under management invested in the

fund; or (ii) a 25% reduction on the client's applicable investment management fee (as described in the fee schedule in Item 5.B. above) for assets invested in the fund. Thus, in no case will a client be assessed fees that exceed 0.75% on assets invested in the Churchill Fund II. Even at a reduced fee, this relationship presents a conflict of interest such that while in performance of their respective duties for LAI, Mr. Stern and other LAI IARs will recommend that certain of their investment advisory clients invest in the Churchill Fund II, and in turn, will derive revenue from advisory clients' aggregate assets under management and subsequently a portion of any bonuses or other compensation paid to Mr. Stern and LAI IARs that may be attributed to clients' investment in the Churchill Fund II. Additionally, through his indirect ownership of APS/HSR, Mr. Stern benefits from the profits and remuneration that the Churchill Fund II distributes or pays to APS/HSR, a portion of which are attributed to investments in the Churchill Fund II by LAI clients.

These conflicts of interest affect the ability of LAI and its IARs to provide clients with unbiased, objective investment advice concerning the selection of certain Private Fund investments for client accounts. This could mean that other investments, whose sponsors do not make such payments or in whom Mr. Stern does not have an interest, may be more appropriate for an investment advisory client than an investment in the Churchill Fund II. THEREFORE, A SUBSTANTIAL CONFLICT OF INTEREST EXISTS IN THE SELECTION OF INVESTMENTS FOR LAI CLIENTS. Accordingly, each prospective investor in the Churchill Fund II, prior to making an investment decision to purchase interests, is encouraged to consider all factors they deem relevant to an investment in this fund, including the conflicts of interest noted above and elsewhere in the fund's Private Placement Memorandum, and to consult with their own advisors regarding such potential investment. For further information on the compensation Mr. Stern receives for performing his outside business activities, along with information on how LAI addresses the conflicts surrounding these activities, please refer to Mr. Stern Form ADV Part 2B – Disclosure Supplement.

LAI also has entered into business arrangements with certain employees, officers and/or owners of issuers of the Private Funds, for which LAI compensates the employee/officer for providing specific services. The services provided under the arrangements are mainly consulting services regarding various business practices and are generally not related to the Private Funds. Nevertheless, a conflict of interest exists due to the fact that LAI recommends their Private Funds to clients. The conflict is addressed mainly by providing disclosures to LAI clients and investors in the Private Funds via this Form ADV Part 2A and fund offering documents.

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

A. Code of Ethics Summary

LAI has adopted a Code of Ethics ("Code") in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, as amended and Rule 17j-1 of the Investment Company Act of 1940, as amended. The Code establishes standards of conduct for LAI's supervised persons and includes general requirements that such supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among

other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It contains written policies reasonably designed to prevent the unlawful use of material non-public information by LAI or any of its associated persons. The Code also requires that certain of LAI's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments, including initial public offerings and limited offerings. Other than certain exceptions that are outlined in the Code and noted in Item 11.B below, LAI's Access Persons generally may not effect transactions for themselves or for their immediate family members (i.e., spouse, minor children, and adults living in the same household as the Access Person) within three (3) business days before and one (1) business day after any client transaction in the same security.

The Code also requires supervised persons to report any violations of the Code promptly to the Firm's Chief Compliance Officer ("CCO"). Each supervised person receives a copy of the Code and any amendments to it and must acknowledge in writing having received the materials. Annually, each supervised person must certify that he or she complied with the Code during that year. LAI will provide a copy of its Code of Ethics to any client or prospective client upon request.

B. Participation or Interest in Client Transactions

It is LAI's policy not to enter into any principal transactions or agency cross transactions on behalf of client accounts. Principal transactions occur where an adviser, acting as principal for its own account, buys securities from or sells securities to any advisory client. Agency cross transactions occur where a person acts as an investment adviser in relation to a transaction in which the adviser, or an affiliate of the adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

Neither LAI nor any of LAI's related persons act as general partner in a partnership in which clients are solicited to invest. Based upon a client's stated objectives, LAI may, under certain circumstances, recommend the purchase or sale of securities in which LAI or its affiliates have also invested in personally. Such recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Importantly, as part of LAI's fiduciary duty to clients, LAI and its associated persons will endeavor at all times to put the interests of the clients first and at all times are required to adhere to the Firm's Code of Ethics. Please refer to Item 12 below for further information on the allocation of investments in Private Funds.

LAI and its officers, directors, agents, and employees ("Associated Persons") may invest personally in securities that are purchased for clients, including Private Funds. LAI's Code of Ethics contains certain requirements designed to address the conflicts that arise with regard to personal trading by LAI or its Associated Persons. For example, other than certain exceptions as outlined below, when LAI is purchasing or considering for purchase a security on behalf of a client, no Associated Person may knowingly effect a transaction in that security within three (3) business days before and one (1) business day after any client transaction in the same security. The exceptions include: (i) when the Associated Person's transaction is aggregated with client transactions and the Associates Person receives the same average price as all client participating

in such aggregated transaction, (ii) a limited amount of shares of any common stock listed on the S&P 500 Index; (iii) when pre-approved by the CCO or designee; (iv) direct obligations of the Government of the United States; (v) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (vi) shares issued by mutual funds or money market funds; and (vii) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

LAI and its Associated Persons may also buy or sell specific securities for their own accounts based on personal investment considerations, which LAI does not deem appropriate to buy or sell for clients.

Additionally, there are times when LAI will purchase the same or similar securities for the Sub-Advised Mutual Fund at the same time as it affects transactions for other LAI clients.

Additionally, Associated Persons of LAI may invest in the Sub-Advised Mutual Fund. This creates a potential conflict of interest. To address this conflict of interest, LAI has written policies and procedures in their Code of Ethics that requires Associated Persons to report their transactions in the Sub-Advised Mutual Fund. Please refer to Item 12 for further information.

ITEM 12: BROKERAGE PRACTICES

The following discussion summarizes the material aspects of LAI's practices for the recommendation of custodians and the selection of broker-dealers to execute client transactions.

A. Selection Criteria

LAI does not maintain physical custody of clients' assets although we are deemed to have custody of clients' assets where the client has given us authority to debit fees from the client's account (see Item 15 Custody below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. The custodians that LAI recommends that clients use are Fidelity Investments ("Fidelity"), Charles Schwab & Co., Inc. ("Schwab"), and TD Ameritrade, Inc. ("TD Ameritrade"), all of which are FINRA registered broker-dealers and members of SIPC. LAI is independently owned and operated and not affiliated with Fidelity, Schwab, or TD Ameritrade. These custodians will hold client assets in a brokerage account and buy and sell securities when we instruct them to. While LAI recommends that clients use one of these custodians, the client will decide whether to open an account with one of them by entering into an account agreement directly with the selected custodian. LAI does not open the custodian account for clients.

When performing investment management services, LAI will place transactions for client accounts through the client's appointed custodian (Fidelity, Schwab or TD Ameritrade), since these custodians generally do not charge custodian fees so long as transactions for client accounts are executed through them as broker-dealer. LAI periodically evaluates the commissions charged and the services provided by the custodian and compare those with other broker-dealers to evaluate whether overall best qualitative execution could be achieved by using alternative custodians. Other factors LAI considers when evaluating its choice of custodian include but are not limited to:

- Ability to trade mutual funds and other investments that LAI determines suitable for a client's portfolio;
- Any custodial relationship between the client and the broker-dealer;
- Quality of customer service and interaction with LAI;
- Discount transaction rates; and
- Reliability and financial stability.

For transactions placed for the Sub-Advised Fund, since the assets are held at a custodian bank, LAI has the ability and authority to place buy and sell orders with or through any brokers-dealers it deems will provide the best overall deal at the time of the transaction. For further information please refer to "Best Execution" below.

For those clients who wish to direct brokerage and select broker-dealers/custodians not recommended by LAI, clients should be aware that LAI does not negotiate specific brokerage commission rates with the broker on the client's behalf, or seek better execution services or prices from other broker-dealers. As a result, the client could pay higher commissions and/or receive less favorable net prices on transactions for their account than might otherwise be the case and LAI will have limited ability to ensure that the broker-dealer selected by the client will provide best possible execution. Please refer to "Directed Brokerage" information below.

Fidelity Custodian Arrangement

LAI has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides LAI with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like LAI in conducting business and in serving the best interests of their clients but that may benefit LAI. LAI is not affiliated with Fidelity.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables LAI to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity also makes available to LAI, at no additional charge to us, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by LAI (within specified parameters). These research and brokerage services are used by LAI to manage accounts for which LAI has investment discretion.

LAI also may receive additional services, which include services that do not directly benefit LAI clients. As a result of receiving these services for no additional cost, LAI may have an incentive to continue to use or expand the use of Fidelity's services, which creates a potential conflict of

interest. LAI examined this potential conflict when it chose to enter into the relationship with Fidelity and has determined that the relationship is in the best interests of clients. As part of the custodian arrangement, a client may pay a commission/transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where LAI determines in good faith that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received.

Schwab Custodian Arrangement

Client Custody and Brokerage Costs

For LAI clients' accounts that Schwab maintains, Schwab is compensated by charging the client commissions or other fees on trades that it executes or that settle into the client's Schwab account. Schwab's commission rates applicable to LAI client accounts were negotiated based on a commitment to maintain \$10 million of clients' assets at Schwab. This commitment benefits LAI clients utilizing Schwab because the overall commission rates a client pays may be lower than they would be if LAI had not made the commitment. In addition to commissions Schwab charges custodial clients a flat dollar amount as a "prime broker" or "trade away" fee for each trade that LAI has had executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's Schwab account. These fees are in addition to the commissions or other compensation a client may pay the executing broker-dealer. Because of this, in order to minimize client trading costs, LAI has Schwab execute most trades for client accounts maintained at Schwab.

Products and Services Available to LAI from Schwab

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firm. They provide LAI and the clients custodied at Schwab with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help LAI manage or administer Schwab custodied clients' accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis and at no charge to LAI as long as we keep a total of at least \$10 million of our clients' assets in accounts at Schwab. Here is a more detailed description of Schwab's support services:

Services that Benefit LAI's Client. Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which LAI might not otherwise have access or that would require a significantly higher minimum initial investment by LAI clients. Schwab's services described in this paragraph generally benefit LAI Schwab custodied client accounts.

Services that May Not Directly Benefit LAI's Client. Schwab also makes available to LAI other products and services that benefit the Firm but may not directly benefit our clients. These products and services assist LAI in managing and administering our clients' accounts maintained at Schwab. They include investment research, both Schwab's own and that of third parties. LAI may use this research to service all or some substantial number of our

clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitates trade execution and allocates aggregated trade orders for multiple client accounts;
- provides pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assists with back-office functions, recordkeeping and client reporting.

Services that Generally Benefit Only LAI. Schwab also offers other services intended to help LAI manage and further develop our business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

LAI's Interest in Schwab's Services

The availability of these services from Schwab benefits LAI because we do not have to produce or purchase them. The Firm does not have to pay for Schwab's services so long as LAI keep a total of at least \$10 million of client assets in accounts at Schwab. The \$10 million minimum may give LAI an incentive to recommend that a client maintain their account with Schwab based on the Firm's interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. LAI believes, however, that our selection of Schwab as a recommended custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services and not Schwab's services that benefit only LAI. LAI does not believe that maintaining at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

TD Ameritrade Custodian Arrangement

LAI participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC/NFA. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisers certain services which include custody of securities,

trade execution, clearance and settlement of transactions. LAI receives some benefits from TD Ameritrade through its participation in the program, which are similar to the Schwab custodian arrangement outline above.

For further information regarding the services and benefits received by LAI under these custodian arrangements, please refer to Item 14 below.

B. Best Execution

Except as otherwise provided in the client's investment advisory agreement, LAI has full discretion to place buy and sell orders with or through such brokers or dealers as it deems appropriate. LAI's general policy is to place client trades with their broker custodian (*e.g.*, Fidelity, Schwab, or TD Ameritrade) and LAI will continue to do so as long as the Firm believes that the broker custodian is providing the best overall deal for the client and they remain competitive in relation to executions and the cost of each transaction ("best execution").

For transactions for the Sub-Advised Fund, LAI places trades with brokers that LAI believes can provide best execution and in accordance with the Fund's written policies and procedures regarding brokerage selection and soft dollars.

Although LAI will strive to achieve the best execution possible for client securities transactions, this does not require the Firm to solicit competitive bids and LAI does not have an obligation to seek the lowest available commission cost. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among other things, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while LAI will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions. LAI is not required to negotiate "execution only" commission rates, thus the client may be deemed to be paying for research and related services (*i.e.*, "soft dollars") provided by the broker which are included in the commission rate.

To ensure that brokerage firms recommended by LAI are conducting overall best qualitative execution, LAI will periodically (and no less often than annually) evaluate the trading process and broker/custodians utilized. LAI's evaluation will consider the full range of brokerage services offered by the brokers, which may include, but is not limited to price, commission, timing, research, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers and administrative ability.

Research and Other Soft Dollar Benefits

LAI may select a broker-dealer in recognition of the value of various services or products, beyond transaction execution, that such broker-dealer provides where, considering all relevant factors, it believes the broker-dealer can provide best execution. Selecting a broker-dealer in

recognition of the provision of services or products other than transaction execution is known as paying for those services or products with “soft dollars.” The amount of compensation paid to such broker-dealer (which may include disclosed markups and markdowns on riskless principal transactions with market-makers if LAI were to conduct such transactions) may be higher than what another, equally capable broker-dealer might charge. Except for the benefits received from Fidelity, Schwab, and TD Ameritrade as discussed above and in Item 14 below, LAI currently has no other soft dollar arrangements in place. The following discussion is intended to provide clients with certain important information regarding such practices, including the potential conflicts of interest that may arise under soft dollar arrangements.

The receipt of such services may benefit LAI, because LAI does not have to produce or pay for the research or other products or services when it obtains such products and services by using client commissions. Although customary, these arrangements present potential conflicts of interest in allocating securities transactional business to broker-dealers in exchange for soft dollar benefits, including an incentive to select or recommend a broker-dealer based on LAI’s interest in receiving the research or other products or services, rather than on clients’ interest in receiving most favorable execution. Additionally, LAI may have an incentive to effect more transactions than might otherwise be the case in order to obtain those benefits. The agreements between LAI and its clients generally authorize LAI to use client soft dollars for a wide range of purposes. The extent of any such conflict depends in large part on the nature and uses of the services and products acquired with soft dollars.

Section 28(e) of the Securities Exchange Act of 1934 (“Section 28(e)”) recognizes the potential conflict of interest involved in this activity, but generally allows investment advisers to use client commissions to pay for certain research and brokerage products and services under certain circumstances without breaching their fiduciary duties to clients. For these purposes, “research” means services or products used to provide lawful and appropriate assistance to LAI in making investment decisions for its clients. “Brokerage” services and products are those used to effect securities transactions for LAI’s clients or to assist in effecting those transactions.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research and brokerage products and services which assist LAI in its investment decision-making process. LAI may cause clients to pay commissions that are higher than those that another qualified broker-dealer might charge to effect the same transaction where LAI determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received.

Research and other products and services purchased with soft dollars will generally be used to service all of LAI’s clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client’s portfolio, as permitted by Section 28(e). In other words, there may be certain client accounts that benefit from the research services, which did not make the payment of commissions to the broker-dealer providing the services.

Brokerage services obtained with soft dollars may include, for example, quotation and communication equipment and services, other order management systems that provide trading software or provide connectivity to such software, trade analysis software, on-line pricing

services, communication services relating to execution, clearing and settlement and message services used to transmit orders.

Research and related services furnished by brokers may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; recommendations as to specific securities; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; and discussions with research personnel, along with hardware, software, data bases and other technical and telecommunication services and equipment utilized in the investment management process. Research received by LAI under such soft dollar arrangements may include both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

As stated above, LAI may recommend that clients establish brokerage accounts with Fidelity, Schwab, and/or TD Ameritrade to maintain custody of clients' assets and to effect trades for their accounts. Fidelity, Schwab, and TD Ameritrade are SEC-registered broker-dealers and members FINRA/SIPC. While there is no direct link between the investment advice given to clients and LAI's recommendation to use the custodial or brokerage services of these custodians, certain benefits are received by LAI due to this arrangement, as outlined above and in Item 14 below.

Directed Brokerage

If requested by a client, LAI may accept written direction from a client regarding the use of a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and LAI will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by LAI (as described below) and LAI will have limited ability to ensure the broker-dealer selected by the client will provide best possible execution. As a result, the client could 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. Subject to its duty of best execution, LAI may decline a client's request to direct brokerage if, in LAI's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

C. Trade Aggregation and Allocation

Transactions for each client will be effected independently, unless LAI decides to purchase or sell the same securities for several clients at approximately the same time. LAI performs investment management services for various clients, some of which may have similar investment objectives. LAI will aggregate sale and purchase orders with other client accounts, including the Sub-Advised Fund and proprietary (employee) accounts that have similar orders being made at the same time, if in LAI's judgment such aggregation is reasonably likely to result in an overall economic benefit to the affected accounts. Such benefits may include better transaction prices and lower trade execution costs. LAI may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate

equitably among LAI's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. If all aggregate orders do not fill at the same price, transactions will generally be averaged as to price and allocated among participating accounts pro rata to the purchase and sale orders placed for each participating account on any given day. If such orders cannot be fully executed under prevailing market conditions, LAI will allocate the securities traded among participating accounts and each similar order in a manner which it considers equitable, taking into consideration, among other things, the size of the orders placed, the relative cash positions of each account, the investment objectives of the accounts, and liquidity of the security.

D. Allocation of Investment Opportunities in Private Funds

LAI, from time to time, recommends investments in Private Funds to certain LAI clients. Generally, such investments are available only to a limited number of sophisticated investors who meet the definitions of "accredited investor" under Regulation D of the Securities Act of 1933, as amended (the "Securities Act") and "qualified client" under the Investment Advisers Act of 1940. Additionally, Private Funds are considered "limited offerings", since they only accept a limited amount of funds for investment.

When determining which clients should receive a recommendation to invest in a Private Fund, LAI considers a number of factors, including but not limited to a client's sophistication, risk tolerances and qualifications, investment objectives, and the amount of available assets in client accounts. LAI's goal is to allocate in a fair and balanced manner; however, given these differing factors, the allocation of investment opportunities in Private Funds to LAI clients is mainly subjective and not all qualifying clients will be provided an investment opportunity.

For those clients that do receive a recommendation to invest, it is important that you read each offering or private placement memorandum prior to investing to fully understand the risks and conflicts pertaining to the Private Fund investment.

E. Brokerage for Client Referrals

In selecting or recommending broker-dealers, LAI may receive client referrals from a broker-dealer, which creates a potential conflict of interest. This is because LAI may have an incentive to select or recommend a broker-dealer based on its interest in receiving client referrals rather than on the client's interest in receiving most favorable execution.

To mitigate this conflict, LAI reviews and monitors execution and services provided to all such LAI clients to help ensure that the client's accounts are managed as effectively as possible and are receiving best execution.

Under no circumstances will LAI place any transactions for the Sub-Advised Fund with a broker-dealer in recognition of past or future client referrals or in consideration of the broker's promotion of the sale of mutual fund shares.

ITEM 13: REVIEW OF ACCOUNTS

A. Periodic Reviews

While asset management accounts are monitored on an ongoing basis, LAI's President, Chief Operating Officer, and Managing Director undertake reviews of client accounts not less than annually. Accounts are reviewed for consistency with the investment strategy and other parameters set forth for the account and to determine if any adjustments need to be made. Financial plans are reviewed only upon request unless LAI is retained to update the plan on a continuous basis.

B. Other Reviews and Triggering Factors

In addition to the periodic reviews described above, reviews may be triggered by changes in an account holder's personal, tax or financial status. Other events that can trigger a review of an account are material changes in market conditions as well as macroeconomic and company-specific events. Clients are encouraged to notify LAI and its advisory representatives of any changes in his/her personal financial situation that might affect his/her investment needs, objectives, or time horizon.

C. Regular Reports

Custodian account statements are generated no less than quarterly and are sent directly from the account custodian. The account statement lists the account positions, activity in the account over the covered period, and other related information, including all additions and withdraws from the account. Clients also receive confirmations following each account transaction unless confirmations have been waived.

In addition to the regular statements clients receive from their custodian, LAI provides detailed reports concerning relevant account and/or market-related information. Our client reports generally consist of: (1) a list of client holdings by asset class that includes the purchase date, name of security, number of shares, purchase price per share, current price per share, current market value and unrealized gain/loss; (2) the account performance; and (3) the total market value of the account(s). If a client has more than one account, the accounts are consolidated into one report. LAI reports are provided upon client request and for "in person" client meetings.

Clients are urged to compare the statements received from LAI to those received from the account custodian.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits Received

As discussed more fully under Item 12, LAI may enter into "soft dollar" arrangements whereby brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist LAI in its investment decision-making process. The receipt

of such services is deemed to be the receipt of an economic benefit by LAI, and although customary, these arrangements give rise to potential conflicts of interest, including the incentive to allocate securities transactional business to broker-dealers based on the receipt of such benefits rather than on a client's interest in receiving most favorable execution.

Additionally, LAI generally recommends that clients use Fidelity, Schwab, or TD Ameritrade, as their custodian and broker of record. While there is no direct link between the investment advice given to clients and LAI's recommendation to use Fidelity, Schwab, or TD Ameritrade as their custodian, certain benefits are received by LAI due to these arrangements. Fidelity, Schwab, and TD Ameritrade make available to LAI other products and services that benefit LAI but may not benefit its clients' accounts. Some of these other products and services assist LAI in managing and administering clients' accounts. While as a fiduciary, LAI endeavors to act in its clients' best interests, LAI's recommendation that clients maintain their assets in accounts at Fidelity, Schwab, or TD Ameritrade may be based in part on the benefit to LAI of the availability of some of the products and services provided and not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity, Schwab, or TD Ameritrade, which may create a potential conflict of interest. Please refer to Item 12 above for further details.

B. Compensation for Client Referrals

LAI has entered into agreements with individuals and organizations, some of whom may be affiliated or unaffiliated with LAI, that refer clients to LAI. All such agreements are in writing and comply with the requirements of Rule 206(4)-3 of the Advisers Act. If a client is introduced to LAI by a solicitor, LAI pays that solicitor a fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. While the specific terms of each agreement may differ, generally, the compensation will be based upon LAI's engagement of new clients and the retention of those clients and is calculated using a varying percentage of the fees paid to LAI by such clients. Any such fee shall be paid solely from LAI's investment management fee, and shall not result in any additional charge to the client.

Each prospective client who is referred to LAI under such an arrangement will receive a copy of LAI's firm brochure and a separate written disclosure document disclosing the nature of the relationship between the third party solicitor and LAI and the amount of compensation that will be paid by LAI to the third party. The solicitor is required to obtain the client's signature acknowledging receipt of LAI's disclosure brochure and the solicitor's written disclosure statement.

Participation in Fidelity Wealth Advisor Solutions®

LAI participates in the Fidelity Wealth Advisor Solutions Program (the "WAS Program"), through which LAI receives referrals from Strategic Advisers, Inc. ("SAI"), a registered investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments. LAI is independent and not affiliated with SAI or FMR LLC. SAI does not supervise or control LAI, and SAI has no responsibility or oversight for LAI's provision of investment management or other advisory services.

Under the WAS Program, SAI acts as a solicitor for LAI, and LAI pays referral fees to SAI for each referral received based on LAI's assets under management attributable to each client referred by SAI or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from SAI to LAI does not constitute a recommendation or endorsement by SAI of LAI's particular investment management services or strategies. More specifically, LAI pays the following amounts to SAI for referrals:

For a period of 7 years from the date that a client or members of a client's household fund an account or accounts with LAI, LAI shall pay SAI an amount equal to the sum of (a) an annual percentage of 0.10% of any and fixed income and cash assets in such account, and (b) an annual percentage of 0.25% of all other assets held in such accounts. In addition, LAI has agreed to pay SAI a minimum annual fee amount of \$10,000 in connection with its participation in the WAS Program. These referral fees are paid by LAI and not the client.

To receive referrals from the WAS Program, LAI must meet certain minimum participation criteria, but LAI may have been selected for participation in the WAS Program as a result of its other business relationships with SAI and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in the WAS Program, LAI may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing for certain client accounts, and LAI may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to LAI as part of the WAS Program. Under an agreement with SAI, LAI has agreed that it will not charge clients more than the standard range of advisory fees disclosed in this Form ADV 2A Brochure to cover solicitation fees paid to SAI as part of the WAS Program. Pursuant to these arrangements, LAI has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when LAI's fiduciary duties would so require; therefore, LAI may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit LAI's duty to select brokers on the basis of best execution.

C. Other Compensation

Individual advisory representatives of LAI, in their capacities as registered representatives of ISC, receive commissions related to the sale of certain Private Funds and other securities sold to clients of LAI. They also receive a portion of the management and incentive fees that are paid to the Private fund manager. Advisory representatives of LAI, in their capacity as registered representatives of ISC, also receive 12b-1 payments from certain mutual funds.

Generally, all commissions and other net compensation received by advisory representatives of LAI in their capacities as registered representatives of ISC from client transactions in certain Private Funds are used to offset advisory fees payable by clients of LAI. Notwithstanding the fee offset, advisory representatives of LAI have a conflict of interest in recommending Private Funds and other securities with respect to which ISC has selling agreements, due to the fact that the

receipt of additional compensation may affect the judgment of these individuals when making recommendations. As part of LAI's fiduciary duty to its clients, LAI and its advisory representatives will endeavor at all times to put the interest of the clients first and will only make recommendations when they are reasonably believed to be in the best interests of the client.

As outlined in Item 10.A above, certain LAI IARs, have outside business activities with unaffiliated registered investment advisers, unaffiliated registered broker-dealers, and other firms. Consequently, these activities create conflicts of interest, which are further disclosed in Item 10.A above and each IAR's Form ADV Part 2B (Supplemental Disclosure Brochure), along with information on how LAI addresses such conflicts.

ITEM 15: CUSTODY

Pursuant to Rule 206(4)-2 of the Advisers Act, LAI is deemed to have custody of client funds, with details outlined in Item 9 of Form ADV Part 1. To mitigate any potential conflicts of interests, all LAI client account assets will be maintained with an independent qualified custodian. Generally, LAI recommends Fidelity, Schwab, or TD Ameritrade for custodial services, but from time to time, other custodians may be used by LAI to custody assets. In the case of Asset Management Services utilizing a TPA, the TPA may select the custodian.

Notably, in most cases a client's broker-dealer also acts as the custodian of the client's assets for little or no extra cost. Clients should be aware, however, of the differences between having their assets held at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

LAI will only implement its investment management recommendations after the client has arranged for and furnished LAI with all information and authorization regarding its accounts held at the designated qualified custodian.

Clients will receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. Clients are urged to carefully review all custodial statements and compare them to the statements provided by LAI. LAI's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please refer to Item 12 for additional important disclosure information relating to LAI's practices and relationships with custodians.

ITEM 16: INVESTMENT DISCRETION

A. Discretionary Authority; Limitations

All Asset Management Services are performed by LAI on a discretionary basis, unless otherwise agreed upon at the inception of the client relationship and memorialized in the client's advisory agreement. In exercising its discretionary authority, LAI has the ability to determine the type and amount of securities to be transacted and whether a client's purchase or sale should be combined (aggregated) with those of other clients and traded as a "block." Such discretion is to

be exercised in a manner consistent with each client's stated investment objectives, risk tolerance, and time horizon. In addition, LAI's authority to trade securities may be limited in certain circumstances by applicable legal and regulatory requirements. Clients are permitted to impose reasonable limitations on LAI's discretionary authority, including restrictions on investing in certain securities or types of securities. All such limitations, restrictions, and investment guidelines must be provided to LAI in writing.

B. Limited Power of Attorney

Unless clients specifically request in writing that LAI manage all or part of their account on a non-discretionary basis, by signing LAI's advisory agreement, clients authorize LAI to exercise full discretionary authority with respect to all investment transactions involving the client's account. Pursuant to such agreement, LAI is designated as the client's attorney-in-fact with discretionary authority to effect investment transactions in the client's account which authorizes LAI to give instructions to third parties in furtherance of such authority.

ITEM 17: VOTING CLIENT SECURITIES

LAI's policy and practice is to not vote proxies on behalf of its clients and therefore, shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a client's account. Consequently, the client retains the responsibility for receiving and voting all proxies for securities held within the client's account. LAI shall not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client, unless the account is an ERISA account and such authority has not been delegated to another named fiduciary in the plan's written documents. Furthermore, in the case of ERISA clients, while LIDO generally does not vote proxies for ERISA client accounts, should proxy materials be forwarded on to LIDO at the request of the plan sponsor, LIDO will strive to vote the proxy in the best interest of the client. A copy of LIDO's proxy voting record and policies are available upon written request by the plan sponsor.

LAI typically does not advise or act for clients with respect to any legal matters, including bankruptcies and class actions, for the securities held in clients' accounts.

ITEM 18: FINANCIAL INFORMATION

LAI does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. LAI does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.