



Lazarus Management Company LLC

3200 Cherry Creek South Drive, Suite 670, Denver, CO 80209
(303) 500-8821

Firm Brochure

(Form ADV, Part 2A)

June 21, 2016

Item 1. Cover Page

This brochure provides information about the qualifications and business practices of Lazarus Management Company LLC. If you have any questions about the contents of this brochure, please contact Adam D. Averbach, General Counsel and Chief Compliance Officer, at (303) 500-8821 or by email at aaverbach@lazarusip.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.

Additional information about Lazarus Management Company LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Registration of an investment adviser does not imply that Lazarus Management Company LLC or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Item 2. Material Changes

Not Applicable.

Item 3. Table of Contents

Item 1. Cover Page.....	1
Item 2. Material Changes.....	2
Item 3. Table of Contents.....	3
Item 4. Advisory Business	4
Item 5. Fees and Compensation	6
Item 6. Performance-Based Fees and Side-By-Side Management	7
Item 7. Type of Clients	8
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	8
Item 9. Disciplinary Information	11
Item 10. Other Financial Industry Activities and Affiliations	11
Item 11. Code of Ethics, Participation or Interests in Client Transaction and Personal Trading	11
Item 12. Brokerage Practices	13
Item 13. Review of Accounts.....	15
Item 14. Client Referrals and Other Compensation.....	15
Item 15. Custody.....	16
Item 16. Investment Discretion.....	16
Item 17. Voting Client Securities.....	17
Item 18. Financial Information	17
Additional Information	18

Item 4. Advisory Business

Lazarus Management Company LLC (“Lazarus,” “we,” “our,” “us” or the “Firm”) is an investment adviser with its principal place of business in Denver, Colorado. The Firm was organized as a Colorado limited liability company in February 2003 and began providing investment advisory services in May 2003 to its first private pooled investment vehicle. As of the date of this brochure, the Firm provides investment management services and serves as investment adviser and general partner to the following private pooled investment vehicles (collectively referred to as the “Lazarus Funds”):

- Lazarus Investment Partners LLLP (“Microcap Fund”)
- Lazarus Israel Opportunities Fund LLLP (“Israel I Fund”)
- Lazarus Israel Opportunities Fund II LLLP (“Israel II Fund”)
- Lazarus Israel Partners (Zimperium) LLLP (“Zimperium Fund”)
- Lazarus Partners (Shoes.com) LLLP (“Shoes.com Fund”)
- Lazarus Partners (Kaminario) LLLP (“Kaminario Fund”)

The Firm provides advice to the Lazarus Funds on a discretionary basis based on specific investment objectives and strategies of each Fund, and does not tailor advisory services to the individual needs of investors (the “Investors”) in the Lazarus Funds. We consider the Lazarus Funds, and not the Investors, our clients. The Investors may not impose restrictions on investing in certain securities or types of securities. This brochure is provided to the Investors and also qualified in its entirety by each Fund’s offering memorandum, partnership agreement and governing documents (collectively, the “offering documents”).

Justin B. Borus is the principal owner of the Firm through his ownership interest in Lazarus Investment Holdings LLC, the Firm’s direct owner, and JBB Holdings Inc., an entity wholly-owned by Mr. Borus. The Firm is the general partner of each of the Lazarus Funds and Justin B. Borus is manager and chief investment officer of the Firm. Investors who invest in the Lazarus Funds become limited partners of the respective Fund.

The Microcap Fund, Israel I Fund and Israel II Fund are the only Lazarus Funds currently being offered to new investors. The Microcap Fund and Israel I Fund are offered privately only to persons who qualify as “accredited investors” under the Securities Act of 1933, as amended, and “qualified clients” under the Investment Advisers Act of 1940, as amended. The Israel II Fund is offered privately only to persons who qualify as “accredited investors” under the Securities Act of 1933, as amended, and “qualified purchasers” under the Investment Company Act of 1940, as amended. In this brochure, we sometimes refer to the Microcap Fund, Israel I Fund and Israel II Fund collectively as the “Offered Funds” and refer to the Israel I Fund and Israel II Fund collectively as the “Israel Funds.” The Zimperium Fund, Kaminario Fund and Shoes.com Fund (collectively, the “Co-Investment Funds”) each hold a single co-investment in a portfolio company of one of the Offered Funds and were offered privately to investors in the Offered Funds who elected to participate in the co-investment opportunity. While the Co-Investment Funds are not open to new investors, existing investors in the Co-Investment Funds may be provided the opportunity to make additional investments if and when the underlying



portfolio companies offer additional securities and the Firm, as general partner of the applicable Co-Investment Fund, deems it in the Fund's best interest to make additional investments.

The Microcap Fund principally makes investments in ultra-small microcap public companies with market capitalizations of \$250 million or less. The Israel Funds focus on Israeli companies and invest in both public and private companies with a past, current or anticipated future presence and/or interest in Israel, regardless of company domicile, headquarters or primary place of business.

The Offered Funds have a stated minimum initial investment requirement from any one investor of \$1,000,000 (institutions) and \$500,000 (individuals) as set forth in the applicable Fund offering documents, however, the Firm may, in its sole discretion, accept initial investments below the stated minimum. These situations are evaluated on a case-by-case basis.

Investors may make withdrawals from the Lazarus Funds according to the rights set forth in each Fund's offering documents. With respect to the Microcap Fund, withdrawals are permitted at the end of each calendar quarter upon 60 days' prior written notice. With respect to the Israel Funds, withdrawals are permitted as of June 30th or December 31st of any calendar year upon 60 days' prior written notice subject to restrictions imposed on the ability to make withdrawals from the illiquid portion of the Funds as set forth in the Funds' offering documents. With respect to the Co-Investment Funds, withdrawals are generally not permitted until there is a liquidation event involving the underlying portfolio company. Additional details on withdrawals are discussed in the applicable Fund's offering documents.

The Firm also serves as sub-adviser to private investment funds sponsored by non-affiliated investment managers ("Sub-Advised Funds"). The Firm provides sub-advisory investment management services on a discretionary basis subject to certain investment guidelines and restrictions as set forth in the sub-advisory agreement. Sub-Advised Funds may choose a strategy similar to a strategy used in one of the Offered Funds or a customized strategy as agreed upon by the Firm and the client. The Firm does not solicit investors to invest in Sub-Advised Funds. The sub-advisory agreements are typically terminable by the investment managers upon 30-45 days' notice.

As of May 31, 2016, the Firm had approximately \$134,313,258 of regulatory assets under management, all of which are managed on a discretionary basis.

Item 5. Fees and Compensation

We receive a management fee from the Offered Funds payable monthly in arrears, at the end of each calendar month. The management fee is typically equal to 0.166% per month (2.0% annually) of the net assets comprising each Investor's capital account as of the last day of each month (with a proration for any period of less than a month). In addition, we are entitled to receive certain performance-based fees as more fully set forth in Item 6 of this brochure. These fees are deducted from each Investor's capital account and paid to us directly by the Offered Funds. The Co-Investment Funds are not charged a management fee or a performance-based fee. With respect to the Sub-Advised Funds, fees are individually negotiated and customized based on the investment strategy and investment guidelines and are set forth in the respective sub-advisory agreements.

Other fees all the Lazarus Funds pay directly, or reimburse the Firm for, include: legal (including an allocable share of the salaries and compensation expenses associated with in-house legal professionals), accounting (including outsourced accounting), auditing and other professional expenses, an allocable share of professional liability insurance, research expenses (including published and electronic data and research concerning securities, online services providing financial data, statistics and pricing, along with hardware, software, databases and other technical and telecommunication services, lines and equipment utilized in the investment management process, as well as research related travel including airfare and hotels) and investment expenses such as commissions, custodial fees, bank service fees, administrator fees and other reasonable expenses related to the purchase, sale or transmittal of Fund assets, as determined by the Firm in its discretion. With respect to the Offered Funds, see the applicable Fund's offering documents for additional detail on fees and expenses.

The Sub-Advised Funds, in addition to performance fees, may incur operating and transaction fees, costs and expenses associated with maintaining their accounts imposed by custodians, brokers, prime brokers and other third-parties. Examples of these charges include but are not limited to custodial fees, margin, deferred sales charges, "mark-ups" and "mark-downs" on trades, odd-lot differentials, transfer taxes, handling charges, exchange fees (including foreign currency exchange fees), wire transfer fees, electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Please see Item 12 of this brochure for more information on certain fees charged by broker-dealers.

All fees are accrued or paid when incurred and therefore there are no substantial prepaid expenses. Neither the Firm nor its employees receive any compensation for the purchase or sale of any securities which could create a conflict of interest with the Investors of the Lazarus Funds.

The Firm may enter into side letters or other similar arrangements with Investors that may provide more favorable terms to these Investors than those described in the offering documents. These terms may include a waiver or reduction in management fees and/or performance allocations, special rights with respect to future contributions, future investments and supplemental reporting.

The Firm may allocate a portion of a Fund's assets to unaffiliated money market funds, exchange-traded funds or similar products that bear certain fees and expenses including those payable to their investment

managers and service providers. To the extent we make such allocations, the applicable account will indirectly bear these fees and expenses in addition to the other fees and expenses described herein.

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

As set forth above, in addition to the management fee, we are entitled to receive a performance-based fee in the form of a performance-based profit allocation in the Offered Funds equal to 20% of the excess of net profits over net losses comprising each Investor's capital account in each year or upon withdrawals or distributions, provided that no such allocation shall be made until all net losses in such Investor's capital account for prior years have been offset by net profits. Performance-based fees are calculated and accrued monthly but are generally paid annually after year-end. The Firm does not receive a performance-based fee from the Co-Investment Funds. The Firm receives performance-based fees from the Sub-Advised Funds as set forth in the respective sub-advisory agreements for each account which are individually negotiated.

The Firm's investment personnel and certain other employees are compensated on a basis that includes a performance-based component and therefore a potential exists for one Fund to be favored over another Fund in the event that a security is deemed a suitable investment for multiple Funds. While the Firm treats all the Funds fairly, the Firm and its investment personnel have a greater incentive to favor Funds that pay the Firm (and indirectly certain employees) performance-based compensation. Further, performance allocations may create an incentive for the Firm to make investments that are more speculative in nature than would be the case in the absence of performance-based compensation.

The Firm has implemented procedures intended to address conflicts of interest relating to the management of multiple client accounts, including accounts with differing fee arrangements, and the allocation of investment opportunities. The Firm reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of the accounts is regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Firm's procedure relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities in a fair and equitable manner, taking into account portfolio composition, targeted position size, cash on hand in a particular Fund, investment strategies, Fund assets under management, and the risk profile of the investment. To the extent orders are aggregated, the orders are price-averaged.

Item 7. Type of Clients

As of the date of this brochure, the only client accounts of the Firm are private funds comprised of the Lazarus Funds for which we serve as general partner and investment adviser and the Sub-Advised Funds.

Investors in the Lazarus Funds are currently institutional and qualified individual investors. The criteria applicable to Investors in the Offered Funds are described in the Funds' offering documents and in Item 4 of this brochure. The Offered Funds are offered to qualified individuals and institutional investors such as family offices, foundations and endowments on private placement basis. The Offered Funds have a stated minimum initial investment requirement of \$1,000,000 (institutions) and \$500,000 (individuals) and a subsequent minimum investment requirement of \$50,000, however, the Firm may in its sole discretion, accept investments below the minimums based on the particular facts and circumstances. As stated above, the Co-Investment Funds are not offered to new investors, do not have minimum investment requirements and were established for the purposes set forth in Item 4 of this brochure. The Firm does not solicit investors for the Sub-Advised Funds.

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

Methods of Analysis and Investment Strategies

The Firm's investment objective for its clients is to maximize long-term capital appreciation while minimizing the inherent risk within the investment portfolio through a variety of methods and strategies, investing primarily in (i) common stocks; (ii) preferred stocks; (iii) stock warrants, options and similar rights; (iv) convertible securities; and (v) other debt obligations.

The Firm uses charting, fundamental, technical, and cyclical analysis to evaluate prospective investments and locate opportunities that meet the particular Fund's investment goals. In this regard, we use standard news periodicals, annual reports, press statements, filings with the SEC, and research provided by outside sources to evaluate current and prospective positions. We also communicate with research analysts of brokerage and advisory firms, attend presentations given to securities analysts, review industry publications, attend industry specific conferences, and if appropriate, interview customers, suppliers and competitors of a particular company. We may also inspect the corporate activities of a particular company including touring the company's facilities and meeting with management to decide if investment in the security fits the particular Fund's investment strategy. The Funds attempt to invest in companies that have begun to demonstrate strong business fundamentals, including top and bottom line growth, a solid cash position, little to no debt, and low burn rates, and have not yet been recognized by the investment community. The investment strategies for our Funds are described in more detail below:

Microcap Fund. The Microcap Fund pursues an investment strategy that (i) focuses on ultra-small microcap companies with market capitalizations of \$250 million or less; (ii) benefits from pricing inefficiencies in the market segment caused by lack of information and limited research coverage or institutional ownership; (iii) capitalizes on investment opportunities that are available to small

investment funds in the less liquid parts of the market because larger funds cannot make meaningful investments in such areas; and (iv) follows a disciplined approach to selecting attractive companies at appealing valuations. The Fund primarily makes open market purchases of select ultra-small microcap public companies, but may invest from time to time in larger companies at the Firm's discretion. In addition, the Fund may participate in private placements, initial public offerings and make selective investments in private companies at the Firm's discretion. The Fund seeks to invest in companies that have stock prices that the Firm believes fail to reflect the value inherent in the companies. The Fund focuses primarily on investing in U.S. companies traded over the counter or on exchanges located in the U.S., but may also invest selectively in foreign companies traded on foreign exchanges.

Israel I and Israel II Funds. The Israel Funds pursue an investment strategy that focuses on investing in both publicly-held and privately-held companies with a past, current or anticipated future presence and/or interest in Israel, regardless of company domicile, headquarters or primary place of business. The Israel Funds make investments through open market purchases and private placements, and may participate in initial public offerings. The Israel Funds invest in public and private Israeli companies both that are at an early stage of development and also those that are larger and more mature public companies. There is no predetermined allocation between public company and private company investments or between large capitalization and small capitalization companies, although the Funds emphasize investing in small capitalization stocks based on the Firm's historical experience in managing the Microcap Fund. The Israel Funds focus primarily on Israeli securities, although these may be traded over the counter or on exchanges located in the U.S., Israel, the United Kingdom, Germany, Switzerland, Canada and other countries.

Co-Investment Funds. The Co-Investment Funds each hold a single co-investment in a portfolio company of one of the Offered Funds for Investors who elected to participate in the co-investment opportunity when the respective Offered Fund made an investment in the portfolio company.

The Lazarus Funds take primarily long positions in companies and thus avoid any unnecessary risk created by short selling, buying on margin, purchasing put or call options or other speculative hedging techniques. However, the Israel Funds may occasionally hedge selectively, including the purchase of index options or equivalent instruments and leveraged or unleveraged exchange traded funds that may be directly or indirectly related to the Israel Funds' portfolios. Hedging is not a primary focus of the Israel Funds' long-oriented strategy and the Israel Funds do not utilize hedging instruments on a regular basis.

Sub-Advised Funds. The Sub-Advised Funds may follow an investment strategy used by the Offered Funds or a customized strategy as agreed upon by the Firm and the client. One Sub-Advised Fund currently uses behavioral market indicators in portfolio construction and another Sub-Advised Fund follows the Israel investment strategy.

Risk of Loss

Investment in securities involve significant risks and, accordingly, investment in the Lazarus Funds is suitable only for persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investment and who otherwise meet the suitability requirements for

investment in the Lazarus Funds. We do not represent or guarantee that our advisory services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate the Lazarus Funds from losses due to market corrections or declines. Past performance is in no way an indication of future performance. There are no assurances that the Lazarus Funds will achieve their investment objectives as set forth in this brochure. Prospective Investors should carefully review the applicable Fund's offering documents before deciding to invest. The Firm believes the type of securities and companies in which the Lazarus Funds invest have the following risks:

- *Market Risks:* The profitability of a significant portion of each Fund's investment program depends to a great extent upon correctly assessing the future course of price movements of specific securities. There can be no assurance that we will be able to predict these price movements accurately. With respect to the investment strategy utilized by the Funds, there is a significant degree of market risk.
- *Instability in the Microcap Sector:* Microcap companies are subject to extreme volatility in their stock price and unstable business conditions. They frequently rely on limited products or services, have limited financial resources, are saddled with onerous debt obligations and lack depth in the executive team. Many of them are also subject to competition from larger companies with greater financial and managerial resources.
- *Illiquid Securities.* Investment in unregistered securities of publicly held companies and securities of private companies are illiquid, difficult to value and subject to the Firm's best judgment of fair value. Such investments may require a significant amount of time from the date of initial investment until disposition. Sales of illiquid securities may not be possible and, if possible, may be made at substantial discounts from costs. Some of our portfolio companies may have the need for additional capital to support expansion or to achieve or maintain a competitive position, and there is no assurance that such capital will be available.
- *Speculative Nature of Certain Investments.* Certain potential investments of the Lazarus Funds may be regarded as speculative in nature and involve increased levels of investment risk. Since an inherent part of our strategy is identifying securities that are undervalued by the marketplace, the success of such strategy depends upon the market eventually recognizing such value in the price of the security, which may not necessarily occur. Equity positions may involve highly speculative securities.
- *Non-U.S. Securities.* Investments in non-U.S. securities involve certain considerations comprising both risks and opportunities not typically associated with investing in securities of U.S. companies. These considerations include changes in exchange rates and exchange control regulations, political and social issues, expropriation, imposition of foreign taxes, less liquid markets and less available information, higher transaction costs, less government supervision of exchanges, brokers and issuers, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.
- *Country Risk for Israel:* The Israel Funds and their portfolio companies may be materially adversely affected by political, military and economic conditions in the Middle East and in Israel. Specifically, the Israel Funds and their portfolio companies could be materially adversely affected by the following circumstances, among others: major hostilities involving Israel; a full or partial mobilization of the reserve forces of the Israeli army; the interruption or curtailment of trade between Israel and its present trading partners; a significant downturn in the economic or

financial condition in Israel; a significant increase in inflation; labor disputes and strike actions; and political instability. The Israel Funds will also be exposed to certain financial risks inherent to investing in Israel. The securities markets in Israel are substantially smaller, less sophisticated, less liquid and more volatile than those in the United States. Financial statements of the Israel Funds' portfolio companies may be prepared in accordance with Israeli generally accepted accounting principles or international financial reporting standards, which differ in certain important respects from U.S. generally accepted accounting principles. The Israel Funds could also be susceptible to regulatory changes applicable to Israeli markets that could potentially inhibit the Israel Funds' ability to invest in public or private Israeli companies.

With respect to the Sub-Advised Fund whose primary focus is on investing in common equity securities and ETFs using behavioral market indicators in portfolio construction, such portfolio may be more volatile than the market as a whole, but the underlying risks of the account are the same as those of the stock market and individual stocks.

Item 9. Disciplinary Information

In September 2014, the Firm entered into a negotiated settlement with the SEC relating to alleged violations (i.e., late filings) of Sections 13(d) and 16(a) of the Exchange Act of 1934 and Rules 13d-1, 13d-2 and 16a-3 promulgated thereunder. The Firm agreed to the terms of the settlement, without admitting or denying any wrongdoing, and paid a civil money penalty in the amount of \$60,000. The SEC's Order notes that, in determining to accept the offer, the SEC considered certain remedial acts undertaken by the Firm and cooperation afforded to SEC staff. The Firm has since put in place further policies and procedures to protect against future inadvertent Section 13 and Section 16 violations.

Item 10. Other Financial Industry Activities and Affiliations

No Firm management persons are engaged in other financial industry activities or affiliations.

The parent company of the Firm recently acquired a material ownership stake in the parent company of AthenaInvest Advisors LLC ("AthenaInvest"), an investment adviser. Two of the Firm's principals and management persons serve on the board of directors of AthenaInvest's parent company. The Firm has licensed certain intellectual property from AthenaInvest and its parent company for use in future private investment funds. The Firm does not currently recommend AthenaInvest to its clients.

See Items 4 and 5 for information about the Firm's relationship with the Lazarus Funds.

Item 11. Code of Ethics, Participation or Interests in Client Transaction and Personal Trading

The Firm and its employees are permitted to buy or sell securities for their own accounts that the Firm also purchases or sells for clients, consistent with the Firm's policies and procedures. Additionally, the Firm and certain of its employees have a financial interest in the Lazarus Funds and Sub-Advised Funds through a performance-based fee allocation and/or direct investment. To address potential conflicts of

interest, the Firm has adopted a Code of Ethics (the “Code”) that obligates the Firm and its employees to put the interests of the Firm’s clients before its own interest and to act honestly and fairly in all respects in its dealings with clients. All employees are also required to comply with applicable federal securities laws. Clients, prospective clients and Investors may obtain a copy of the Code by contacting the Firm’s Chief Compliance Officer by telephone at (303) 500-8821, by email at aaverbach@lazarusip.com, or by sending a written request to Lazarus Management Company LLC, Attention: Chief Compliance Officer, 3200 Cherry Creek South Drive, Suite 670, Denver, Colorado 80209.

The Code sets forth the standards of conduct expected of Firm employees and contains written policies reasonably designed to prevent the unlawful use of material non-public information by the Firm and its employees. The Code also requires that access persons report their personal securities holdings and transactions and obtain pre-approval of specified personal securities transactions from the Chief Compliance Officer. The Chief Compliance Officer may restrict employee trading for any reason, including if (i) the Firm is in possession of material non-public information about a company; (ii) an employee’s trading could present a conflict of interest vis-à-vis a client account or cause a client account to be harmed; or (iii) the employee’s trading could be considered improper and/or illegal, as determined by the Chief Compliance Officer.

Unless specifically permitted in the Code, none of the Firm’s employees may effect for themselves any transaction in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of a client. When the Firm is purchasing or considering for purchase any security on behalf of a client, no employee may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when the Firm is selling or considering the sale of any security on behalf of a client, no employee may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security.

Subject to applicable regulatory restrictions, senior management and employees of the Firm may choose to personally invest, directly and/or indirectly, in certain Funds managed by or advised by the Firm. The senior management and employees are not required to keep any minimum investment in any of the Funds, and the size and nature of the investments changes over time. Investments by the senior management and employees in a particular Fund could incentivize the senior management and employees to increase or decrease the risk profile of such Fund.

The Firm and its management persons will devote as much of their time to the activities of each Fund as they deem necessary and appropriate. The Firm and its management persons are not restricted from forming additional Funds, from entering into other investment advisory relationships or from engaging in other business activities, even if such activities involve substantial time and resources of the Firm and its management persons. These activities could be viewed as creating a conflict of interest in that the time and effort of the Firm and its management persons will not be devoted to the business of specific Funds but will be allocated among the business of all of the Firm’s clients.

Item 12. Brokerage Practices

We have adopted the following policies and practices to meet the Firm's fiduciary responsibilities and to ensure our trading practices are fair to all clients and that, except where noted below, no client is advantaged or disadvantaged over any other.

Best Execution

Except as otherwise negotiated with a Sub-Advised Fund, the Firm selects broker-dealers for clients as part of its discretionary responsibilities. For such clients, the Firm has a duty to seek best execution for client transactions. In this regard, we seek to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances. We consider a number of factors in selecting a broker-dealer to execute transactions and negotiating commission rates. Our primary objective is the ability of the broker-dealer, in our opinion, to secure prompt execution on favorable terms, including the reasonableness of the commission considering the state of the market at the time. While we generally seek reasonably competitive commission rates, we do not necessarily pay the lowest commission or mark-up. The specific factors considered in selecting a broker-dealer to effect a transaction include our knowledge of transaction costs, the nature of the security being traded, the size of the transaction, the desired timing of the trade, the activities existing and expected in the market for the particular security, the financial stability of the broker-dealer, the quality of the overall brokerage and research services provided by the broker-dealer, and the execution, clearance and settlement capabilities of the broker-dealer. With respect to one Sub-Advised Fund, our investment sub-advisory agreement requires that transactions be executed through a specified broker at pre-negotiated commission rates as identified by such Sub-Advised Fund and the Firm does not have discretion to select an alternate broker absent advance approval from the client. To the extent a client is only invested in privately-issued securities, a broker-dealer may not be involved in such client's portfolio.

Soft Dollars

The Firm may receive certain investment research products and services from broker-dealers which assist it in its decision-making process for its clients. This arrangement is referred to as a soft dollar arrangement whereby soft dollars are generated by client accounts' trading activities and used to purchase research services or products that would otherwise have been an expense of the Firm. The Firm's soft dollar arrangements fall within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended.

Research services within Section 28(e) may include research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services.

Brokerage services within Section 28(e) may include services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between

an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services by the SEC or self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

When the Firm uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, we periodically review and evaluate our soft dollar practices to determine in good faith, whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Firm's overall responsibilities to its clients.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Firm will not have to pay for the products or services itself. This creates an incentive for the Firm to select a broker-dealer based on its interest in receiving those products and services. Additionally, the Firm may cause clients to pay commission (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for clients.

The Firm seeks to allocate soft dollar benefits equitably among all clients by pooling the credits for investment and trading related activities for all of its clients whose accounts generate soft dollar credits. However, the soft dollar benefits allocated to each client may not be in proportion to the soft dollar credits each client generates.

The Firm has established a soft dollar account with a brokerage firm and the soft dollar credits generated from trading activities are used for the purposes described herein within the parameters of Section 28(e).

Aggregation and Allocation

The Firm may purchase or sell the same security for more than one client at or near the same time and using the same executing broker. It is the Firm's practice, where possible, to aggregate client orders for the purchase or sale of the same security at or near the same time for execution using the same executing broker. Such aggregation may enable the Firm to obtain for clients a more favorable price or better commission rate based upon the volume of a particular transaction. When an aggregated order is completely filled, the Firm allocates the securities purchased or proceeds of sale among participating clients in a fair and equitable manner, taking into account portfolio composition, targeted position size, cash on hand in a particular Fund, investment strategies, Fund assets under management and a company's risk profile. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating clients will receive the average price and pay the average commission, subject to odd lots and rounding. If the aggregated order is only partially filled, the Firm's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to clients.

The Firm will not, directly or indirectly, while acting as principal for its own account, knowingly sell any security to, or purchase any security from, a client and rarely engages in cross transactions between clients. If a cross trade between clients is deemed to be in the best interests of both clients, any cross-transaction would be done consistent with our fiduciary duty obligations to each client, applicable law and the requirements of best execution. The cross transaction would be effected on the basis of current market price of the security or at a price reasonably determined to reflect the fair value of the security.

Item 13. Review of Accounts

The client accounts managed by the Firm are reviewed on a continual basis by the portfolio manager of the particular account and the Investment Committee to assure conformity with investment objectives and guidelines. The Investment Committee is currently composed of the Firm's three senior investment professionals. More extensive review of particular securities in an account may be performed on a daily or weekly basis depending upon the nature of the investment and the status of various factors that are used by us to monitor, rebalance and effect transactions in the accounts.

The Firm provides Investors in the Offered Funds with unaudited quarterly reports containing performance reporting, individual account balances and market commentary and annual audited financial statements. Investors may also be provided with verbal reports in addition to the periodic written reports at the Firm's discretion. Investors in the Co-Investment Funds are provided with annual audited financial statements and other updates in the discretion of the Firm. With respect to the Sub-Advised Funds, the Firm provides information and reports as requested by such Funds' investment managers.

Item 14. Client Referrals and Other Compensation

As discussed in Item 12, the Firm may receive research or services from broker-dealers through a soft-dollar arrangement. Please see Item 12 for full disclosure.

The Firm does not have any arrangements, either formal or informal, whereby it compensates any person for client referrals. With respect to one or more of the Offered Funds, the Firm has arrangements with placement agents pursuant to which the placement agents will be compensated by the Firm based on a percentage of the fees received by the Firm from investors that the placement agents are responsible for introducing to the Firm. The fees paid to the placement agent do not result in an increase in fees paid by Investors and no Investor pays fees directly to the placement agent. The Firm requires that all placement agents be properly registered with all relevant regulatory bodies as may be required, including if applicable, the SEC and FINRA.

Item 15. Custody

The Firm is deemed to have custody of each of the Lazarus Funds in its role as the general partner of each Lazarus Fund even though the Firm does not physically hold the securities and other assets of the Lazarus Funds, except consistent with certain regulatory guidance regarding private stock certificates in certain limited circumstances. A qualified custodian serves as the custodian of the securities and uninvested cash of each of the Funds, which securities and cash are held directly by the custodian in a segregated account in the name of the applicable Fund. In addition, the Firm utilizes unaffiliated administrators to provide certain financial, accounting, administrative and other services on behalf of the Funds, including disbursing payment of the Funds' expenses, maintaining a registry for the ownership and transfer of limited partnership interests, maintaining the books and records of the Funds, coordinating with the auditors for the audit of the books and records and preparing and distributing reports to each Investor. The Firm, however, encourages all clients and Investors to carefully review all statements and reports provided to them in connection with their investment.

The books and records of each of the Offered Funds and Co-Investment Funds are audited at the end of each fiscal year by Spicer Jeffries LLP, a firm of independent certified public accountants registered with the Public Company Accounting Oversight Board. Investors are furnished with audited year-end financial statements prepared in accordance with generally accepted accounting principles following the end of the respective Fund's fiscal year. Investors in the Offered Funds are also furnished with unaudited reports concerning the Fund's performance quarterly, together with information regarding the Fund's investment portfolio. In the event of a liquidation of an Offered Fund or Co-Investment Fund, each Investor will receive a final liquidation audit report prepared in accordance with generally accepted accounting principles.

The Firm has entered into gatekeeper agreements for each of the Lazarus Funds with an independent certified public accountant, Tannenbaum Consulting LLC, who serves as gatekeeper with respect to the Lazarus Funds and under which we have agreed that such Funds cannot make any fee payments or capital distributions to the Firm unless and until the Firm submits a request in writing to the gatekeeper together with appropriate back-up documentation and the gatekeeper sends written notice to each Fund's custodian that the requested payments are permitted.

The Firm does not have custody with respect to the Sub-Advised Funds.

Item 16. Investment Discretion

As general partner and investment adviser to the Lazarus Funds, and pursuant to each Lazarus Fund's offering documents, the Firm has full discretion with respect to securities transactions affected for the Lazarus Funds and exercises its investment discretion consistent with each of the Lazarus Fund's respective investment strategies as set forth in the applicable Fund offering documents. The Firm also has discretion with respect to the Sub-Advised Funds. In both cases, the Firm has the authority to determine (i) the securities to be purchased and sold for the Fund, and (ii) the amount of securities to be

purchased or sold for the Fund. Please refer to Item 4 for more information on the Firm's discretionary investment authority.

Item 17. Voting Client Securities

As investment adviser to the Lazarus Funds and sub-adviser to the Sub-Advised Funds, the Firm is delegated the right to vote, on behalf of the Funds, proxies received from companies in relation to the securities which are owned by the Funds. The Firm's proxy voting policy is summarized below.

The Firm determines how to vote a proxy after studying the proxy materials and any other materials that may be necessary or beneficial in determining the appropriate vote. The Firm votes in a manner that it believes reasonably furthers the best interests of the client, and is consistent with the investment strategy of the client as set forth in the applicable Fund documents. The Firm will cast votes on a case-by-case basis and will generally vote in favor of matters which follow an agreeable corporate strategic direction, support an ownership structure that enhances shareholder value without diluting management's accountability to shareholders, and/or in support of compensation plans that are commensurate with enhanced manager performance and market practices.

If a proxy vote creates a material conflict between the interests of the Firm and the client, the Firm will work to resolve the conflict before voting the proxy. The Firm will either disclose the conflict to the client and obtain consent to continue to handle the voting responsibility, or relinquish its delegated right to vote and seek an outside independent proxy voting firm or other qualified independent group to make a determination of the appropriate vote that would be in the applicable client's best interest, or take other steps designed to ensure that a decision to vote the proxy is based on the Firm's determination of the applicable client's best interest and does not deviate from this objective as a result of any material conflict.

The Firm maintains records of (i) all proxy statements and materials it receives on behalf of clients; (ii) all proxy votes that are made on behalf of its clients; (iii) all documents that were material to a proxy vote; (iv) all written requests from clients regarding voting history; and (v) all responses (written and oral) to client request. Such records are available upon request.

The Firm will provide information with respect to its voting of securities to any client upon request. Requests should be sent to Lazarus Management Company LLC, Attention: Chief Compliance Officer, 3200 Cherry Creek South Drive, Suite 670, Denver, Colorado 80209, by email at aaverbach@lazarusip.com, or by telephone at (303) 500-8821.

Item 18. Financial Information

The Firm is not required to provide a balance sheet in response to this item and is not subject to any financial condition that is reasonably likely to impair its ability to meet its financial obligations to its clients.

Additional Information

Privacy Policy

Notice Concerning Privacy

We are committed to preserving the trust of each client and Investor by respecting the privacy of all clients and Investors to the best of our ability. We will not disclose a client's or Investor's nonpublic personal information to anyone unless it is required by law, at the client's or Investor's direction or consent, or is necessary to manage the client or Investor's account. We have not and will not sell a client's or Investor's personal information to anyone, even if our formal relationship ends.

The Information We Collect and Maintain

The only information we collect and maintain about a client or Investor is information we receive related to establishing and maintaining the account (such as address, telephone number and financial information).

The Disclosure of Information

We will not disclose any nonpublic personal information about the client or Investor or its account(s) to anyone unless one of the following conditions is met: we receive prior written consent; we believe the recipient is an authorized representative; we disclose the nonpublic personal information as necessary to effect or process a transaction in the account, or to maintain or service the account(s); we are required by law to disclose information to the recipient.

The Protection of Information

We have instituted policies and procedures to protect nonpublic personal information which include: restricting access to nonpublic personal information to those persons who need to know that information to manage the account; and maintaining physical, electronic and procedural safeguards to keep nonpublic personal information safe.