

# LCM Global Partners LLC

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of LCM Global Partners LLC (“LCM” or the “Company”). If you have any questions about the contents of this brochure, please contact us at (813) 972-0909. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about LCM is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

In January of 2012, LCM Global Partners, LLC (“LCM”) filed its initial application to register as an investment adviser with the SEC. Accordingly, pursuant to disclosure rules under the Advisers Act, this is the firm Brochure compiled by LCM to provide new and prospective investors with clearly written, meaningful, current disclosure of its business practices, conflicts of interest and background of its advisory personnel. We encourage all recipients of this Brochure to read it carefully in its entirety. Further, this Item will identify and discuss the material changes since the last annual update to assist investors and make them aware of certain information that has changed since the prior year’s Brochure and that may be important to them.

During January of 2012, LCM Global relocated its primary offices from northwest Tampa, FL into downtown Tampa, Florida. The new address is 100 S. Ashley Drive Suite 2100, Tampa FL 33602. All of LCM’s marketing materials reflect the new address.

Coincident with LCM Global Partners’ filing with the Securities & Exchange Commission as a Registered Investment Advisor, LCM also made a concerted effort to separate the LCM family office functions from its registered entity’s activities. This brochure is an attempt to describe for the public LCM’s wealth and asset management offerings.

During early 2012, LCM elected to collapse the Alphaeus Select LLC investment entity and transition its investors out of the fund. Investors positions were moved into individual discretionary managed accounts custodied at Charles Schwab & Company and managed according to the Alphaeus investment discipline described within this brochure. Coincident with this shift to discretionary managed accounts, LCM applied and was approved to offer the Alphaeus discipline described herein to clients of Raymond James & Associates. LCM acts solely as asset manager via investment advisor contract, with Raymond James acting as custodian of the assets and primary advisor and broker\dealer for the investor client.

Given LCM’s management of the 2514 Multi-Strategy Fund, LCM discovered that the fund’s allocation to managed futures funds would classify it as a Commodity Pool Operator and possibly a Commodities Trading Advisor subject to the oversight of the National Futures Association. Given this status, LCM registered the 2514 Multi-Strategy Fund with the appropriate regulatory body.

During late 2012, Chief Operations Officer and Compliance Officer David Brownlee decided to leave LCM to pursue other interests. His departure was effective February of 2013. His duties were divided and assumed by Charles Bauder, Sheri Benson and Michael Ake.

During late 2012, LCM underwent a review of its primary custodial partner, Charles Schwab & Company. LCM determined for its wealth advisory clients that another custodian, Interactive Brokers Inc., would provide better execution at a better cost structure. LCM began a migration of all wealth advisory clients to the new custodial platform in early 2013.

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## Advisory Business

LCM is a Tampa, Florida based investment firm formed in 2004 as an investment advisor to private alternative investment funds. LCM is a subsidiary of LCM Group, Inc. founded in 1988 by Mr. D. Scott Luttrell. Mr. D. Scott Luttrell serves as the managing member of LCM Alternative Assets Group, LLC which is the majority shareholder and managing member of LCM.

LCM's primary business is to manage proprietary and client capital by serving as the General Partner and investment manager with discretionary trading authority over the following private investment funds: 2514 Multi-Strategy Fund LP, 2514 Multi-Strategy Fund Ltd., 2514 Diversified LP, (collectively the "2514 Fund")(collectively, "LCM funds"). LCM also has a wealth advisory business operated under the name LCM Wealth Advisors ("LCMWA").

LCMWA offers personal financial planning and investment management services to individuals, families and their related entities, trusts and estates, and family businesses. LCMWA also offers investment management services to small and mid-size institutions such as foundations, endowments, charitable trusts and other entities in separately managed accounts or in an advisory capacity. Investment management services provided by LCMWA may include investment advice provided to its clients in a discretionary or non-discretionary capacity as stated within the investment advisory agreement. LCMWA will be responsible for selecting the amount of securities to be bought and sold when accounts are managed on a discretionary basis. For accounts managed on a non-discretionary basis, LCMWA will be responsible for selecting the amount of securities to be bought or sold only after obtaining the client's approval.

2514 Multi-Strategy Fund LP ("Master Fund"), is a globally diversified, multi-strategy fund of hedge funds. Investments in the Master Fund are offered through a master-feeder structure whereby investors can access the Master Fund directly, through an offshore feeder fund 2514 Multi-Strategy Fund Ltd. ("Offshore Feeder"), a Cayman Islands corporation, or through 2514 Diversified LP ("Special Feeder"), a feeder fund designated specifically for investor clients of Raymond James & Associates, Inc., or Raymond James Financial Services, Inc. (collectively known as "Raymond James").<sup>1</sup>

LCM has discretionary investment authority over the LCM funds, and provides advice with respect to the funds according to the investment objectives, guidelines and requirements set forth in each fund's offering memorandum.

As of March, 2013 LCM and LCMWA managed approximately \$150 million on a discretionary basis.

## Fees and Compensation

Management fees and expenses for the LCM funds may vary with each fund and with each client. The fees and expenses applicable to each fund are set forth in detail in each fund's offering document.

Investors in the 2514 Fund will generally pay an annual management fee ranging from 0.50% to 1.75% of assets under management.. Management fees are payable monthly in arrears according to the terms of the offering document and subscription agreement with each investor. Management fees and performance fees are generally deducted from the assets of each investor.

Some investors in the Master Fund and Offshore Feeder Fund may pay an annual performance fees in an amount of up to 12.5% of net profits in excess of a hard hurdle amount of approximately 6%. Performance fees are accrued monthly, paid in arrears at year end, and are equal to a percentage of the net realized and unrealized appreciation allocated to the capital account of the investor, subject to a high water mark. Performance fees are generally calculated and paid on an annual basis in accordance with the relevant offering memorandum.

LCM reserves the right to enter into different terms or referral arrangements, including the full or partial waiver or modification of the base annual management fee and any performance fee on an investor-by-investor basis, including, but not limited to, certain LCM principals, employees, and affiliates.

Investors in LCM funds will bear that fund's expenses relating to operations which may include, without limitation: investment-related expenses including brokerage and sales commissions and other transactions costs, prime broker fees, interest on margin accounts and other indebtedness, bank service fees, withholding and transfer fees, entity-level taxes, clearing and settlement charges, professional fees, including expenses of consultants; legal fees; audit and tax fees; corporate licensing fees; fees of the third party administrator; and where applicable organizational and offering expenses; and any extraordinary expenses. Investors should review each funds Private Offering Memorandum for specific fees applicable to the fund and more details regarding expenses. See Brokerage Practices for more information on LCM's brokerage practices.

LCMWA will be compensated solely from fees paid directly by clients. LCMWA's fees are negotiable but will be based on a percentage of assets advised up to 1.75% annually, hourly charges of up to \$500.00, fixed fees, or a retainer. The amount of the fee is negotiated on a case-by-case basis. Under LCMWA's new arrangement with Interactive Brokers as primary custodian, client fees are typically charged pro rata on a daily basis and are clearly delineated on the client's daily electronic statement available via the Interactive Brokers website. Under LCM's agreement to manage the Alphaeus discipline at Raymond James, LCM's advisory fee is charged quarterly in advance. The calculation of this fee and crediting of such for client termination are fully described in the investment advisory agreement signed by the client prior to LCM's engagement.

In circumstances where a portion of a LCMWA's clients assets are invested in an LCM Fund, the assets invested within the LCM Fund will be charged the respective Fund annual management fee, as discussed above. Such assets will not be subject to an additional fee by LCMWA. In no circumstance will a LCMWA client, who is also an investor in an LCM Fund, pay advisory fees to both LCM and LCMWA for management of the same assets. LCMWA services may be terminated by either party upon written or oral notification in accordance with the applicable contractual notice of termination.

Neither LCM nor any of its employees is compensated for the sale of securities of other investment products.

## **Performance Based Fees and Side-by-Side Management**

Some legacy investors in the Master Fund and Offshore Feeder are subject to both a management fee and performance-based fee structure. The Special Feeder and Alphaeus Select do not have performance-based fee structures and only charge investors an annual management fee. All LCM funds currently offer an annual management fee only structure.

The side-by-side management of LCM funds with different performance-based fees, or fees that are based solely on assets under management, may create potential conflicts of interest, for instance, LCM could potentially favor investors that pay a performance-based fee, or higher performance-based fee, over investors that pay no performance-based fees or lower performance-based fees. However, LCM mitigates the potential favoritism as it only charges performance-based fees to investors within its 2514 Fund, where all investments within underlying managers are allocated on pro-rata basis, based on investors' relative assets under management, regardless of their fee arrangement with LCM.

LCM may create affiliated investment vehicles within an LCM fund's structure. Certain of these entities include what are commonly referred to as a Special or Select portfolios. A Special or Select Portfolio is typically organized to allow investments in particular investment or security type, usually those with increased risk or in higher concentration, which may be outside of the stated objectives within the LCM funds offering documents. Such an entity is organized to segregate those higher risk investments from the rest of the LCM fund. A Special or Select portfolio entity bears at least its pro rata share of all expenses related to such investment(s) that are incurred by the General Partner. The status of such Select or Special portfolios are fully described within LCM's offering documents.

## **Types of Clients**

LCM provides investment advisory services to the LCM funds. Investment advice is provided directly to each LCM fund, subject to the direction and control of the General Partner of such fund, and not individually to the limited partners. Investors in the LCM funds and clients of LCMWA may include, but are not limited to high net worth individuals, trusts, pension plans, endowments, foundations, and corporate or business entities.

Details concerning applicable investor suitability criteria are set forth in the respective fund's Private Offering Memorandum and subscription materials. Although LCM has the authority to accept subscriptions for lesser amounts, the minimum investments in the LCM funds are generally \$1,000,000 for the Master Fund and the Offshore Feeder and \$500,000 for the Special Feeder.. Each investor is required to meet certain suitability qualifications, such as being an "accredited investor" and "qualified purchaser" within the meaning set forth under the United States federal securities laws. Shares in the Offshore Feeder are generally offered to investors who are tax-exempt U.S. Persons or entities, or who are not U.S. Persons as defined under Regulation S of the Securities Act, and who are subject to certain conditions, which are fully set forth in the offering documents for the Offshore Fund.

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

### Methods of Analysis

#### *2514 Fund*

LCM performs thorough, wide ranging analyses, comparisons and reviews, adhering to a disciplined investment process guided by experienced investment professionals and ultimately relying on the Investment Committee. The Investment Committee includes the Chairman and Chief Investment Officer of LCM, the Chief Executive Officer, Chief Operating Officer, Chief Compliance Officer, Chief Financial Officer of LCM and LCM Portfolio Managers.

References to "underlying portfolio manager", "underlying portfolio funds", or just "portfolio funds" are meant to describe the portfolio managers and their respective funds in which the LCM funds invest.

Investment decisions with underlying portfolio funds are based on a number of factors including, but not limited to, strategy preference, style of trading, performance results of the manager, technical and fundamental analysis, and portfolio and risk management objectives.

The primary goal of LCM's due diligence process is to select highly skilled, professional investment managers within designated strategies and incorporate those managers into a portfolio that expresses forward-looking market views while managing risk. The due diligence process ensures that LCM's portfolio managers have an in-depth understanding of each underlying portfolio fund's strategy, investment process, risk management, and unique approach. This understanding enables the portfolio managers to set expectations for each underlying portfolio fund's performance characteristics and incremental portfolio impacts. LCM's objective in this process is to have a high hurdle for entry into the portfolio and it gravitates towards "no" if meaningful concerns are raised.

Underlying portfolio funds are identified primarily through industry contacts and long-term business relationships. For initial quantitative screening, LCM utilizes both proprietary and non-proprietary databases. This initial vetting process allows LCM to determine if further detailed due diligence is warranted.

Portfolio funds that pass the initial screening are put through a rigorous quantitative screening which looks at numerous statistical measures of performance as well as the manager's impact on the current portfolio. The portfolio impact analysis allows LCM to examine the correlation of the portfolio fund's performance with the total 2514 Fund and with each of the underlying portfolio funds. Additionally, rolling return and risk analyses are completed to review the portfolio fund's performance during various market cycles. Other important factors include:

- Historic volatility, drawdowns and various risk metrics
- Periods of significant outperformance and underperformance
- Custom benchmark and peer group comparisons
- Correlations to various financial markets and risk factors

Candidates who complete the detailed quantitative screens are then reviewed for qualitative measures. LCM views the qualitative review of portfolio fund managers as critical to determine portfolio fund success on a forward basis. LCM will test for key differentiators including integrity, skill and investor-alignment both initially and on an on-going basis, as needed. Ultimately, LCM wants assurance that a candidate possesses: 1) absolute operational reliability and 2) sustainable, skill-based performance capabilities. Other important operational review elements include:

- Reference checks solicited and unsolicited
- Background checks
- Legal, ADV and Audit review
- Liquidity terms
- Research methodology
- Service providers
- Compliance structure
- Technology support
- Personnel turnover
- Significant changes in asset levels

Important steps in the qualitative investment review include:

- Understanding of investment philosophy and risk management discipline
- Detailed review of investment strategy
- On-site meetings
- Transparency and holdings review

After LCM allocates capital to an underlying portfolio fund its ongoing due diligence begins. Since portfolio fund managers and organizations are dynamic entities LCM remains in regular contact with each portfolio fund manager and closely monitors changes in performance, strategy, personnel and organizational structure.



### *Alphaeus*

LCM's proprietary, quantitative model discipline (Alphaeus) trades in global equity, global fixed income and commodity markets through highly liquid ETFs and ETNs. LCM recognizes that most individual investors underperform both broad benchmarks and institutional returns. LCM believe this happens due to the reactive responses exhibited through human nature, the high embedded costs in traditional long-only investments, a lack of a disciplined risk management process, and the failure to rebalance portfolios based on a proactive, consistent basis.

Alphaeus attempts to overcome these limitations by delivering a multi-asset class, long-only portfolio focused on preservation of capital through diversification of asset classes and markets, utilization of highly liquidity ETFs and ETNs, proprietary risk management at the portfolio, asset class, and individual market levels, and through proprietary pattern recognition programming.

Alphaeus delivers relatively low correlations to traditional asset classes and investment models over long time horizons through consistent application of its proprietary disciplined investment methodology. The model utilizes a proprietary allocation methodology that seeks to avoid reactive trading caused by short-term volatility. Alphaeus rebalances risk at the portfolio level, asset class level, and individual market level to maintain diversification and avoid drawdowns based on sharp declines in asset classes and individual markets. Position weightings are assigned according to historical price behavior and manager discretion. Alphaeus takes into account the differing levels of volatility at the asset class and individual market levels to further assign appropriate allocation sizes and to manage risk. Alphaeus positions are volatility-adjusted and position exposures are reduced at several assigned drawdown levels at asset class and market levles in addition to an overall loss limit that further reduces exposures as drawdowns are experienced across the portfolio.

### *Wealthy Advisory Services*

Where LCMWA provides discretionary and non-discretionary investment advisory services to its clients, security recommendations will be made by LCMWA after consideration and review of the client's investment objectives and goals. The Investment Committee will review LCMWA's investment recommendations, including circumstances where the CEO has recommended an LCMWA client invest in a LCM Fund. A representative from LCMWA will meet informally with clients on an ad-hoc basis and formally at least annually to review their accounts, including review of investment goals and risk tolerance.

### Investment Strategies

#### *2514 Fund*

2514 Fund's primary investment strategy is a globally diversified multi-manager, multi-strategy investment solution that invests in a variety of investment strategies across a variety of markets. LCM will generally invest 2514 Fund's capital among a select group of collective investment vehicles, including hedge funds or managed advisory accounts, managed by experienced

investment managers. LCM may also engage in direct trading within the 2514 Fund, primarily for purposes of hedging and portfolio reallocation.

LCM utilizes a multi-manager, multi-strategy investment methodology premised on the risk control benefits of diversification and the value of a hedged investment approach. Diversification is achieved by (i) combining, into a single portfolio, non-traditional investment strategies that historically have exhibited a low degree of performance correlation to each other and a low performance correlation to equity and fixed income markets, and (ii) selecting underlying portfolio funds regarded by LCM as exceptional who specialize in the chosen strategies. The 2514 Fund may investment in underlying portfolio funds which employ the following strategies: Equity Global, Equity U.S., Fixed income, Event Driven, Distressed, Multi-Strategy, Managed Futures, and Macro, and any other strategies that may arise that are congruent with the philosophy of the fund.

### *Alphaeus*

LCM's proprietary, quantitative investment model trades in global equity, global fixed income and commodity markets through highly liquid ETFs and ETNs.

### *Wealth Advisory Services*

Regardless of whether LCMWA transacts discretionary trades on behalf of clients or provides investment advice on a non-discretionary basis to clients, LCMWA will provide the same standard of investment advice. LCMWA will, via the portfolio team, utilize a rigorous due diligence process in selecting and recommending individual securities, mutual funds, ETFs/ETNs and asset managers to LCMWA clients where appropriate. LCMWA's investment philosophy focuses on traditional instruments that we believe will outperform their relevant benchmarks when held for the long-term.

### Material Risks

Below is a summary of certain material risks applicable to the range of advisory services offered by LCM. The specific risk factors for each fund investment are set forth in the offering materials associated with each LCM fund and LCMWA's advisory services.

### *2514 Fund*

The multi-strategy, multi-manager risk investment approach is generally subject to three basic investment related types of risk: market risk, strategy risk and management risk.

### Market Risk

Market risk is inherent in any investment or trading strategy. In the case of the 2514 Fund, this risk is, on an underlying portfolio manager by portfolio manager basis, significant and exacerbated by the high degree of leverage at which many portfolio managers trade. On a fund-wide basis, LCM attempts to address market risk by broad diversification, increasing profit opportunities as well as decreasing the risk of a significant portion of the fund's positions incurring losses at or about the same time.

### Illiquidity of Investments

The 2514 Multi-Strategy Fund is by design an illiquid investment and its features as such are fully described within its offering documents. While the underlying portfolio managers in LCM funds portfolios will primarily invest only in readily marketable instruments, illiquid positions may also be included in their strategies. Illiquidity, especially when trading on a leveraged basis, increases risk and may make it impossible for portfolio managers to close out positions against which the market is moving. The risk of market illiquidity is materially heightened by the use of leverage and the possibility that margin calls will need to be met in declining or disrupted market conditions.

The LCM fund's ability to withdraw assets from the underlying portfolio funds in which they invest is in all cases limited, and may occasionally be, entirely prohibited in the case of some of the LCM funds.

In certain cases, other investors in the portfolio funds may have preferential withdrawal rights as compared to the LCM funds, the exercise of which could materially adversely affect the LCM fund's investment(s) in such portfolio fund.

### Derivatives

The portfolio funds may use derivative financial instruments, including, without limitation, warrants, options, swaps, convertible securities, notional principal contracts, contracts for differences, forward contracts, futures contracts and options, both for hedging and speculative purposes. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage often embedded in such instruments and the possibility of counterparty non-performance as well as of material and prolonged deviations between the actual and the theoretical value of a derivative (*i.e.*, due to nonconformance to anticipated or historical correlation patterns). In addition, the markets for certain derivatives are frequently characterized by limited liquidity, which can make it difficult as well as costly to the portfolio funds to close out positions in order either to realize gains or to limit losses.

### Futures

The portfolio funds may be long or short futures contracts and options on futures. Futures prices can be highly volatile. Because of the low margin deposits normally required in futures trading, a high degree of leverage is typical. As a result, a relatively small adverse price movement in a futures contract may result in substantial losses to a portfolio fund.

### Non-U.S. Securities

The portfolio funds may trade and invest in securities of companies domiciled or operating in one or more non-U.S. countries. Investing in these securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States, including instability of some non-U.S. governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of non-U.S. tax laws (*e.g.*, the imposition of withholding taxes on dividend or interest payments, income taxes and excise taxes) or confiscatory taxation may also affect a portfolio funds' investments in non-U.S. securities.

### Private Investments and Illiquid Investments

The portfolio funds from time to time may invest in illiquid and restricted, as well as thinly-traded, securities (including privately-placed securities). There may be no trading market for these securities, and the portfolio funds might only be able to liquidate these positions, if at all, at disadvantageous prices. As a result, the portfolio funds may be required to hold such securities despite adverse price movements. Each underlying portfolio manager, or third party selected by the portfolio fund, will value the illiquid securities in their respective portfolio fund's portfolio. Although there can be no assurance that these valuations will accurately predict the price at which an arm's-length buyer would be willing to purchase the securities, these valuations are part of the calculation of such portfolio fund's net asset value and, accordingly, of the LCM fund's Net Asset Value.

### Debt Instruments

The Portfolio funds from time to time may invest in corporate debt securities. The corporate debt securities in which the portfolio funds may invest may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. In addition to high investment-grade debt securities, the portfolio funds may invest in low investment-grade or non-investment-grade debt securities, which are typically subject to greater market fluctuations and risks of loss of income and principal than lower yielding, investment-grade securities and are often influenced by many of the same unpredictable factors which affect equity prices.

### Credit Markets

Certain of the Portfolio funds may be concentrated in the credit markets, attempting to take advantage of undervalued securities as well as relative mispricings. The identification of attractive investment opportunities in disrupted credit markets is difficult and involves a significant degree of uncertainty. The credit markets are, in general, highly susceptible to interest-rate movements, government interference, economic news and investor sentiment.

### **Strategy Risk**

Strategy risk relates to the deterioration of the economic viability of an entire strategy. Strategy-specific losses can result from excessive concentration by multiple managers in the same investment approach or general economic events that adversely affect particular strategies (*e.g.*, illiquidity within a given market).

### Leveraged Trading

The portfolio funds in general trade at a high degree of leverage. Furthermore, the LCM funds itself may borrow (incurring additional interest expense) up to 50% of the LCM fund's Net Asset Value to leverage the overall market commitment of the LCM funds. The historic range of leverage applied by the LCM funds has been 0% to 18%. Irrespective of the risk control characteristics of the LCM fund's multi-advisor approach, trading at such a high degree of leverage involves substantial risks.

### Limited Information Regarding Prospective Portfolio Managers

Although LCM receives detailed information from each prospective underlying portfolio manager regarding such portfolio manager's historical performance and investment strategy, in most cases LCM has no means of verifying the information supplied to it by prospective underlying portfolio managers.

### Portfolio Concentration

It is possible that a number of underlying portfolio managers might take substantial positions in the same or related markets at or about the same time, reducing the LCM fund's diversification and increasing risk. In the case of underlying portfolio managers accessed through portfolio funds (rather than through managed accounts), LCM might not be aware of, and would, in any event, have no authority to require such underlying portfolio managers to alter or close out, positions which represent an over-concentration of the LCM fund's assets in a limited market sector.

### **Management Risk**

Management risk is a common issue for multi-advisor strategies. LCM has no immediate control over the underlying portfolio funds' trading, but rather sub-contracts out the management of such trading to third-party portfolio managers. The risk of an undisclosed but material change in strategies is particularly severe, as — despite LCM's risk control policy of attempting to maintain frequent contact with the portfolio managers and inquiring into unanticipated performance or trading patterns — LCM has only little, and late, access to information concerning the positions taken by such portfolio funds.

### The General Partner

LCM Fund's success depends on the ability of LCM to select underlying portfolio managers and portfolio funds which perform well. There can be no assurance that LCM will be successful.

The process of withdrawing from portfolio funds in order to fund investments in Special Portfolios, the management of the LCM funds incorporating the Special Portfolio capital may encounter unanticipated practical and administrative risks.

### Independent Portfolio Managers

The portfolio funds trade independently of one another and may at times hold economically offsetting positions. To the extent that the portfolio funds do, in fact, hold such positions, the LCM funds, considered as a whole, may not be able to achieve any gain or loss despite incurring substantial fees and expenses.

It is difficult, if not impossible, for LCM to protect the fund from the risk of underlying portfolio manager fraud, misrepresentation or material strategy alteration.

### Conflicts of Interest

LCM and the underlying portfolio managers are subject to material conflicts of interest in managing the LCM funds and the portfolio funds, respectively. There can be no assurance that these conflicts have been or will be resolved equitably or ultimately to the benefit of the LCM funds.

### *Alphaeus*

LCM employs six levels of risk management to the portfolio discipline. The first level is diversification with the fund trading 12 different markets representing over 3,300 underlying securities. The second level is rebalancing where the fund rebalances the portfolio at multiple levels to maintain diversification. The third level is liquidity; all of the investments are exchange traded. The fourth level employed is position size limits where weights are assigned according to historical price behavior and outlook. The fifth level applies limits on portfolio level drawdown – the fund is assigned an overall loss limit and reduces exposures as drawdowns are experienced. Sixth, the fund utilizes individual market drawdown limits where ETFs are volatility adjusted and position exposures are reduced at several assigned drawdown levels.

### *Wealth Advisory Services*

All investing involves a risk of loss and the investment strategy offered by LCMWA could lose money over short or even long periods. Performance could be negatively impacted by a number of different market risks including but not limited to:

- Global investment risk, which is the chance that equity, fixed income and commodity prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- Management techniques used by the LCMWA may not produce the desired results. This could cause accounts to decline in value.

The identification of securities and markets believed to be undervalued is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired.

## **Disciplinary Information**

LCM and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to an investor's or client's evaluation of the Company or its personnel.

## **Other Financial Industry Activities and Affiliations**

Neither LCM, LCMWA nor any of its management persons are registered, or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither LCM nor LCMWA are registered entities, or has an application pending to register with the **Commodity Futures Trading Commission** (CFTC). However, the 2514 Multi-Strategy Fund is registered with the CFTC and National Futures Association (NFA) as a Commodity Pool Operator and Commodities Trading Advisor. Certain managing members of LCM, in their capacity as advisors to the 2514 Fund, are also newly registered with these agencies.

### Selling Agreements

LCM has entered into a Selling Agreement with Raymond James to be the exclusive selling agent for the partnership interests of the Special Feeder for which Raymond James shall receive from LCM, paid directly by the applicable investor, or deducted from the amounts subscribed, a 2% up front selling commission (“Selling Commission”) of all interests sold. This Selling Commission maybe waived or reduced by Raymond James at its discretion. Raymond James also receives a portion of the management fee equal to 0.50% as an ongoing selling commission (“Ongoing Selling Commission”) for as long as the interests sold remain outstanding. Ongoing Selling Commissions are calculated and accrued monthly and paid quarterly in arrears. An affiliated entity of Raymond James, RJ-Contrarian LLC, serves as the co-General Partner of the Special Feeder.

### Affiliated Services

LCMWA may, when appropriate, recommend that a qualified client invest in an LCM fund. This recommendation creates a conflict of interest, as LCMWA earns a fee for client investment recommendations, and LCM additionally earns management fees based on the client’s investment in an LCM fund. This conflict is partially mitigated as the client will only pay LCM for the portion of assets invested in an LCM Fund; LCMWA will not receive fees for such assets.

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

LCM’s Code of Ethics is designed to detect and prevent improper activity by employees, set forth the standards of conduct expected from all LCM personnel, and address conflicts of interest which arise in the course of LCM’s business, including conflicts of interest relating to LCM employees’ personal trading and investing. LCMWA employees are subject to LCM’s Code of Ethics.

The LCM Code of Ethics sets forth the following requirements and standards of conduct for its employees:

- The high standards of business conduct that LCM requires of all LCM personnel, reflecting the fiduciary duty of all such personnel to LCM’s investors.
- The requirement that all LCM personnel comply, without exception, with all applicable securities, commodities and related laws and regulations.
- Personal trading policies designed to prevent any personal trading done by LCM employees from in any respect harming any LCM Fund, or any LCMWA client.
- Policies intended to prevent the misuse of material non-public information.
- The requirement which LCM imposes on all personnel to report to the Chief Compliance Officer any violation or suggested violation of the policies set forth herein.
- The requirement that all LCM personnel certify at least annually that they have received and reviewed the Compliance Manual and Code of Ethics and any amendments thereto circulated during the year then ended.

LCM has adopted a Code of Ethics which governs, among other things, personal trading by its personnel. Among other requirements, all employees must report their personal securities transactions and holdings. LCM employees may, at certain times, hold securities or hedge positions which are in conflict to the positions within the LCM Funds or underlying fund managers. The Chief Compliance Officer will regularly review all personal trading documents and to address such conflict or other issues, including the appropriateness of imposing a penalty for violations of the policies. LCM's employees may have an investment in each LCM fund, therefore, LCM's employees participate in transactions effected for the LCM funds.

Prospective and existing LCM investors who wish to receive a copy of the complete Code of Ethics or receive additional information concerning any aspects of the Code of Ethics are urged to contact LCM's Chief Compliance Officer at (813) 972-0909.

## **Brokerage Practices**

### Best Execution Considerations

LCM generally does not trade for the 2514 Fund but rather invests in underlying portfolio managers who are responsible for performing trades. When LCM selects a broker to effect transactions for the Alphaeus discipline, a discretionary-managed LCMWA client, or on rare occasions in the 2514 Fund, the broker is chosen with regard to LCM's ability to obtain the best execution for the fund after considering all relevant factors. These factors include, but are not limited to: particular expertise in the type of security or transaction, commission charge, time frame to dispose of securities, frequency of trading activities, access to relevant markets, custodial relationship and prior experience with such broker or dealer. The brokers selected by LCM for a fund may also provide other services to that fund, such as margin lending or custody. To the extent that brokers are providing such additional services to an LCM fund, there exists a potential conflict of interest which may result in the fund not receiving the most favorable execution, and it may cost the fund money.

### The Receipt of Research and Other Soft Dollar Benefits

LCM does not currently receive any Soft Dollar Benefits from any brokers, but may in the future utilize broker-dealers who provide LCM with brokerage or research services. Those services could benefit all of LCM's funds or LCMWA clients, not only those having utilizing the brokerage transactions. Should LCM elect to do so, LCM will determine in good faith that the amount of the commission mark-up/mark-down paid is reasonable in relation to the value of the product or service received from the broker-dealer.

### Trade Aggregation and Allocation

LCM may, at times allocate investment opportunities among LCM funds and will always do so in a fair and equitable manner that takes into consideration the best interests and investment objectives of the funds. LCM will not intentionally engage in the practice of favoring one fund over another, or discriminating against any specific fund.



Transactions where LCM proprietary capital, the 2514 Fund and LCMWA's separately managed accounts are managed *pari-passu*, LCM will block or bunch trade in order that no portfolio is favored or receives a favorable transaction price. In the event of a partial fill, the security will be allocated to the 2514 Fund and client accounts pro-rata based on portfolio assets at the date of the transaction. Adjustments may be made for rounding.

Investments in securities or in interests with underlying managers are made at the 2514 master fund level and the securities, interests and their associated expenses are allocated on pro-rata basis.

### Principal and Cross Trades

"Principal" trades are trades in which an investor buys securities for its own account from, or sells securities for its own account to, LCM or any affiliate of LCM, acting for its own account. Section 206(3) of the Advisers Act makes it unlawful for LCM (or any affiliate of LCM):

- acting as principal for its own account, to sell any security to or purchase any security from an investor, without disclosing to such investor *in writing* before the completion of such transaction the capacity in which LCM (or such affiliate) is acting and *obtaining such investor's consent to the transaction*; and
- acting as broker for a person other than a particular investor (such as another investor), to effect any sale or purchase of any security for the account of an investor, without disclosing to such investor *in writing* before the completion of such transaction the capacity in which LCM (or such affiliate) is acting and *obtaining such investor's consent to the transaction*.

Similarly, the purchase by an LCM fund of an equity interest in another LCM fund may be deemed to constitute a "principal" trade, on the theory that if LCM has a substantial equity or equity-like stake in the investing LCM Fund, any purchase of securities by such LCM fund from an LCM investor (*i.e.*, the investee LCM fund) will be deemed to be (at least in part) for LCM's own account.

Where LCM determines that a principal trade may occur, LCM will in a timely fashion notify its fund investors of such trade, disclose any conflicts of interest, and attempt to negate any advantage inuring to the benefit of LCM.

"Cross" trades are trades ordered by LCM in which LCM: (i) acts as agent for both the purchaser and seller of the securities, and either the purchaser or seller, or both, are investors; and (ii) LCM receives compensation for so acting as agent above and beyond the investment management fees that it stands to receive in the ordinary course of managing the assets of such investor or investors. LCM will not engage in "cross" trades with its investors.

## **Review of Accounts**

Each LCM fund has investment objectives, guidelines and restrictions that are outlined within their respective offering documents. Each LCMWA separately managed account client will

identify investment objectives within their investment advisory agreement. The Investment Committee is primarily responsible for insuring that all portfolio decisions and allocations are made consistent with those objectives, guidelines and restrictions as set forth within the Fund's offering documents or client's investment advisory agreement.

Investors in LCM funds receive a monthly or quarterly statement directly from the firm's third party administrator. The account statements for all funds include beginning and ending capital account balances, any contributions or withdrawals made within that period, and the account's performance for that period. The statements for all funds are reviewed by LCM prior to distribution to investors. Each LCM fund is audited annually by an independent public auditing firm, and those reports are distributed to investors on an annual basis within 180 days of the respective 2514 Funds calendar year-end.

Mid-month estimates are provided to investors in LCM funds on or about the 15<sup>th</sup> of each month.

For wealth advisory services, clients are kept fully informed about their portfolio activity by receiving copies of all transaction confirmations and monthly/quarterly statements from brokerage firms and/or custodians. Clients will also receive account statements directly from their chosen custodian, e.g. Charles Schwab or Interactive Brokers, no less than quarterly. Clients should compare the statements they received from their custodian with those provided by LCMWA.

## **Client Referrals**

Pursuant to a written sales agreement as required by Rule 206(4)-3(a)(1)(iii) under the Advisers Act, LCM will in certain circumstances compensate unaffiliated third parties who solicit clients, where such third parties believe that their clients would be benefit from LCM's funds. An investor introduced to an LCM fund by an unaffiliated third party, subject to a written selling agreement may be charged an asset-based distribution fee (i.e. sales load) equal to a percentage of the gross subscription. This fee will be disclosed in advance through the subscription agreement, and additionally by the third party, or by other means. In addition to, or instead of an asset based distribution fee, LCM may pay a third party a portion of the management fee earned.

LCM has entered into a Referral Agreement for the purpose of referring qualified clients to LCM for investment into the Master Fund and OffShore Feeder. LCM pays no compensation for such referrals; however, referred clients receive a discounted management fee from LCM.

## **Custody**

All LCM Fund assets are held in custody by unaffiliated broker/dealers or banks, however LCM may have access to client accounts since it or an affiliate serves as the managing member or general partner of Private Funds. The Private Funds are subject to an annual audit and the audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Alphaeus Select's fiscal year end and 180 days within 2514 Fund's fiscal year end.

All LCMWA clients' accounts are held in custody by unaffiliated broker/dealers or banks, but the Company may access client funds through its ability to debit advisory fees. For this reason the LCMWA is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by LCMWA.

## **Investment Discretion**

LCM is granted discretionary authority over the LCM funds based on contractual authority contained in the applicable offering documents for LCM funds. In all cases, such discretion is to be exercised in a manner consistent with the stated objectives of the particular LCM fund. Each LCM fund's investment mandate and any limitation on LCM's discretionary authority granted is described in the applicable fund's Private Offering Memorandum.

If a LCMWA client agrees to discretionary management, LCMWA will be responsible for selecting the amount of securities to be bought and sold. The only limitations on the investment authority will be those limitations imposed in writing by the client within their investment advisory agreement. Where LCMWA provides non-discretionary management, LCMWA will provide investment recommendations to the client, however, the client will make the ultimate investment decision regarding the purchase or sell of the recommended position.

## **Voting Client Securities**

### *LCM Funds*

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, LCM has adopted and implemented written policies and procedures governing the voting of client securities.

LCM funds are primarily invested with underlying portfolio managers, who are typically responsible for voting proxies for their funds' investments. However, upon occasion, LCM will receive proxies in connection with its publicly traded securities, in which case it is the Company's policy to exercise the proxy vote in the best interest of its LCM funds, taking into consideration all relevant factors, including without limitation, acting in a manner that LCM believes will (i) maximize the economic benefits to the relevant Fund and (ii) promote sound corporate governance by the issuer.

### *Wealth Advisory Clients*

Notwithstanding LCMWA's discretionary authority to make investment decisions on behalf of client, LCMWA will not exercise proxy voting authority over Client securities. The obligation to vote Client proxies shall at all times rest with client. Client shall in no way be precluded from contacting the Advisor for advice or information about a particular proxy vote. However, the

Advisor shall not be deemed to have proxy voting authority solely as a result of providing such advice to Client.

Should LCMWA inadvertently receive proxy information for a security held in client's account, then LCMWA will immediately forward such information on to client, but will not take any further action with respect to the voting of such proxy. Any information received by the LCMWA which relates to the voting of clients' proxies shall be maintained for a period of five years from the date of receipt, the first two years in LCMWA's offices.

## **Financial Information**

LCM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage investment accounts or provide financial advice.