

## **BROCHURE OF**

# **Alternative Investment Resource LLC**

**(d/b/a/ AIR Asset Management)**

A Delaware Limited Liability Company registered with the U.S. Securities and Exchange Commission as an Investment Adviser

CRD# 288165

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June 30, 2017

**THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF AIR ASSET MANAGEMENT. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT (917) 859-8540. THE INFORMATION IN THIS BROCHURE HAS NOT BEEN APPROVED OR VERIFIED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (“SEC”) OR ANY STATE SECURITIES AUTHORITY. REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A LEVEL OF SKILL OR TRAINING.**

**ADDITIONAL INFORMATION ABOUT THE FIRM ALSO IS AVAILABLE ON THE SEC’S WEBSITE AT [WWW.ADVISERINFO.SEC.GOV](http://WWW.ADVISERINFO.SEC.GOV).**

The delivery of this brochure (the “Brochure”) at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above. This Brochure will supersede all other documents containing information about Firm.

**Item 2. MATERIAL CHANGES**

There are no material changes to report regarding our advisory business as this is AIR Asset Management's initial Brochure.

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#### **Item 4. ADVISORY BUSINESS**

Alternative Investment Resource LLC (d/b/a/ AIR Asset Management) (the “Firm”) is a Delaware limited liability company, which was formed on September 27, 2012. The Firm is a SEC registered investment adviser. The Firm’s principal owner and Chief Executive Officer is Richard Beleutz. Stephen Luongo is the Chief Compliance Officer and Chief Investment Officer. The Manager of the Firm is Alternative Investment Resource, LLC, an Illinois domiciled limited liability company having an identical legal name to the Firm.

The Firm generally provides investment advice relating to life settlements and other longevity linked products and investments. The Firm’s objective is to seek long-term capital appreciation by investing in a diversified portfolio of life insurance policies and other mortality related products. For example, the Firm provides investment advisory services to Carlisle Management Company S.C.A. (the “Luxembourg Manager”) on a non-discretionary basis. The Firm also currently acts as a sub-adviser to Griffin Asset Management, LLC, which provides investment management services to a private fund, HS-AIR US Life AIR I LLC (“AIR I”). AIR I is a feeder-fund to a Luxembourg domiciled master fund, Luxembourg Life Fund (the “Luxembourg Fund”), which is managed by the Luxembourg Manager. The Firm may also act in a sub-advisory capacity to other private funds in the future. The Firm is also currently in the process of launching a Delaware domiciled private fund, AIR U.S. Life Fund II LP (“AIR II”), to which it will provide investment management services on a discretionary basis. AIR II will be a private investment vehicle that is offered exclusively to sophisticated investors.

Investors in the funds advised by the Firm are (or will be) accredited investors or qualified purchasers (as promulgated under the Securities Act of 1933, as amended) and qualified clients (as promulgated under the Investment Advisers Act of 1940, as amended) (the “Advisers Act”).

The investment objectives of the funds advised by the Firm shall be set forth in the relevant offering documents.

The Firm also may offer investment management services to separately managed accounts (“SMAs”) which may have materially similar investment strategies to the funds. Collectively, the Luxembourg Manager, the funds and the SMAs shall be referred to herein as “Clients”).

As of June 30, 2017, the Firm manages approximately \$39,000,000 in assets on a discretionary basis and approximately \$65,000,000 on a non-discretionary basis.

## **Item 5. FEES AND COMPENSATION**

The Firm collects a fee from the Luxembourg Manager for providing non-discretionary investment advisory services, as described in the advisory agreement with the Luxembourg Manager.

With respect to the current sub-advisory services provided by Firm and the advice provided to the Luxembourg Manager, the Firm currently collects a management fee of approximately 1% from the Luxembourg Manager on assets managed by the Firm that are invested in the Luxembourg Fund. Such management fee is collected by the Firm quarterly in arrears, billed as of the last day of each quarter, and is based on the aggregate net asset value of the assets managed by the Firm on behalf of the Luxembourg Fund and AIR I, as determined by the Luxembourg Manager. This management fee represents approximately 50% of the management fee collected by the Luxembourg Manager from the Luxembourg Fund on the assets advised by the Firm.

With respect to AIR II, the Firm intends to charge a 2% management fee. Such management fee shall be collected by the Firm quarterly in arrears, billed as of the last day of each quarter, and will be based on the net asset value of AIR II, as described in its offering documents.

Details of any management fee charged by the Firm with respect to an SMA shall be negotiated and described in such SMA's investment management agreement ("IMA").

Mr. Beleutz may also receive compensation as a registered representative of Rainmaker Securities LLC (CRD#: 132995), a FINRA registered broker dealer, and as an independent licensed insurance agent, as discussed in **Item 10** below. However, Mr. Beleutz would not generally receive both commissions and advisory fees from any funds managed by the Firm.

## **Item 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

In addition to the management fees described in **Item 5**, with respect to the Firm's advisory services to the Luxembourg Manager and AIR I, the Firm collects a performance fee. This performance fee is equal to 10% of the change of the prior month ending net asset value to the current month's gross asset value, minus expenses and is billed on a quarterly basis. This performance fee represents approximately 50% of the performance fee collected by the Luxembourg Manager with respect to the assets advised by the Firm.

With respect to AIR II, in addition to the 2% management fee, the Firm or its affiliate will assess an incentive allocation equal to 20%. This incentive allocation will be based on the change from the prior month's ending net asset value to the current month's gross asset value, minus the expenses of AIR II and shall be billed on an annual basis. The specific terms of this incentive allocation are set forth in AIR II's offering documents.

Details of any performance fees charged by the Firm with respect to an SMA shall be negotiated and described in such SMA's IMA.

## **Item 7. TYPES OF CLIENTS**

The Firm intends to provide investment management services exclusively to sophisticated investors and or Clients. Although the Firm generally seeks minimum commitments from its fund investors of U.S. \$250,000, it can waive such minimums in its sole discretion. Other Clients or investors may be subject to greater or lesser minimum commitments as may be negotiated with the Firm and described in the governing documents between the Firm and the Client or investor.

## **Item 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

The investment strategy employed by the Firm has its own set of risks, but in all cases, the Firm's strategies involve a risk of loss that clients should understand and be prepared to bear.

The investment objective of the Firm is to seek long-term capital appreciation through investing in a diversified portfolio on life settlement products. A "Life Settlement" is an existing life insurance policy, sold to a third party for more than its cash surrender value but less than its death benefit. These policies generally insure elderly individuals or business owners, and are no longer wanted or needed by the owners due to circumstances changes since the initial issuance of policy.

The Firm will also consider purchasing other "Life Settlement Assets" for Clients, such as existing portfolios of Life Settlements, fractions of Life Settlements, synthetic instruments and derivative instruments related to Life Settlements, Life Settlement-backed notes, annuities tied to Life Settlements, and opportunistic investments in mortality and/or longevity-related instruments.

Investments made by the Firm on behalf of its Clients involve a number of material risks, including, but not limited to: the lack of a liquid public market for Client interests; restrictions on the ability of Clients to withdraw or redeem their capital; and the ability of the Firm and its investment professionals to correctly identify and assess good investment opportunities.

A more complete discussion of the investment strategy and the risks involved is contained in the relevant offering documents for each fund managed by the Firm and the IMA of the relevant SMA and should be read by prospective Clients and investors carefully. The Firm's investment strategy involves a risk of loss that Clients and investors should understand and be prepared to bear.

### **Risk Factors**

*Uncertainty of Life Settlements Market.* The value of a policy in the Life Settlements or secondary market depends significantly on the health and medical condition and life expectancy of the insured, life expectancy tables then in use by the life settlement industry,

and any changes in general economic conditions, including interest rates, inflation rates, government regulations, overall industry conditions, competition, political conditions, volatility in the financial markets, and legislation at the time the Firm may seek to sell the policy. The demand for the purchase, and the liquidity, of in-force policies is uncertain. Therefore, policies acquired by the Firm may be over-priced by the Firm or its affiliates and/or may not be readily able to be resold in the tertiary market for life insurance if the need should arise for the liquidation of any of the policies.

***Uncertainty of Life Expectancy.*** The cost in the Life Settlements market of the policies that may be obtained by the Firm depends, in large measure, upon the life expectancy of the insured life under the policy. The return, with respect to life expectancy on such purchases, is almost entirely dependent upon how accurate the expectancy is as compared to actual longevity. Life expectancies are estimates of the expected longevity or mortality of an insured and are inherently uncertain. There can be no assurance that any life expectancy obtained on an insured for a policy will be predictive of the future longevity or mortality of the insured.

***Insurable Interest Risk.*** All states require that the initial purchaser of a new life insurance policy insuring the life of an individual has an insurable interest in such individual's life at the time of original issuance of the policy. Whether an insurable interest exists in the context of the purchase of a life insurance policy is critical because, in the absence of a valid insurable interest, life insurance policies are unenforceable under the laws of most states. When a life insurance policy has been issued to a policy holder without an insurable interest in the life of the individual who is insured, the life insurance company is generally not required to pay the death benefit under the policy, but typically must repay to the owner of the policy all premium payments, usually without interest. Generally, there are two forms of insurable interests in the life of an individual: familial and financial. Additionally, an individual is deemed to have an insurable interest in his or her own life. Insurable interest is determined at the inception of the policy. Any determination that a policy purchased by the Firm was issued without insurable interest may render the policy void or subject the death benefit to legal claims by former policy beneficiaries.

***Premium Increases.*** For any policies that may be obtained for a Client, such Client will be responsible for maintaining the policies, including paying insurance premiums. If a life insurance company is able to increase the cost of insurance charged for any of the policies, the amounts required to be paid for insurance premiums due for these policies may increase, requiring the Client to incur additional costs for the policies which may adversely affect returns on such policies and consequently reduce the resale value of such policies in the tertiary market for life insurance policies.

***NAIC Viatical Settlements Model Act.*** Industry groups, including the National Association of Insurance Commissioners ("NAIC") and the North American Securities Administrators Association ("NASAA"), perceived there to be an industry regulatory void and passed the NAIC Viatical Settlements Model Act and subsequent Guidelines Regarding Viatical Investments to protect seniors from over-reaching by less than scrupulous and forthcoming life settlement brokers and providers. In addition to the states which adopt the NASAA guidelines, other states which license insurance purchases follow many of the

provisions of the NAIC Viatical Settlements Model Act. Most states regulate life settlements through their insurance departments and/or securities administrators.

***Compliance with State Insurance Laws.*** Approximately forty-five states have adopted viatical or life settlement laws which require entities that buy or sell life settlement and viatical settlement contracts be licensed in such states. The Firm and/or the Client may be required to be licensed as a viatical or life settlement provider, or purchase policies only through such licensed entities, in a state that has adopted such laws before it can be permitted to effect the purchase of policies in a life settlement or viatical settlement transaction in that state. However, the Firm and/or the Client may not be able to comply with every state's laws, or to renew or prevent revocation of a previously issued license or approval. The Firm and/or the Client may be precluded from doing business in any state in which they are unable to obtain or otherwise maintain a required license or otherwise comply with the insurance or securities laws of that state. In the event the Firm and/or the Client, are not licensed or approved to do business, or has its license suspended, revoked or non-renewed, in any state (or is unable to purchase policies through such a properly licensed entity), the Firm and/or the Client may not be able to acquire and then resell policies in such states. The inability to purchase policies from the "regulated states" may significantly diminish the number of policies available for purchase by the Firm.

***Changes in U.S. Insurance Regulation.*** Changes in state and federal statutes, laws and regulations might make it more difficult for the Firm to purchase and sell policies, thereby hindering the implementation of the Firm's strategies for acquiring, reselling, holding, or securitizing the policies.

***Speculative Purchases of Securities.*** The Firm may also make certain speculative purchases of securities. Such purchases may include securities which The Firm believes to be undervalued, or where a significant position in the securities of the particular company has been taken by one or more other persons or where other companies in the same or a related industry have been the subject of acquisition attempts. There can be no assurance that securities which the Firm believes to be undervalued are in fact undervalued. Nor can there be any assurances that undervalued securities will increase in value. If the Firm purchases securities in anticipation of an acquisition attempt or reorganization, and an acquisition attempt or reorganization does not in fact occur, the Firm may sell the securities at a substantial loss. Further, when securities are purchased in anticipation of an acquisition attempt or reorganization, a substantial period of time may elapse between the Firm's purchase of the securities and the acquisition attempt or reorganization.

***Hedging Transactions.*** The Firm may employ certain hedging techniques, directed primarily toward general market risks. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus, moderating the decline in the portfolio positions' value. Such hedge transactions also limit the opportunity for gain if the value of the portfolio position should increase. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. Moreover, for a variety of reasons, the Firm may not seek or be



able to establish a sufficiently accurate correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Client from achieving the intended hedge or expose it to risk of loss. Hedging may be employed to limit certain market risks and credit risks. As a general matter, Client portfolios will still be exposed to basic event risk and other risks attendant to its investment strategy, which risks will not be generally hedged.

***Concentration of Investments.*** While the Firm currently intends to adhere to its risk control and management guidelines, the Firm may concentrate its positions. Clients may not be subject to any formal policies regarding diversification and may sometimes concentrate portfolio holdings in industries, geographic regions or companies which, in light of investment considerations, market risks and other factors, the Firm believes will provide the best opportunity for attractive risk-adjusted returns. The concentration of Client portfolios in a small number of issuers or in any one industry would subject the Client to a greater degree of risk with respect to the failure of one or a few issuers or with respect to economic downturns in relation to such industry.

***Highly Competitive Market for Investments.*** The business of identifying, negotiating, acquiring, monitoring, managing and selling investments is highly competitive, and involves a high degree of uncertainty. The Firm will encounter competition from other persons or entities with similar investment objectives. These competitors include other investment partnerships and corporations, small business investment companies, large industrial and financial companies investing directly or through affiliates, foreign investors of various types and individuals.

***Temporary Defensive Investments.*** In times of unusual or adverse conditions, for temporary defensive purposes, the Firm may invest outside the scope of its principal investment focus. Under such conditions, the Firm may invest without limit in money market and other investments and may not invest in accordance with such Client's stated investment objectives or investment strategies and, as a result, may not achieve its investment objectives.

***Short Sales.*** The Firm may sell securities short. Selling securities short runs the risk of losing an amount greater than the amount invested. Theoretically, short selling may be subject to the unlimited risk of loss because there may be no limit on how much the price of a security may appreciate before the short position is closed out. In addition, the supply of securities which can be borrowed fluctuates from time to time. A Client may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if the Firm is otherwise unable to borrow securities which are necessary to hedge its positions.

***Cybersecurity Risks.*** The Firm's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Firm has implemented various

measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Firm may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Firm's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the Firm's reputation or subject it or its affiliates to legal claims and otherwise affect their business and financial performance. Additionally, any failure of the Firm's information, technology or security systems could have an adverse impact on its ability to manage the private investment funds and separately managed accounts referred to herein.

***Leverage.*** When deemed appropriate by the Firm and subject to applicable regulations, A Client may incur leverage in its investment program, whether directly through the use of borrowed funds, or indirectly through investment in certain types of financial instruments with inherent leverage, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent a Client purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of the Client. If the interest expense on this leverage were to exceed the net return on the investments made with borrowed funds, the Client's use of leverage would result in a lower rate of return than if the Client were not leveraged.

***No Obligation of Full-Time Service.*** None of the Firm, or its affiliates, has any obligation to devote its full time to the business of the Client. Each is only required to devote such time to the Client as Firm deems necessary to accomplish the purposes of the Client, and each may engage in other business activities, including competing ventures and/or unrelated employment, which may result in various conflicts of interest between such persons and the Client.

***The foregoing list of risk factors does not purport to be a complete analysis or explanation of the risks associated with the Firm's investment strategies and, as applicable, with an investment by a Client. Prospective Clients and investors should read the relevant offering memoranda of the fund or relevant IMA of the SMA, as applicable, for a more detailed list of risk factors and consult with their own advisors before deciding whether to invest.***

## **Item 9. DISCIPLINARY INFORMATION**

Neither the Firm nor Mr. Luongo have been involved in any legal or regulatory action, or other disciplinary event. Mr. Beleutz has not been involved in any legal or regulatory action, or other disciplinary event since 2009.

On January 24, 2008, Mr. Beleutz entered into a negotiated settlement (“Settlement”) with the Financial Industry Regulatory Authority (“FINRA”) related to market-timing transactions entered into by certain of his hedge fund clients in violation of FINRA Conduct Rule 2110. Pursuant to the terms of the Settlement, without admitting or denying the truth, Mr. Beleutz paid a civil monetary penalty of \$15,000 and agreed to a temporary suspension in all capacities with any FINRA member for 45 days. In addition, in connection with the Settlement, on November 27, 2009, Mr. Beleutz also entered into a stipulation with the Secretary of State of the State of Illinois, in which he agreed to certain heightened supervisory actions and to pay certain investigatory costs.

## **Item 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Neither the Firm nor its affiliates have an existing or pending application as a broker-dealer. The Firm has no existing or pending application with a Futures Commission Merchant (FCM), Commodity Pool Operator (CPO), or Commodity Trading Advisor (CTA).

Mr. Beleutz is currently is a registered representative of Rainmaker Securities, LLC (CRD#: 132995), a FINRA registered broker dealer. Mr. Beleutz is also an independent licensed insurance agent and collects compensation associated with corresponding activities.

Mr. Luongo is the sole officer and primary owner of Columbus Global Advisors, which provides employment services to the Firm for tax purposes.

## **Item 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING POLICIES**

In recognition of the Firm’s fiduciary obligations to its Clients and the Firm’s desire to maintain its high ethical standards, the Firm has adopted a Code of Ethics (“Code of Ethics”) which sets forth, among other things, policies and procedures governing employees’ personal securities transactions, the giving and receipt of gifts and entertainment (including to government, union and pension representatives), political contributions, outside activities, and the treatment of confidential information (including material non-public information). The Code of Ethics establishes a standard of conduct expected of all the Firm employees and is designed to foster compliance with applicable law and regulatory requirements, and to promote a culture of high ethical standards.

## **Personal Trading**

The Firm employees may, on a limited basis, purchase or sell for themselves securities that a Client also holds or may acquire. In addition, a Client may, on a limited basis, purchase and sell securities of an issuer in which employees of the Firm also have a position or interest. The Firm employees are required to seek pre-approval for all personal investments other than investments in certain non-reportable securities in order to prevent the existence of, or appearance of any potential or actual conflicts of interest in this respect. The Code of Ethics requires employees to report personal transactions on a periodic basis, submit initial and annual personal account holdings reports, and certify their compliance with the Code of Ethics on an annual basis. The Firm monitors adherence to this policy by periodically reviewing employee account statements.

## **Gifts and Entertainment**

The Code of Ethics prohibits the Firm employees from giving a gift to, receiving a gift from, or giving or accepting entertainment to or from certain third parties if such gift or entertainment is not of de-minimis value or it deemed likely to compromise the independence of its recipient or his/her judgment and is likely to cast doubts over his/her integrity or to seem disproportionate to the business relationship. Certain limits, reporting requirements and prohibitions have been established with respect to giving and the receipt of gifts above certain thresholds.

## **Political Contributions**

The Firm places restrictions on political contributions by the firm and its employees. Political contributions are permitted only in compliance with pay-to-play regulations and corresponding local laws and regulations. The Firm employees are required to pre-clear all political contributions.

## **Outside Activities**

The Firm's employees may engage in activities for their community or personal development. Such activities, however, should not impair the working efficiency or responsibilities of the individual. The Firm employees may from time to time be asked to serve as a director, adviser, consultant, or employee or engage in other forms of participation in other companies or organizations. Because such commitments may involve substantial responsibilities, or they may present actual or apparent conflicts of interest, the Firm employees are required to obtain written approval prior to accepting such positions.

## **Insider Trading/Material Non-Public Information**

The Firm maintains an Insider Trading Policy that includes policies and procedures that are designed to detect and prevent the misuse of material, non-public information by the Firm and its officers, directors and employees. In accordance with these policies, to prevent trading of public securities based on material, non-public information, the Firm maintains and updates as needed a "restricted" securities list of companies about which the Firm

employees have material, non-public information. The Firm has a separate privacy policy designed to protect the security, confidentiality, and integrity of private information of the Firm and its Clients.

### **Interests in Client Transactions**

The Firm and/or affiliates of the Firm may have an interest in a Client. In addition, certain members, directors, officers and employees of the Firm and its affiliates are permitted to own, buy and/or sell interests in a Client. Subject to internal compliance policies and approval procedures designed to address any conflicts of interest that may arise, the Firm may engage, from time to time, in personal trading of securities and other financial instruments, including securities and financial instruments in which a Client may invest. Please refer to the Firm's Code of Ethics for a full description of the policies and procedures the Firm has implemented in order to address these and other conflicts of interest.

The Firm will provide a copy of the Code of Ethics to any current or prospective investor/Client upon request.

### **Item 12. BROKERAGE PRACTICES**

As Clients acquire Life Settlement policies, the Clients typically pay a market-based origination fee as part of the cost of acquisition of each policy. This is a transaction cost, which is part of the capitalized cost basis of each policy, and is ultimately borne by the Client.

To the limited extent the Firm transacts in public securities, the Firm may have discretion to determine, subject to the Client's investment objectives, policies and strategies, the securities to be purchased and sold and in what amounts, the brokers, dealers or other counterparties to use in effecting transactions and the commission rates (or mark-ups or mark-downs), if any, to be paid for such transactions. In selecting brokers, dealers and counterparties, the Firm will seek to obtain "best execution" by attempting to ensure that the total cost or proceeds of any transaction for a Client is the most favorable under the circumstances.

The full range of brokerage services applicable in a particular transaction may be considered when selecting a broker, dealer or other counterparty, which may include, but is not limited to the:

- ability of the broker/dealer to minimize costs associated with implementing investment decisions;
- communication links between the broker/dealer and the Firm;
- adequacy of the information provided to the Firm by the broker/dealer;
- accommodation of special needs by the broker/dealer;
- broker/dealer commission rates;

- the availability, as well as the quality and suitability, of electronic trading platforms and algorithms;
- administrative ability (including settlement processing);
- responsiveness of the broker/dealer;
- financial strength, reputation and stability of the broker/dealer;
- ability of the broker/dealer to handle large and/or complex transactions;
- knowledge of other buyers and sellers as well as the particular security or market in which the transaction is to occur; and
- efficiency of the broker/dealer in executing past transactions.

The Firm may engage in soft dollar arrangements. Certain brokers, dealers and other counterparties provide the Firm with access to industry information, newsletters, seminars and conferences, but these services are provided in an effort to compete for the Firm's trading business rather than on a formal soft-dollar credit basis. This type of research does not have an identifiable value and is provided based on the Firm's total trading activity or by simply opening an account. Moreover, certain brokers, dealers and other counterparties may sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any counterparty may be more or less than the suggested allocations because total brokerage is allocated on the basis of all the best execution considerations described above. A broker will not be excluded from receiving business simply because it has not been identified as providing research services. This may create an incentive for the Firm to select or recommend a broker-dealer based on its interest in receiving those products and services and may result in higher transaction costs than would otherwise be obtainable by the Firm on behalf of a Client. While the Firm may take into consideration whether it receives the products and services discussed in this paragraph in selecting such trading counterparties, the Firm will not allocate brokerage business to a particular counterparty solely on the basis of the provision of these services. Rather, the Firm's decisions to select trading counterparties requires a determination in good faith that the commissions (or mark-ups or mark-downs, to the extent they are knowable) are consistent with its obligation to seek best execution by taking into account a variety of factors pursuant to the policies and procedures described above. The Firm intends to utilize only those soft-dollar related services that would be within the safe harbor afforded by Section 28(e), such that credits generated by a Client would only be used to obtain investment research and brokerage services that provide lawful and appropriate assistance to the Firm in the performance of its investment decision-making responsibilities.

In addition, from time to time, the Firm may execute over-the-counter trades by using a broker-dealer to acquire and dispose of a security, and therefore this transaction would be subject to both a mark-up and a mark-down. The Firm may interpose a broker-dealer for a transaction because doing so may, among other things, prevent a negative market impact and provides anonymity in connection with such transaction.

In the event of an error in the investment or trading process, the Firm shall take steps to ensure that the error is corrected as soon as possible, and with as minimal an impact to the Client as possible. Absent willful misconduct, fraud, gross negligence, or bad faith, however, the Client will not be reimbursed should there be a loss as a result of a trade or

investing error. Such errors are generally classified as either trade errors or operational errors. Examples of trade errors including an allocation to an incorrect account, issuing a duplicate trade ticket, processing a buy when a sell was intended (or vice versa), noting an incorrect broker on a trade ticket, or purchasing the incorrect security. Operational errors are those errors that generally occur after a trade has been executed. These operational errors include trade fails due to incorrect information, programming errors, or late delivery instructions, among other things. For an error which either: (1) is not corrected on, or reasonably soon after, trade date, or (2) requires material remedial action to be taken by the Firm, such errors are to be (i) resolved with the input from the operations and investment teams as quickly as practicable and in a manner that attempts to mitigate or prevent any loss to the Client, and (ii) promptly reviewed by certain the Firm management who shall determine the appropriate course of action with respect to any trade or investing errors. A trade error file is maintained by the Firm that contains all documentation necessary to substantiate the actions taken with respect to each error.

### **Item 13. REVIEW OF ACCOUNTS**

Accounts are reviewed by Mr. Luongo and Mr. Beletz on a daily or monthly basis, depending on activity in the account and the frequency of client reporting. Investors in a fund receive written statements containing individual net asset values on a monthly or quarterly basis, either from the Luxembourg Manager, the Firm directly or from the fund's independent administrator, as set forth in the terms of the relevant private placement memorandum or limited partnership agreement.

### **Item 14. CLIENT REFERRALS AND OTHER COMPENSATION**

The Firm does not receive any monetary compensation or any other economic benefit from a non-client for the Firm's provision of investment advisory services to a Client.

The Firm may enter into arrangements with unaffiliated third parties whereby compensation is paid for referring clients to the Firm. Generally, these payments are based on a percentage of management fees earned by the Firm with respect to such client. Because such arrangements contain inherent conflicts of interests between the referring party, on the one hand, and the client, on the other, this disclosure is provided prior to the client entering into relationship with the Firm, prior to receiving this Brochure or equivalent disclosure document and prior to the receipt or payment of a referral fee.

### **Item 15. CUSTODY**

The Firm has custody with respect to AIR II and intends to provide audited financial statements each year to its investors. The Firm does not have custody with respect to AIR I, SMAs, nor with the assets advised by the Luxembourg Manager.

## **Item 16. INVESTMENT DISCRETION**

Currently, the Firm has discretionary authority for AIR I and AIR II with respect to the assets or securities bought and sold and in what quantities, the amount of leverage employed, the broker-dealer used and the commission rates to pay, among other things. The Firm does not have discretionary authority with respect to the assets advised by the Luxembourg Manager. The specific terms regarding the Firm's discretion are detailed in the fund's offering documents or SMA's IMA.

## **Item 17. VOTING CLIENT SECURITIES**

Due to the nature of the Firm's investment programs and the types of investments made on behalf of Clients, the Firm is not typically solicited to vote proxies of traditional operating companies. Given the fact that the funds and SMAs primarily invest in Life Settlement policies and other Life Settlement Assets, it is more common for the Firm to receive requests related to amendments, consents, and/or resolutions as a result of investments in Life Settlement Assets.

However, to the extent any funds or SMAs receive proxies, the Firm will vote proxies in a manner that it believes maximizes the value of a Client's investments. In so doing, the Firm may take into consideration recommendations made by third-parties, such as attorneys and independent actuaries.

The Firm will not neglect its proxy voting responsibilities, but it may abstain from voting if it deems that abstinence is in the Client's best interests. The Chief Compliance Officer will ensure that documentation, such as meeting minutes or a separate memorandum, is maintained that describes the rationale for any instance in which the Firm does not vote a Client's proxy.

If the Firm determines that it is faced with a material conflict of interest in voting proxies, an Advisory Committee (the "Committee") will be convened and will determine the appropriate vote. Decisions of the Committee are nonbinding. If a unanimous decision cannot be reached by the Committee, a competent third party will be engaged, at the Firm's expense, who will determine the vote that will maximize the applicable Client's value. As an added protection, the third party's decision is binding.

Our complete proxy voting policy and procedures are memorialized in writing and are available for review by investors and prospective investors. In addition, the Firm's complete proxy voting record is available to AIR II investors and separate account clients, and only to fund investors for AIR IIs in which they are invested and separate account clients for their accounts. Please contact the Firm if you have any questions or if you would like to review either of these documents.



**Item 18. FINANCIAL INFORMATION**

The Firm does not require or solicit prepayment of management fees six or more months in advance. The Firm has no financial condition to disclose that is reasonably likely to impair its ability to meet contractual commitments to its clients. Additionally, the Firm has not been the subject of a bankruptcy petition during the past ten years.

For questions or requests for additional information, please contact Mr. Luongo at the number or address listed on the cover of this brochure.

**Item 19. Not Applicable.**