



Lazarus Management Company LLC
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Firm Brochure

(Form ADV, Part 2A)

March 30, 2017

Item 1. Cover Page

This brochure ("Brochure") provides information about the qualifications and business practices of Lazarus Management Company LLC ("Lazarus", "we", or the "Firm"). If you have any questions about the contents of this Brochure, please contact the Chief Compliance Officer at (303) 500-8821 or by email at compliance@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 also is available on the SEC's website at www.adviserinfo.sec.gov.

Registration of an investment adviser does not imply that Lazarus 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

This Brochure was prepared for the Firm's annual updating amendment for its fiscal year ending December 31, 2016.

The following is a summary of material changes made to this Brochure since it was last updated on June 21, 2016 in connection with the Firm's registration as an investment adviser with the SEC:

- Item 4 has been revised to focus on investment strategies utilized by the Firm in managing client accounts and the Lazarus Funds. Information previously set forth in Item 4, such as information on types of clients and details on investment strategies, is set forth in Item 7 and 8 respectively. Item 4 has also been revised to provide additional details on Mr. Borus' ownership of the Firm.
- Item 5 has been revised to include further details on the management fees and performance fees that may be charged to client accounts.
- Item 6 has been revised to cross-reference the performance-based fees that are discussed in more detail in Item 5.
- Item 8 has been revised to include new investment strategies utilized by the Firm since the most recent amendment of this Brochure and the risks associated with such investment strategies.
- Item 10 has been revised to describe a new affiliation with AthenaInvest, Inc. and AthenaInvest Advisors LLC. Item 10 has also been revised to describe the use of an affiliated entity to serve as general partner for certain investment funds managed by the Firm.
- Item 15 has been revised to remove references to the use of a "gatekeeper" with respect to the Lazarus Funds, which was a requirement when the Firm was registered as an investment adviser with the state of Colorado. The Firm provides an audit of each Lazarus Fund to its applicable Investors.
- Item 19 has been removed as it does not apply to SEC-registered advisers.

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This Brochure may be provided to current or prospective investors (the “Investors”) in the Lazarus Funds (as defined below) managed by Lazarus, together with the Lazarus Fund’s Governing Documents (as defined below) as well as other clients, prior to or in connection with such person’s consideration or consummation of an investment in a Lazarus Fund or managed account. This Brochure may also subsequently be provided in Lazarus’ discretion, annually, or at the request of an Investor or client. Investors and other recipients should be aware that while the Brochure includes information about the Lazarus Funds and strategies, it is not a complete description of the terms, risks or conflicts associated with an investment in any Lazarus Fund. More complete information about each Lazarus Fund and strategy is included in such Lazarus Fund’s Governing Documents, which may be provided to current and eligible prospective Investors only by Lazarus or another authorized party.

In no event should this Brochure be considered to be an offer of interests in a Lazarus Fund or relied upon in determining to invest. It is also not an offer of, or agreement to provide, advisory services directly to any recipient. Rather, this Brochure is designed to provide information about Lazarus for the purpose of compliance with certain obligations under the Investment Advisers Act of 1940, as amended, (the “Advisers Act”) and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided in each Lazarus Fund’s Governing Documents.

Item 4. Advisory Business

Lazarus Management Company LLC (“Lazarus”, “we” or the “Firm”) is a Colorado limited liability company, founded in February 2003. As of March 1, 2017, Lazarus provides investment management services to privately offered limited partnerships and corporate investment vehicles (collectively, the “Lazarus Funds” or individually, a “Lazarus Fund”). Certain Lazarus Funds were formed as co-investment vehicles to allow certain existing Investors to invest alongside an existing Lazarus Fund in a specific portfolio company.

The Firm has the right to form one or more parallel investment funds for certain types of Investors who seek to invest in an existing Lazarus Fund. Each parallel fund will generally invest proportionately in all investments and dispose of investments on effectively the same terms and conditions as the applicable Lazarus Fund. However, there is no guarantee that Investors in a given Lazarus Fund (including any parallel funds) will share in the same investment opportunities available to Investors in other Lazarus Funds.

The sole member and owner of Lazarus is Lazarus Investment Holdings LLC (“Holdco”). The principal owner of Holdco is JBB Holdings Inc., an entity wholly-owned by Justin B. Borus, who also serves as the Manager and Chief Investment Officer of the Firm.

We provide investment advice to the Lazarus Funds with respect to their respective investments. The Lazarus Funds are managed in accordance with the investment objectives, guidelines and restrictions set forth in each Lazarus Fund’s respective offering memorandum, partnership agreement or similar agreement, subscription agreement and related governing documents (collectively, for each Lazarus Fund, the “Governing Documents”). As of March 1, 2017, the Firm’s three primary investment strategies, which are described more fully in Item 8 below, are (i) a microcap public company strategy, (ii) an Israel-focused public and private hybrid strategy, and (iii) a behavioral finance strategy.

Lazarus provides investment advice to the Lazarus Funds on a discretionary basis based on each Lazarus Funds’ specific investment objective and strategy and does not tailor investment advice to the individual needs of any Investor nor may any Investor impose restrictions on investing in certain securities or types of securities. Lazarus provides services to each Lazarus Fund in accordance with the Governing Documents of such Lazarus Fund and, where applicable, a management agreement by and among Lazarus, an affiliated general partner of such Lazarus Fund, and the Lazarus Fund. Such management agreements may be terminated by Lazarus or the applicable Lazarus Fund with notice to the other party. The Firm considers the Lazarus Funds, and not the Investors in those Lazarus Funds, its clients.

The Lazarus Funds based in the U.S. are offered on a private placement basis and only to persons who qualify as “accredited investors” under the Securities Act of 1933, as amended (the “Securities Act”), “qualified clients” under the Advisers Act, and with respect to certain Lazarus Funds, “qualified purchasers” under the Investment Company Act of 1940, as amended (the “Investment Company Act”). The Lazarus Funds based outside of the U.S. are offered on a private placement basis and only to (i) Non-US Persons (as such term is defined in the Securities Act) and (ii) U.S. investors who are “qualified purchasers” and exempt from federal income taxation.

Lazarus does not participate in wrap-fee programs.

See Item 7 below for information about the Firm's authority to enter into "side letters" with certain Investors. Such Investors may receive terms that differ from the terms applicable to other Investors in a given Lazarus Fund.

As of December 31, 2016, the Firm had approximately \$215,987,876 of regulatory assets under management, all of which are managed on a discretionary basis.

Item 5. Fees and Compensation

As compensation for our advisory services, the Firm may receive an investment management fee based on assets under management (the "Management Fee") and/or a performance-based incentive allocation, which may be paid and/or allocated to either the Firm or an affiliated entity (the "Performance Allocation"). Such Management Fees and Performance Allocations may be charged to the Investors in the Lazarus Funds, including any parallel funds and any applicable co-investment funds. The Lazarus Funds also bear each of their own operating expenses. As described generally below, and more specifically in each Lazarus Fund's Governing Documents, the fees are as follows:

The Management Fee, which ranges from 0.0% to 2.0% per annum depending on the Lazarus Fund, is calculated and collected monthly in arrears. The Management Fee is based on the net asset value of each Investor's capital account as of the last day of each month and is prorated for any partial period. The Management Fee is deducted from each Investor's capital account in the applicable Lazarus Fund and paid to the Firm directly from the Lazarus Fund's brokerage or custody account. Lazarus has the right to waive or reduce Management Fees for certain Investors, including employees, family members, strategic partners, advisors, and others as may be determined by Lazarus in its sole discretion.

The Performance Allocations typically range from 0.0% to 50.0% of the net increase, if any, in the net value of an Investor's capital account in the applicable Lazarus Fund on an annual basis for the preceding year, subject to a loss carry-forward commonly referred to as a "high-water mark." In certain Lazarus Funds, the Performance Allocation is also subject to an annual performance hurdle, below which no Performance Allocation is made. The Performance Allocation is generally earned and allocated at year end, upon a liquidity event, and/or or upon withdrawals by an Investor. These Performance Allocations are allocated to the Firm or an affiliated entity through a re-allocation from the capital accounts of Investors in the applicable Lazarus Funds to the capital account of the Firm or the affiliated entity, as applicable. The Firm or the affiliated entity, as applicable, have the right to waive or reduce its Performance Allocation with respect to any Investor.

Other fees and expenses each of the Lazarus Funds pay directly, or reimburse the Firm or its affiliated entity for, include: organizational expenses; investment expenses related to the purchase, sale, trade, custody, or transfer of the Lazarus Fund's assets, including brokerage costs and commissions, clearing and settlement charges, custodial fees, investment advisory fees, markups and markdowns, transfers, capital and other taxes, duties and costs and interest expense; expenses related to consultants, brokers, or other professionals or advisors who provide research, advice, or due diligence services (including fees for research and investment reports, studies and analyses); research-related costs and expenses (including fees for news, market data, data feeds, software, and databases (including costs of computer terminals and other equipment used primarily for research) related maintenance or other technology fees, quotation and similar information, execution and pricing services); due diligence expenses including travel and travel-related expenses related to

investment selection and monitoring (including travel to professional conferences in connection with potential investments); the Lazarus Fund's proportionate share of the fees and costs assessed by other investment vehicles or accounts in or through which the Lazarus Fund invests assets; expenses for professional services such as accounting, asset valuation, audit, and third party administration fees, legal expenses (including, without limitation, the costs of on-going legal advice (including costs related to in-house legal counsel as such internal counsel performs services that would be paid by the Lazarus Fund if outside counsel provided the same service) and services, blue sky filings and all costs and expenses related to or incurred in connection with the Firm's compliance obligations under applicable federal and/or state securities laws directly arising out of its relationship to the Lazarus Fund as well as extraordinary legal expenses) and other professional services; all expenses for preparation of the Lazarus Fund's financial statements, tax returns and filings including Schedule K-1s, tax preparation, and any applicable tax liabilities (including transfer taxes and withholding taxes); other governmental charges or fees payable by the Lazarus Fund; director and officer and/or errors and omissions liability insurance premiums or fiduciary liability insurance premiums for directors, officers, and personnel of an affiliated general partner and the Firm; expenses of Investor communications including but not limited to preparing and distributing any statements, reports, and notices to the Investors; expenses incurred in connection with transactions not consummated and all other reasonable expenses related to the management and operation of the Lazarus Fund or the purchase, sale, or transmittal of Lazarus Fund assets; all costs and expenses associated with negotiating and entering into contracts and arrangements in the ordinary course of the Lazarus Fund's business; indemnifications, costs of litigation and other extraordinary expenses; fees incurred in connection with the maintenance of bank or custodian accounts; and expenses associated with the termination, dissolution, and winding up of the Lazarus Fund.

See the applicable Lazarus Fund's Governing Documents for additional detail on fees and expenses and Item 12 below for more information on certain fees charged by broker-dealers.

The expenses listed above that are directly attributable to a specific Lazarus Fund will be borne by such Lazarus Fund. All other expenses listed above will be allocated amongst the Lazarus Funds in proportion to their respective net asset values, based on the amount invested in a position, or in such other manner as determined by the Firm. The Firm has the discretion to allocate such expenses using various methodologies that may vary from time to time, including, but not limited to, relative net asset values, position size, usage methodologies, among others. Choosing an expense allocation methodology involves conflicts of interest based on account sizes, impact on performance, the amount of investments by the Firm or its affiliates in the relative Lazarus Funds and differing fee amounts. Expenses borne by one Lazarus Fund may disproportionately benefit another Lazarus Fund to the extent position sizes differ.

See Item 7 for additional information about the Firm's authority to enter into "side letters" with certain Investors that may result in such Investors being charged reduced fees or expenses when compared to other Investors.

Soft dollar credits generated through trades made by certain client accounts may indirectly benefit other client accounts that did not generate a pro rata portion of such soft dollars.

The Firm may allocate a portion of a Lazarus 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.

The Firm may pay or advance to one or more Lazarus Funds amounts necessary to pay for the Lazarus Fund's organizational expenses and expenses incurred in connection with the initial offering and sale of the interests and other similar expenses related to a Lazarus Fund. The Firm is entitled to reimbursement from the applicable Lazarus Funds for all such amounts.

All fees and expenses 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.

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

As discussed in Item 5, the Firm or an affiliated entity is entitled to receive performance-based compensation (the Performance Allocations) from the Lazarus Funds. Conflicts of interest may arise from the payment of the Performance Allocations. The existence of the Performance Allocations may motivate the Firm to make investments that are riskier or more speculative than it would if it was not eligible to receive the Performance Allocations. See Item 10 for additional information about the conflict of interest that this compensation structure creates for the Firm's investment personnel. This conflict is heightened when the Performance Allocation is payable only upon exceeding a high water mark or performance hurdle and the value of an Investor's investment in a Lazarus Fund is below such high water mark or performance hurdle. Furthermore, because the Performance Allocation is calculated differently for different Lazarus Funds and each Lazarus Fund has different returns, the Firm may be incentivized to place its best investments into those Lazarus Funds where the largest Performance Allocations may be taken. The allocation of expenses also may result in similar conflicts.

The Firm has implemented procedures intended to address conflicts relating to the management of multiple Lazarus Funds, including Lazarus Funds with differing fee arrangements, and the allocation of investment opportunities. The Firm reviews investment decisions for the purpose of ensuring that all Lazarus Funds with substantially similar investment objectives are treated equitably. The performance of the Lazarus Funds are 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 Lazarus Funds participate in investment opportunities in a fair and equitable manner, taking into account portfolio composition, targeted position size, cash on hand in a particular Lazarus Fund, investment strategies, Lazarus Fund assets under management, and the risk profile of the investment. To the extent orders are aggregated, the orders are price-averaged.

For a description of how the Firm allocates investments amongst the Lazarus Funds, see Item 12.

Item 7. Type of Clients

As of March 1, 2017, the only client accounts of the Firm are the Lazarus Funds. The Firm may in the future provide the same or similar services to other privately placed investment funds and/or separately managed accounts.

Investors in the Lazarus Funds include high net-worth individuals, family offices and institutional investors (e.g., charitable organizations, foundations, etc.). In order to be eligible to invest in a U.S.-based Lazarus Fund, an Investor must be (1) an “accredited investor” within the meaning of Regulation D under the Securities Act, and (2) a “qualified client” within the meaning of the Investment Advisers Act of 1940 or a “qualified purchaser” within the meaning of the Investment Company Act of 1940. In order to invest in a Lazarus Fund based outside of the U.S., an Investor must be (1) a Non-U.S. Person (as defined in the Securities Act) or (2) a U.S. investor that is a “qualified purchaser” and exempt from federal income taxation. Each Investor is required to represent that their investment in the Lazarus Fund is being acquired for its own account, for investment, and not with a view to resale or distribution. Investments in the Lazarus Funds are suitable only for sophisticated Investors for whom an investment in the Lazarus Fund does not constitute a complete investment program and who fully understand, are willing to assume, and who have the financial resources necessary to withstand the risks involved in the Lazarus Fund’s specialized investment program and to bear the potential loss of their entire investment in those investments. The Lazarus Funds have minimum initial investment requirements ranging from \$250,000 to \$1,000,000, and \$50,000 for additional investments, as set forth in the applicable Governing Document. These minimum initial investment thresholds can be waived at the Firm’s discretion.

The Firm on behalf of the Lazarus Funds may enter into separate agreements, commonly referred to as “side letters,” or other similar agreements with a particular Investor in connection with its admission to a Lazarus Fund without the approval of any other Investor (other than an Investor whose share rights would be materially and adversely changed by such separate agreement), which would have the effect of waiving, altering, or otherwise modifying the terms of the applicable Lazarus Fund’s Governing Document to the benefit of such Investor. Other Investors in the applicable Lazarus Fund will not be entitled to receive the terms of such side letter. Such rights or terms in any such side letter may include, without limitation: (i) more frequent reporting obligations, (ii) reduced fees, (iii) minimum investment amounts, (iv) most favored nation provisions, and (v) preferred access to co-investment opportunities.

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 portfolios through a variety of methods and strategies. The Firm uses fundamental, technical, and cyclical analysis, modeling, algorithms and other analytic tools to evaluate prospective investments and locate opportunities that meet the particular client’s investment goals and investment strategy chosen. 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 fits the particular strategy. The Firm's investment strategies are described in more detail below. Each investment strategy may be employed by one or more Lazarus Fund or managed account.

Microcap Strategy. The Firm's microcap strategy (i) focuses on ultra-small microcap companies with market capitalizations of \$250 million or less; (ii) seeks to benefit from pricing inefficiencies in the market caused by lack of information and limited research coverage or institutional ownership; (iii) attempts to capitalize on investment opportunities that are available to small investment funds in the less liquid parts of the market because larger funds do make meaningful investments in such areas; and (iv) focuses on identifying attractive companies at appealing valuations. The strategy makes investments through open market purchases of public companies and may participate in private placements, initial public offerings, and make investments in private companies at the Firm's discretion. Primarily, the strategy seeks to invest in companies that have stock prices that the Firm believes fail to reflect the value inherent in the companies. Investments are primarily focused in U.S. companies traded over the counter or on exchanges located in the U.S., but may also invest in foreign companies traded on foreign exchanges. Under the strategy, the Firm takes primarily long positions in companies and thus avoids any unnecessary risk created by short selling, buying on margin, purchasing put or call options or other speculative hedging techniques. Investment instruments primarily include equity securities, warrants, options, convertible securities and debt securities.

Israel Strategy. The Firm's Israel strategy 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 strategy makes investments through open market purchases of public companies and private placements, and may participate in initial public offerings. The Israel strategy invests 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 strategy emphasizes investing in small capitalization stocks based on the Firm's historical experience in the microcap strategy. The Israel strategy focuses primarily on Israel-based companies, 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. Under the strategy, the Firm takes primarily long positions in companies and thus avoids any unnecessary risk created by short selling, buying on margin, purchasing put or call options or other speculative hedging techniques. However, the Firm may 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 strategy portfolios, although such investment techniques are not a material component of the strategy. Investment instruments primarily include equity securities, warrants, options, convertible securities and debt securities.

Behavioral Finance Strategy. The Firm's behavioral finance strategy uses proprietary processes, methods, algorithms and other analytic tools to attempt to identify and profit from several behavioral price distortions in the markets by applying a proprietary management approach to measure market fear levels. To implement the strategy, the Firm uses long and short positions in

securities, which may include exchange traded funds (“ETFs”), exchange traded notes (“ETNs”) and traditional equities. In connection with the development of the strategy, the Firm is working with AthenaInvest Advisors LLC and utilizing certain proprietary investment strategies developed by AthenaInvest, Inc. (collectively, “AthenaInvest”). For a description of the relationship between the Firm and AthenaInvest, see Item 10.

The strategy utilizes AthenaInvest’s patented research process to attempt to identify and profit from several behavioral price distortions in the markets by applying a proprietary portfolio management approach to measure market fear levels. The investment strategy gauges macro-level investor sentiment and crowd behavior to target high-return opportunities by capturing the risk premium on short-term volatility using short positions, arbitraging behavioral mispricing between markets, and predicting price movements in different asset classes based on market fear levels. The strategy can be net long or short and uses selective leverage to enhance returns, based on proprietary methods that identify high-earning potential opportunities. Investment instruments may consist of ETFs and ETNs (ETFs and ETNs collectively referred as “exchange-traded products,” or “ETPs”), equities, futures, options, fixed-income securities, swaps, derivatives, synthetic instruments, and cash/cash-equivalent positions. The strategy is initially focused on volatility-related ETNs due to the identification of several attractive market characteristics that fit the current strategy. At any given time, the portfolio may be concentrated in a limited number of ETNs (potentially as few as two ETNs) and not diversified. However, the Firm believes that the strategy may also apply to other instruments in different markets and may shift focus to other types of securities based on the relative attractiveness of opportunities at any given time.

The Firm is not limited by the above discussion of the investment strategies and has wide latitude to invest or trade assets, to pursue any particular strategy, or to change the emphasis without obtaining the approval of underlying Lazarus Fund Investor to the extent consistent with the particular Lazarus Fund’s Governing Documents. Other than as set forth above, the Firm’s investment strategies impose no significant limits on the types of instruments in which the Firm may take positions, the types of positions it may take or the concentration of investments or non-diversification. The foregoing description is general and is not intended to be exhaustive, and there are limitations on all descriptions of investment process due to the complexity, confidentiality and subjectivity of the process. This description is intended to be a brief description of the principal strategies utilized in by the Firm and is not a full description of each strategy. Each strategy is more fully described in the applicable Lazarus Fund’s Governing Documents.

Risk of Loss

Investment in securities involve significant risk of loss that clients and Investors should be prepared to bear, including the risks discussed below. These risks are generally applicable to the investment strategies of the Lazarus Funds (although certain risks described below may not be applicable to every strategy). Investors should consider their investment goals, time horizon and risk tolerance before investing in the types of securities that Lazarus invests in on behalf of clients, or before investing in a Lazarus Fund. Lazarus does not guarantee that any client account will meet a particular level of performance or perform comparably with any standard or benchmark including other Lazarus client accounts. Past performance of any Lazarus Fund or investment strategy is not indicative of future performance. Investments in the Lazarus Funds or strategies do not represent a complete investment program and are intended for long-term investors who hold for substantial periods of time. Investors have lost money investing in the types of securities that Lazarus buys and

sells and clients could lose money in such investments in the future. Set forth below is a general description of material risks for accounts for which Lazarus provides investment advisory services. Depending on the specific investment strategy of the account, the following risk factors may or may not be material to that strategy. Investors are urged to review the particular Lazarus Fund's Governing Documents for further information related to the specific risks of an investment in a particular strategy.

Risks Associated with the Firm's Strategies Generally

Investment and Trading Risks. Lazarus invests in and trades securities and other financial instruments using strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of financial markets. The performance of any investment may depend on a number of factors, including conditions in regional and local economies, conditions in the securities markets generally, performance of companies in particular industries or regions and political and technological developments. An investment in any strategy risks the complete loss of capital. No guarantee or representation is made that any investment program will be successful, that any strategy will achieve targeted returns or that there will be any return of capital invested. Investment results may vary substantially over time. Lazarus' methods of attempting to minimize such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

General Economic and Market Conditions. A strategy's performance may be affected by general economic and market conditions and factors that impact the portfolio's investments, such as interest or currency rates, availability of credit, inflation rates, real or perceived adverse economic conditions economic uncertainty, changes in laws, and national, and international political developments. The value of securities convertible into equity securities, such as warrants or convertible debt, is also affected by prevailing interest rates, the credit quality of the issuer and any call provision. These factors may affect the level and volatility of securities prices and the liquidity of the investments. These fluctuations may be temporary or may last for extended periods. Unexpected volatility or illiquidity could impair the portfolio's profitability or result in losses.

Equity Markets and Stock Price Volatility. U.S. and foreign equities markets have experienced tumultuous times in the past which resulted in highly volatile market prices for listed securities. Certain factors may have a significant impact on the market price of securities owned by clients, and, consequently, may adversely affect a client's portfolio, such as general economic data, interest and currency rate fluctuations, announcements of technological innovations, developments in patent or other proprietary rights, public concern or perception of issues relating to the safety of products developed by a company, announcements of collaborative partners, issues relating to government regulation, loss or gain of key employees in research and/or operations, fluctuations in companies' operating results, future sales of common stock, analysts' comments, including changes in recommendations, and general market conditions. Lazarus invests in securities which may be more volatile and carry more risk than some other forms of investment. Security prices in general may decline over short or even extended periods of time and such declines may be significant.

Illiquid or Impaired Positions. Illiquid securities held by a portfolio will not have a readily ascertainable market price and will be valued by the Firm based upon its internal pricing policies. In this regard,

the Firm may establish a value that is higher than the inherent value of the security that is realized upon the ultimate liquidation of the investment. The Firm has the discretion to adjust the value as a result of any subsequent financing event or other transaction establishing a different value for the security or as otherwise set forth in its internal valuation policies. There can be no assurance that the value the Firm establishes for an illiquid security will accurately reflect the true market value of the security.

Asset Valuations. In valuing its investments, the Firm will be dependent upon financial information provided by third parties. Such financial information could be incorrect, delayed or subject to significant adjustments, any of which events could adversely affect the valuation of a portfolio's investments and the ultimate prices realized upon the sale of the securities. In addition, for illiquid securities, the Firm may rely upon internal valuation policies and there can be no assurance that such determinations will accurately reflect the true market value of the illiquid security.

Institutional Risk. There is the possibility that the institutions, including brokerage firms and banks, with which the Firm does business, or to which securities have been entrusted for custodial purposes, will encounter financial difficulties that may impair the operational capabilities of the Firm. The Firm intends to limit its transactions with such institutions to well capitalized and established banks and brokerage firms in an effort to mitigate such risks.

Cybersecurity Risk. As the use of the Internet and other technologies has become more prevalent in the course of business, the Firm has become more susceptible to operational and financial risks associated with cyberattacks. Cybersecurity incidents can result from deliberate attacks, such as gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption, or from unintentional events, such as the inadvertent release of confidential information. Cybersecurity failures or breaches of the Firm, or its service providers or the issuers of securities in which the Firm and clients invest, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs. While measures have been developed that are designed to reduce the risks associated with cyberattacks, there is no guarantee that those measures will be effective, particularly since the Firm does not directly control the cyber security defenses or plans of its service providers, financial intermediaries and companies in which they invest or with which they do business.

Additional Risks Associated with Microcap Strategy and Israel Strategy

Instability in the Microcap Sector. Investment in microcap companies can involve significantly more risk than investments in mid and large-capitalization companies. Microcap companies have more limited markets or product lines, more limited financial resources, less access to capital markets, and often very limited trading volumes in their securities. This can cause the prices of these equity securities to be more volatile than those of larger companies, or to decline more significantly than the market as a whole during market downturns. To the extent these companies are more recently established, they will have more limited operating histories to evaluate.

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 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.

Country Risk for Israel Strategy: The Israel strategy and those portfolio companies may be materially adversely affected by political, military and economic conditions in the Middle East and in Israel. Specifically, the strategy 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 strategy 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 some of the 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 strategy may also be susceptible to regulatory changes applicable to Israeli markets that could potentially inhibit the Firm's ability to invest in public or private Israeli companies. Financial statements of some of the 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 strategy may also be susceptible to regulatory changes applicable to Israeli markets that could potentially inhibit the Firm's ability to invest in public or private Israeli companies.

Speculative Nature of Certain Investments. Certain potential investments may be regarded as speculative in nature and involve increased levels of investment risk. Since an inherent part of certain of the Firm's strategies is identifying securities that are undervalued by the marketplace, the success of those strategies 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. Exposure. Client accounts will have exposure to non-U.S. markets as a result of investments in non-U.S. debt and equity securities, including investments in emerging markets. Investments in non-U.S. markets may be more volatile than in U.S. markets. As a result, a client account's returns and net asset value may be affected to a large degree by fluctuations in currency exchange rates or political or economic conditions in a particular country. In some non-U.S. markets, there may not be protection against failure by other parties to complete transactions. It may not be possible for the Firm to repatriate capital, dividends, interest, and other income from a particular country or governmental entity. In addition, a market swing in one or more countries or regions where the account has invested a significant amount of its assets may have a greater effect on the portfolio's performance than it would in a more geographically diversified portfolio. To the extent the Firm invests in non-U.S. debt securities, such investments are sensitive to changes in interest rates. Additionally, investments in securities of non-U.S. governments involve the risk that the government may not be willing or able to pay interest or repay principal when due. The portfolio's

exposure to emerging market countries may involve risks greater than, or in addition to, the risks of investing in more developed countries.

Additional Risks Associated with Behavioral Finance Strategy

Dependence on Intellectual Property of AthenaInvest. The Firm utilizes the licensed investment strategies and underlying intellectual property of AthenaInvest in connection with making the investment decisions for the strategy. While the Firm exercises investment discretion with respect to its client portfolios, it relies in part on the trading information and data provided by AthenaInvest in connection with developing and implementing the strategy. The strategy could be materially adversely affected in the event that AthenaInvest is no longer able to assist the Firm in the implementation of the investment strategy, or by any event that renders AthenaInvest unable to fulfill its obligations under the license agreement that allows Lazarus to utilize the AthenaInvest's intellectual property and execute the investment strategy.

Investment Selection. The strategy's investment returns will be largely dependent upon intellectual property licensed from AthenaInvest, however, Lazarus has complete discretion to invest and trade any account's assets, based on its own analysis and judgment. In making its decisions, the Firm may rely on information and data provided and prepared by AthenaInvest and third parties. Although Lazarus intends to evaluate the accuracy and importance of such information and data, it will not always be in a position to confirm the completeness, genuineness, or accuracy of such information and data. Further, although Lazarus believes the analytical and investment selection techniques of its investment methodology are sound, there can be no assurances that its investment and trading decisions will be profitable over any particular period or at all.

Exchange-Traded Note Risk. An ETN, from a fundamental standpoint, is a long-term unsecured bond issued by a financial institution. Most ETNs are not designed to be held for long periods of time and, more often than not, will lead to the loss of some or all of the holder's initial investment if held until maturity. However, when held for short periods of time, it is possible, but not guaranteed, to trade ETNs profitably. The value of an ETN may be influenced by time to maturity, level of supply and demand for the ETN, volatility and lack of liquidity in the underlying market, changes in the applicable interest rates, and changes in the issuer's credit rating and economic, legal, political or geographic events that affect the referenced market. Unlike ETFs, an ETN issuer does not own the underlying assets that the ETN is intended to track; an ETN owner can only look to the issuer of the ETN for repayment of the associated debt. It is expected that the issuer's credit rating will be investment-grade at the time of investment, however, the credit rating may be revised or withdrawn at any time and there is no assurance that a credit rating will remain in effect for any given time period. If a rating agency lowers the issuer's credit rating, or there is a decline in the perceived creditworthiness of the issuer, the value of the ETN will decline as a lower credit rating reflects a greater risk that the issuer will default on its obligation to ETN investors. The client account must pay an investor fee when investing in an ETN, which will reduce the amount of return on investment at maturity or upon redemption. There may be restrictions on the right to redeem an investment in an ETN, and there may be limited opportunities for the Firm to sell its ETN holdings on the secondary markets. There are no periodic interest payments for ETNs, and principal typically is not protected. As is the case with other ETFs, an investor could lose some of or the entire amount invested in ETNs.

Additionally, the market price of an ETN (i.e., the price at which the ETN can be bought and sold from existing ETN holders on the secondary markets) may be significantly affected by the issuer's decision to continue to issue, or to not issue, the ETN to new investors. The issuers of most ETNs can suspend or limit the issuance of an ETN to new investors at any time for any reason, thereby leaving the secondary markets as the sole source for investors to acquire such ETNs from existing ETN holders. In the event the issuer elects to suspend the issuance of such ETNs to new investors, the market price of the ETN on the secondary markets may materially increase due to the issuer-imposed constraint on the supply of such ETN. In the event the ETN issuer subsequently resumes issuing additional ETNs to new investors, which it typically may do in its sole discretion at any time, the market price of such ETN on the secondary markets may decrease substantially due to the increased supply of such ETN. There is no guarantee that the issuer of an ETN held by the Firm will continue to issue such ETN to new investors in the future, the occurrence of which could adversely affect the performance of the strategy. Further, in the event that the issuer of an ETN that the Firm holds elects to resume issuing such ETN to new investors after having suspended such issuances, the market price of the Firm's holdings could materially decrease in a significantly short period of time. All investments in ETNs are subject to the risk of loss of most or all of an investor's investment.

Instrument Risks. The strategy invests in Exchange-Traded Products ("ETPs") that are meant to provide exposure to volatility and the "VIX Index". The VIX Index is a measure of forward volatility of the S&P 500® and the ETPs used are not linked to the options used to calculate the VIX Index, to the actual volatility of the S&P 500® or the equity securities included in the S&P 500®. The VIX Index measures the 30-day forward volatility of the S&P 500® as calculated based on the prices of certain put and call options on the S&P 500®. The actual volatility of the S&P 500® may not conform to a level predicted by the VIX Index or to the prices of the put and call options included in the calculation of the VIX Index. Similarly, the actual volatility of the S&P 500® may not conform to the value of the ETPs, which is based on the value of the relevant futures on the VIX Index included in the underlying index in which the strategy is invested. Should any of these instruments cease to function as they historically have, there could be an adverse effect on the strategy.

Volatility Risks. The VIX Index measures the 30-day forward volatility of the S&P 500® Index as calculated based on the prices of certain put and call options on the S&P 500® Index. The level of the S&P 500® Index, the prices of options on the S&P 500® Index, and the level of the VIX Index may change unpredictably, affecting the value of futures contracts on the VIX Index and, consequently, the level of the ETPs traded by the Firm in unforeseeable ways. In the past, the level of the VIX Index has typically reverted over the longer term to a historical mean, and its absolute level has been constrained within a band. Should this not occur, or the period over which this reversion occurs is longer than typically observed, the strategy may be affected in adverse ways.

Reliance on Data. The investment strategy is highly reliant on the gathering, cleaning, culling and analyzing of large amounts of data from third-party and other external sources. It is not possible or practicable, however, to factor all relevant, available data into forecasts and/or trading decisions. The Firm will use its discretion to determine what data to gather with respect to any investment strategy and what subset of that data the Firm's models take into account to produce forecasts which may have an impact on ultimate trading decisions. In addition, due to the fact that much of this data comes from third-party sources, it is inevitable that not all desired and/or relevant data will be available to, or processed by, the Firm at all times. In such cases, the Firm may and often will

continue to generate forecasts and make trading decisions based on the data available to it. Additionally, the Firm may determine that certain available data, while potentially useful in generating forecasts and/or making investment and trading decisions, is not cost effective to gather due to either the technology costs or third-party vendor costs and, in such cases, the Firm will not utilize such data.

Prospective Investors should be aware that, for all of the foregoing reasons and more, there is no guarantee that any specific data or type of data will be utilized in generating forecasts or making trading decisions on behalf of the strategy, nor is there any guarantee that the data actually utilized in generating forecasts or making trading decisions on behalf of any client will be (i) the most accurate data available or (ii) free of errors. Investors should assume that the foregoing limitations and risks associated with gathering, cleaning, culling and analysis of large amounts of data from third-party and other external sources are an inherent part of investing with a process-driven, systematic investment strategy.

Behavioral-Market Indicators. When taking investment positions, the strategy relies on a set of market indicators used to gauge fear levels and macro-level crowd behavior. These indicators are based on behavioral finance principles. Securities identified using this type of strategy may perform differently from the market as a whole as a result of the factors used in the analysis, the weight placed on each indicator, and changes in the indicator's historical trends. The factors used in implementing this strategy and the weight placed on those factors may not be predictive of a security's value, and the effectiveness of the factors can change over time. Similarly, several of the arbitrage opportunities which are the result of behavioral market anomalies may disappear over time. These changes may not be reflected in the current analytical approach used to implement the current strategy. The strategy may also be less effective in certain market environments unforeseen by the Firm.

Quantitative Strategies and Trading. Quantitative models cannot fully match the complexity of the financial markets and therefore sudden unanticipated changes in underlying market conditions can significantly impact their performance. Further, as market dynamics shift over time, a previously highly successful model may become outdated – perhaps without the Firm recognizing that fact before substantial losses are incurred. Even without becoming a completely outdated model, a given model's effectiveness may decay for any number of reasons including, but not limited to, an increase in the amount of assets managed, the sharing of such model with other clients or affiliates, the use of similar models by other market participants and/or market dynamic shifts over time. There can be no assurances that the strategies pursued will be profitable, and various market conditions may be materially less favorable to certain strategies than others. Because models can underperform the markets over any given time period, an Investor who withdraws from a Lazarus Fund because of needs for liquidity or otherwise may therefore be faced with the investment having been in the Lazarus Fund during a period during which the models under perform. In addition, there is always the possibility that the Firm makes investment decisions based upon faulty information resulting from such errors as model programming, importing of data or interpretation of model results.

Concentration. The strategy contemplates investing in a limited number of securities, which may consist of a small number of ETNs. As a result, the strategy will be non-diversified. Losses could be made materially worse by the unfavorable performance of even one investment and the value of the portfolio may be more sensitive to any single economic, business, political or regulatory occurrence. The risk of loss is greater than that which would exist in a more diversified portfolio.

Liquidity Risks. In certain circumstances, it may be difficult for the Firm to purchase and sell particular portfolio investments due to infrequent trading in such investments. The prices of such securities may experience significant volatility, make it more difficult for the Firm to transact significant amounts of such securities without an unfavorable impact on prevailing market prices, or make it difficult for the Firm to dispose of such securities at a fair price at the time the Firm believes it is desirable to do so. In addition, the investments in ETNs and certain other ETPs may be subject to restrictions on the amount and timing of any redemptions. The Firm's investments in such securities may restrict its ability to take advantage of other market opportunities and adversely affect the value of a portfolio. The Firm's investments in certain ETPs also may be subject to trading halts caused by extraordinary market volatility pursuant to "circuit breaker" rules. The Firm may experience losses if required to liquidate holdings with limited liquidity.

Arbitrage Strategies. Even pure arbitrage positions can result in significant losses if both sides of the position are not maintained until expiration. The strategy utilizes high degrees of leverage and therefore could be forced to liquidate positions prematurely in order to meet margin or collateral calls, causing an otherwise "pure" arbitrage position to result in major losses.

Short-Selling. Short-selling constitutes a material component of the strategy. Short sales can, in some circumstances, substantially increase the impact of adverse price movements on the portfolio. A short sale is a sale of a security that the portfolio does not own, in hopes of a decline in the security's price. To deliver the security to the buyer and complete the sale, the portfolio must borrow the security. To return the security, the portfolio must buy it at the market price at the time of repayment. That price may be less than the price at which the portfolio made its short sale, in which case the portfolio would have made a profit, or it may be more, in which case the portfolio would have suffered a loss. Short sales create the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit.

Additionally, as it relates to short sales, the Securities and Exchange Commission has adopted rules placing certain restrictions on short selling when a stock is experiencing significant downward price pressure. Rule 201 of Regulation SHO imposes restrictions on short selling when a stock has triggered a circuit breaker by experiencing a price decline of at least 10% in one day. At such point, short selling would be permitted only if the price of the security is above the current national best bid. Once triggered, the rule applies to short sale orders for the remainder of the day as well as the following day. As short sales and leverage are material components of the trading strategy, there may occur times when the portfolio may be restricted in the amount of leverage it can employ related to certain parts of the strategy, therefore limiting the strategy's effectiveness. Such restrictions may occur during periods when the portfolio is already suffering losses, therefore materially impacting a key component of the strategy designed to mitigate losses.

Margin. The Firm, in its sole discretion, may leverage the portfolio's investment positions by borrowing funds from broker dealers or banks. Any use of margin would increase the magnitude of both profits and losses. Margin borrowings are usually from securities brokers and dealers and typically are secured by the borrower's securities and other assets. Under certain circumstances, such a lender may demand an increase in the collateral that secures the borrower's obligations, and if the borrower were unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy the borrower's obligation. If the portfolio were to become subject to liquidation in that manner, it could suffer extremely adverse consequences and could lose more money than originally invested. In addition, the amount of the portfolio's borrowings, if any, and the interest

rates on those borrowings, which would fluctuate, could have a significant effect on the portfolio's profitability.

Exchange-Traded Product Risks. Certain of the ETPs in which the strategy may invest are pooled investment vehicles that are not registered pursuant to the 1940 Act and, therefore, are not subject to the regulatory scheme of the 1940 Act including the investor protections afforded by the 1940 Act. Under normal market conditions, the Firm will purchase shares of or interest in ETPs in the secondary market. ETPs may trade below their NAV or at a discount, which may adversely affect the portfolio's performance. When the account invests in an ETP (except an ETN), in addition to directly bearing the expenses associated with its own operations, it also will bear a pro rata portion of the ETP's expenses (including operating costs and management fees). Because ETNs are debt securities and not pools of securities, the portfolio pays a specific investor fee for its investments in ETNs.

Risks Related to ETFs in General. The strategy may invest and trade in ETFs, which are baskets of securities that track recognized indexes and trade on an exchange like a stock. An investment in ETFs comprised of publicly traded securities is subject to the risks that impact the underlying securities. Similarly, an investment in ETFs that track other asset categories is subject to the risks that impact the prices of such categories. In addition, investment techniques such as short selling and margin debt may be used with ETFs, which would expose the strategy to the risks associated with those investment techniques. In addition, certain of the ETFs may hold common portfolio positions, thereby reducing any diversification benefits.

Options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered callwriter's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities interest becomes restricted. Options also generally are subject to additional risks including, but not limited to, the risk of non-performance of the counterparty on the trade.

Portfolio Turnover. The investment strategy will experience frequent trading and high portfolio turnover, which will cause increased transaction costs and result in gains and losses to be short-term in nature. Short-term capital gains are taxed at rates that are higher than long-term capital gain rates. Higher portfolio turnover combined with a relatively large number of securities held by the portfolio could also increase the commissions paid, which in turn, may lower the returns.

Brokerage Expenses/Transactions Costs. The Firm's activities may involve a high level of trading, and the turnover of the Lazarus Funds' portfolios may generate substantial transaction costs. These costs will be borne by the Firm's clients regardless of its profitability.

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

In May 2016, Holdco, the parent company of the Firm, acquired an approximate 45% ownership interest in AthenaInvest, Inc., the parent company of AthenaInvest Advisors LLC, an SEC-registered investment adviser. Two of the Firm's principals and management persons, Messrs. Borus and Abrams, serve on the board of directors of AthenaInvest, Inc., which consists of a total of five directors. In connection with its behavioral finance strategy, the Firm has licensed certain intellectual property and trading strategies from AthenaInvest for use in the Lazarus Funds and future investment funds managed by the Firm. Pursuant to the license agreement, the Firm has agreed to pay AthenaInvest a portion of the fees it receives from its clients utilizing an AthenaInvest licensed investment strategy. Other than in connection with the Lazarus Funds and the Firm's behavioral finance strategy, the Firm does not currently recommend AthenaInvest to its clients.

The U.S.-based Lazarus Funds are formed as limited partnerships and as such require a general partner. Depending on the Lazarus Fund, either the Firm or Lazarus GP LLC, a Colorado limited liability company and affiliate of the Firm, serves as general partner. The principals of Lazarus are also the principals of Lazarus GP LLC. As discussed in Item 5 and 6, this relationship and the Performance Allocation to which the Firm or the affiliated general partner is entitled to receive, creates an incentive for Lazarus to make investments that are riskier or more speculative than would be the case in the absence of performance-based compensation. Such conflict of interest is addressed as set forth in Items 5 and 6 above.

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 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 compliance@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 access persons 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 access person 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 access person 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 Lazarus 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 Lazarus Funds, and the size and nature of the investments changes over time. Investments by the senior management and employees in a particular Lazarus Fund could incentivize the senior management and employees to increase or decrease the risk profile of such Lazarus Fund.

The Firm and its management persons will devote as much of their time to the activities of each Lazarus Fund as they deem necessary and appropriate. The Firm and its management persons are not restricted from forming and advising additional pooled investment vehicles, 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 Lazarus 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

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. 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 each applicable Lazarus Fund, investment strategies, assets under management of each applicable Lazarus Fund, 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 Firm's investment committee to assure conformity with investment objectives and guidelines. The investment committee is currently composed of the Firm's three senior investment professionals, which consist of the Chief Investment Officer, President and a Managing Director. 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 Lazarus Funds with (i) unaudited quarterly reports containing performance reporting, individual account balances and market commentary and (ii) annual audited financial statements.

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.

With respect to one or more of the Lazarus Funds, the Firm may enter into 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 the SEC and FINRA, if applicable, and comply with all applicable laws.

Item 15. Custody

All client accounts and assets are held in custody by unaffiliated broker/dealers or banks. However, the Firm or an affiliated general partner 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 Lazarus Funds, which securities and cash are held directly by the custodian in a segregated account in the name of the applicable Lazarus Fund. In addition, the Firm utilizes unaffiliated administrators to provide certain financial, accounting, administrative and other services on behalf of the Lazarus Funds, including disbursing payment of Lazarus Fund expenses, maintaining a registry for the ownership and transfer of Lazarus Fund interests, maintaining the books and records of the Lazarus Funds, coordinating with the auditors for the audit of the books and records and preparing and distributing reports to each Investor. The Firm 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 Lazarus Fund are audited at the end of each fiscal year by 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 within 120 days of year-end. Investors are also furnished with unaudited reports concerning the Lazarus Fund's performance quarterly, together with information regarding the Lazarus Fund's investment portfolio. In the event of a liquidation of a Lazarus Fund, each Investor will receive a final liquidation audit report prepared in accordance with generally accepted accounting principles.

Item 16. Investment Discretion

Prior to assuming full discretion in managing a client's assets, Lazarus enters into an investment management agreement or other agreement that sets forth the scope of Lazarus' discretion. As investment adviser to the Lazarus Funds, and pursuant to each Lazarus Fund's Governing Documents or investment management agreement, 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 Governing Documents. The Firm has the authority to determine (i) the securities to be

purchased and sold for a Lazarus Fund, and (ii) the amount of securities to be purchased or sold for a Lazarus Fund.

Item 17. Voting Client Securities

To the extent Lazarus has been delegated proxy voting authority on behalf of a client account, Lazarus will attempt to vote on each proxy which addresses issues that are material to shareholder value in the best interest of such account after careful review of each proposal. As investment adviser to the Lazarus Funds, the Firm is delegated the right to vote, on behalf of the Lazarus Funds, proxies received from companies in relation to the securities which are owned by the Lazarus 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. 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 compliance@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.