

**ITEM 1**  
**COVER PAGE**

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**Part 2A of Form ADV: Firm Brochure**

**LEVIN CAPITAL STRATEGIES, L.P.**

March 30, 2020

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Levin Capital Strategies, L.P.  
595 Madison Avenue, 17<sup>th</sup> Floor  
New York New York 10022  
Telephone: 212-259-0800  
Fax: 212-259-0859

John Levin, Chief Executive Officer

This brochure (this “Brochure”) provides information about the qualifications and business practices of Levin Capital Strategies, L.P. (“LCS”). If you have any questions about the contents of this brochure, please contact LCS at 212-259-0800 and/or [LCSCompliance@levincap.com](mailto:LCSCompliance@levincap.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

*LCS is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

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

## **ITEM 2**

### **MATERIAL CHANGES**

Since the last annual update of this Brochure, dated March 29, 2019, Eric Colandrea has been named the Chief Compliance Officer (“CCO”) of Levin Capital Strategies, L.P. (“LCS”). Mr. Colandrea also serves as the General Counsel of Easterly Partners Group LLC (“Easterly Partners”) and the General Counsel and Chief Compliance Officer of Levin Easterly Partners LLC (“Levin Easterly” or “LEP”). Easterly Partners has a services agreement with Levin Easterly, and as previously disclosed in the Brochure dated March 2019, Levin Easterly and LCS have entered into a services agreement whereby Levin Easterly will provide services to LCS including the support of their back-office and business operations.

Also, since the last annual update of this Brochure, and as previously noted, the management of the Model Portfolio has been transferred from LCS to LEP. As a result of this change, LCS no longer manages any non-discretionary accounts or assets, which has been updated in Item 4 of this Brochure.

## ITEM 3

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## ITEM 4

### ADVISORY BUSINESS

#### Who is Levin Capital Strategies, L.P.

Levin Capital Strategies, L.P. (“LCS”) provides discretionary or non-discretionary investment advice and/or management services according to the stated investment objectives, restrictions, and policies of each LCS investment advisory client (each, a “Client” and together, “Clients”). LCS Clients consist of separately managed accounts (“Separately Managed Accounts”), and a private investment fund (the “Private Fund” or “Fund”), (each, a “Client” of LCS and together, “Clients” of LCS). LCS enters into a written investment management agreement with each of its Clients. LCS maintains full power and authority to supervise and may make investment decisions on behalf of each Separately Managed Account and the Private Fund, (each sometimes also referred to as a “Managed Account” or collectively as, “Managed Accounts”) with and without prior consultation with the client.

LCS generally follows a “large-cap” (defined as an issuer’s market capitalization is greater than seven (7) billion dollars), “bottom-up” value investment strategy and LCS invests Client assets primarily in equity securities, and both domestic and foreign issuers traded on a U.S. exchange. Similarly, LCS’s investment decisions and advice with respect to the Managed Accounts are made in accordance with the applicable Client’s investment objectives and guidelines, as well as any written or verbal instructions or restrictions provided by the Client to LCS and the information provided in the Client’s investment management agreement.

With respect to its Separately Managed Accounts LCS follows “long-only” strategies and primarily invests in equity securities, ADRs/ADSs (including large foreign issuers whose ADRs/ADSs trade “over-the-counter”), foreign equity securities traded on a foreign or a recognized U.S. exchange,

U.S. Treasury obligations, corporate debt, warrants, convertible securities, and exchange-traded funds (“ETF”). The Private Fund typically trades options, futures contracts, and SWAPS (Contracts for Differences or Equity SWAPS) as well as participating in initial public offerings and secondary offerings.

LCS also manages on a discretionary basis the accounts of certain family members, affiliates and affiliates of family members of LCS personnel, and those personnel providing services to LCS pursuant to a services agreement with LEP. Please refer to Item 10, “Services Arrangement with Levin Easterly Partners LLC”.

LCS also provides investment management services to a private pooled investment vehicle (“Private Fund”) that is offered to investors on a private placement basis. In connection with providing investment management services, LCS has been appointed as investment adviser with discretionary trading authorization the Private Fund that is organized under the laws of the State of Delaware. Additional detailed information about LCS is provided in this Brochure, including information about LCS’s advisory services, investment approach, personnel, affiliations and brokerage practices.

*This Brochure generally includes information about LCS and its relationships with its Clients and affiliates. While much of this Brochure applies to all such Clients and affiliates, certain information included herein applies to specific Clients or affiliates only. This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities of the Private Fund described herein. The securities of the Private Fund is offered and sold only by means of a confidential offering memorandum on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended (the “Securities Act”), and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. The securities for*

*the Fund is offered on a private placement basis, pursuant to Section 3(c)(7) of the Investment Company Act of 1940, as amended (the “Company Act”), to persons who are “accredited investors” as defined under the Securities Act and, if applicable, “qualified purchasers” as defined under the Company Act, and subject to certain other conditions, which are set forth in the offering documents of the Private Fund. Persons reviewing this Brochure should not construe this as an offer to sell or solicitation of an offer to buy the securities of the Fund described herein.*

### Brief History

LCS, a Delaware limited partnership, commenced its operations in December 2005/January 2006.

LCS primarily offers two (2) strategies: (1) a “long-only” Large-cap value biased investment strategy which focus on U.S. traded securities; and (2) a short/long alternative strategy. The Large-cap value strategy may include mid-cap securities LCS believes are suitable for managed accounts.

The “long-only” investment strategies may have variations of investment styles and investment objectives based on the Client’s investment strategy, concentration; diversification through the number of portfolio holdings and sectors, criteria, investment restrictions, portfolio concentration, tax status, time horizon and risk tolerances. These types of strategies may be a concentrated style having fewer holdings with higher or lower capital weightings than those Clients following a more diversified strategy. A concentrated strategy may have additional risks including higher volatility and increased loss of capital than a more diversified strategy, and a diversified strategy may result in higher or lower returns than a concentrated portfolio. These strategies may be managed on a taxable and non-taxable basis. Non-taxable accounts may trade more frequently and may hold different portfolio securities from taxable accounts as taxable considerations may weigh in the investment decision process. In addition to the direct analysts employed by LCS, John Levin also has access to the LEP research team, pursuant to the services agreement with LEP. The research teams’ (including LEP) knowledge is leveraged across all LCS’ strategies which are based on the

same value orientated, bottom-up fundamental research and feature a commitment to capital preservation, downside protection, and controlled volatility.

Ownership

John A. Levin and related entities	100.0%
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John A. Levin controls LCS through Levin Capital Strategies, GP, LLC, where John A. Levin is the managing member. The 2005 GRAT Separation Trust is the majority owner of LCS along with John A. Levin and Elisabeth Levin. Elisabeth Levin, the wife of John Levin, is also the trustee of the 2005 GRAT Separation Trust.

*The descriptions set forth in this Brochure of specific advisory services that LCS offers to Clients, and investment strategies pursued, and investments made by LCS on behalf of its Clients, should not be understood to limit in any way LCS's investment activities. LCS may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that LCS considers appropriate, subject to each Client's investment objectives and guidelines. The investment strategies LCS pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client account(s) will be achieved.*

LCS's investment decisions and advice with respect to the Fund are subject to the Fund's investment objectives and guidelines, as set forth in its offering documents. Similarly, LCS's investment decisions and advice with respect to each Client are subject to each Client's investment objectives and guidelines, as set forth in the Client's investment management agreement, as well as any written or verbal instructions provided by the Client to LCS.

Management of Client Assets

LCS manages Client assets on a discretionary basis. The chart below sets forth the amount of net assets under management as of December 31, 2019:

	U.S. Dollar Amount	Total Number of Accounts
Discretionary assets	\$1,273,8328,305	238
Non-discretionary assets	\$0	0
Total:	\$1,273,8328,305	238



## ITEM 5

### FEES AND COMPENSATION

The fees applicable to each Client's Managed Account are set forth in detail in each Client's investment management agreement. Additionally, the fees for the Fund are set forth in detail in the Fund's offering documents. A brief summary of such fees is provided below.

#### Separately Managed Accounts

LCS generally charges each Separately Managed Account a management fee of up to 1.0% per annum of assets under management, typically charged quarterly in arrears. The Private Fund provides for an annual incentive reallocation fee of up to 20% of any realized and unrealized capital appreciation subject to a "high watermark". Subject to negotiation, certain large qualified Clients may obtain different fee schedules which may include a performance-based fee structure. Fees for Clients are subject to negotiation and established pursuant to each Client's investment management agreement.

LCS, at its option, may elect not to charge a Client a management fee on a portion of the Client's portfolio wherein LCS's opinion the account has a "high cash" or "high cash equivalent" (money market securities or short-term Treasury obligations) position that is in excess of 20% of the Client's portfolio. LCS may charge a reduced management fee for a Client's specific securities depending upon the Client's portfolio security and special circumstances. Fees are paid to LCS by a Client either by a custodian deducting fees from a Client's account as authorized by the applicable Client or by the Client directly.

Set forth in the chart below is the standard investment management fee structure for Managed Accounts following a "long-only" investment strategy, which is subject to negotiation:

<u>Net Asset Value</u>	<u>Rate</u>
Under \$5 Million	1.00% annually
\$5 million - \$15 million	0.75% annually on entire account
\$15,000,001 - \$99,999,999 million:	0.75% for the first \$15 million 0.50% for additional amounts
Over \$100 million	Negotiable

LCS, at its discretion, may adjust the management fees borne by the Client in the event of material additional capital contributions and withdrawals from the account. Generally, when a Client makes capital contributions or withdrawals that in the aggregate increase or decrease the net asset value of the client's account by 10% or greater during a calendar quarter (disregarding the performance of the account), the management fees will be prorated based on the actual number of days in such calendar quarter before and after the applicable contribution to, or withdrawal from, the account.

Generally, the investment management agreement between the Client and LCS is terminable upon receipt of written notice of termination by either LCS or the Client. LCS generally will bill Clients in arrears, however for those Clients that elect to be billed in advance, the Client will be entitled to any unearned portion of the management fee upon termination.

Certain family members, employees, affiliates and affiliates of family members of LCS personnel may have a lower fee schedule than other Clients. Certain qualified and eligible Clients may negotiate a performance-based fee arrangement.

Any performance-based compensation (including the performance-based compensation set forth below under "The Fund" will be charged or allocated, as applicable, in accordance with Section 205 of the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") and Rule 205-3.

### The Private Fund

The management fee and incentive reallocation applicable to the Private Fund are set forth in detail in the Private Fund's confidential offering memorandum, and a brief summary of those fees and reallocations are provided below. Please refer to the Private Fund's offering memorandum for a more complete description of the applicable fees, reallocations, and series that are offered. Different series of interests may have different fees and/or liquidity terms including "lock-up" structures.

LCS receives a monthly management fee equal to up to 1.0% per annum from the Private Fund. Fees accrue monthly in arrears and are payable at the end of each month. LCS and its affiliates reserve the right to waive or impose different management fees or otherwise modify the management fee arrangements of an existing investor with the consent of such investor.

LCS, and its affiliate are generally entitled to, at the end of each fiscal year, up to 20% of the net annual profits of the Private Fund. Any incentive reallocation will only be reallocated with respect to the net profits which generally include realized gains and losses and unrealized appreciation and depreciation of securities held in the Fund's portfolio, dividends and interest, less applicable Fund expenses and are generally subject to a "high water mark." LCS, and its affiliate reserve the right to waive or impose different incentive allocations or otherwise modify the incentive allocation arrangements of an existing investor with the consent of such investor.

LCS and its employees, including those former employees with LEP who currently provide services to LCS (please refer to Item 10, "Services Arrangement with Levin Easterly Partners LLC") may invest in the Fund. LCS employees, those LEP personnel providing services to LCS as stated above, and certain family-related accounts may not incur the management fee nor incentive allocation/fee of the Fund. This is at the discretion of the Fund's Managing General Partner.

The Private Fund has the authority to enter into agreements or other similar arrangements (collectively, “Side Letters”) with one or more investors that provide such investors with additional and/or different rights from other investors (including access to certain fund information).

*Fund and Managed Account Expenses*

LCS’s management fee with respect to each Managed Account does not include (a) brokerage charges, which are paid on a transactional basis by the Managed Account, (b) dealer mark-ups or mark-downs on securities purchased or sold for an account through third-party dealers, (c) fund expenses that include administrator fees, auditing and tax preparation fees or other professional expenses, and (d) taxes or regulatory fees and (e) custodial and other miscellaneous fees. In addition, if the Managed Account holds a registered investment company (open-end, closed-end, “money market” or ETFs) or a publicly traded partnership, the managers of such entities may charge management fees and expenses (such as brokerage commissions, custodian fees, if applicable), which would be in addition to LCS’s investment advisory fee.

To the extent permitted under the offering documents, the Private Fund bears its own expenses, including, but not limited to, the investment advisory management fee; investment expenses (*e.g.*, expenses that LCS reasonably determines to be related to the investment of the Private Fund assets, such as brokerage commissions (see Item 12 for more information on brokerage expenses), research expenses, portfolio risk and attribution system expenses, interest on margin accounts, administration fees, expenses relating to short sales, clearing and settlement charges, custodial fees, bank service fees and interest expenses); legal expenses; insurance expenses; compliance expenses; professional fees (including, without limitation, expenses of consultants) relating to investments; accounting expenses (including the cost of accounting software packages); auditing and tax preparation expenses; costs of printing and mailing reports and notices; entity-level taxes; corporate licensing; regulatory expenses (including filing fees); organizational expenses; expenses incurred

in connection with the offering and sale of Private Fund interests and other similar expenses related to the Private Fund; and extraordinary expenses. Please refer to the Private Fund's offering memorandum for additional information.

LCS has agreed to cap the Private Fund's operating expenses (excluding management fees and incentive reallocation, if any) in excess of 0.50% per annum of the Private Fund net assets, calculated monthly. This voluntary arrangement is subject to change with one year's notice to the Fund of non-renewal for the calendar year-end of the subsequent year.

Each Managed Account may bear certain of the fees and expenses described above. The expenses borne by a managed account are set forth in the Managed Account's investment management agreement.

To the extent practicable, LCS seeks to fairly allocate shared research expenses among its Clients. While LCS will apply methodologies for specific items in a manner that is intended to allocate those items in a fair and reasonable manner, as a general matter, Client accounts are generally allocated a pro rata portion of any applicable expenses.

However, certain Client accounts are not and may not be assessed all or a portion of certain research expenses or similar expenses; this can be due to a variety of reasons: For example:

- Clients may suggest or require that LCS execute a portion of their trades through a particular broker according to a pre-negotiated commission schedule (*i.e.*, a "directed brokerage" arrangement) and, if that designated broker is not otherwise providing research that LCS would purchase, those commissions are, in essence, not supporting the acquisition of research that LCS acquires in the process of investing and trading for Client accounts and are, effectively, therefore not sharing in the allocation of research expenses. Accounts of LCS personnel are generally held in such directed brokerage arrangements with Fidelity.

- Other regulatory requirements that do not permit LCS to allocate certain research expenses, such as “soft dollars.”

As a result of these arrangements, certain Clients do not bear any research expenses and, accordingly, the remaining Client accounts bear an increased proportionate share of research expenses.

## ITEM 6

### PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

LCS Clients may be charged a management fee only or a management fee and incentive fee/reallocation, generally subject to a “high water mark”. The variation of the incentive compensation structures among LCS Clients may create an incentive for LCS to direct the best investment ideas or investment to, or to allocate or sequence trades in favor of, Clients that pay or allocate performance fee compensation to LCS or its affiliates.

To help address this conflict, at the time of the investment decision, LCS believes it treats Clients fairly and equitably based on various factors including investment strategy, risk tolerance (including with respect to initial public offerings or secondary offerings), investment objective, taxable status, suitability, time horizon and account guidelines and restrictions, if any. This conflict is addressed by maintaining a daily trading rotation of Managed Accounts which will be placed in three trading groups. The number of trading groups may change depending upon facts and circumstances and at the discretion of LCS to ensure all Managed Accounts are treated fairly. Each trading group has their orders executed sequentially, and when available each Managed Account within the trading group generally receives the same execution price through the aggregating of their orders in an average price account. Certain Directed Brokerage Accounts not held at the same custodian or brokerage firm as other Clients may realize different prices and commission rates. The Firm also utilizes an allocation policy for each investment including special considerations for investments in initial public offerings and secondary offerings. Please refer to *Trade Allocation and Aggregation Policies and Procedures* under Item 12 *Brokerage Practices* below.

**ITEM 7**  
**TYPES OF CLIENTS**

As previously noted, LCS generally provides investment advice to Separately Managed Accounts and the Private Fund on a discretionary basis. LCS's Separately Managed Accounts include corporations, U.S. pension plan, institutional accounts, high net worth individuals, foundations, trusts and estates.

LCS generally requires a minimum account size of \$1 million in order to establish a Separately Managed Account, although LCS may, in its sole discretion, require a larger amount or accept a smaller amount of initial assets from a potential Client.



## ITEM 8

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

*The descriptions set forth in this Brochure of specific advisory services that LCS offers to Clients, investment strategies pursued, and investments made by LCS on behalf of its Clients, should not be understood to limit in any way LCS's investment activities. LCS may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that LCS considers appropriate, subject to each Client's investment objectives and guidelines. The investment strategies LCS pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.*

To construct a Managed Account's portfolio, LCS generally utilizes a fundamental, bottom-up methodology that seeks to identify situations where in LCS's opinion there are (i) significant gaps between market perceptions and economic realities and (ii) identifiable catalysts that could close such gaps. In addition, the Private Fund may buy or sell securities for the purpose of seeking to generate gains from short-term price fluctuations. The Private Fund typically invests or engages in various hedging strategies including options, futures, SWAPS, foreign currency spot and/or forward transactions to hedge against currency fluctuations versus foreign denominated security and currency positions within a Fund's portfolio. The Private Fund may also invest in initial public offerings and secondary offerings.

LCS believes that the fundamental approach to select attractive long and short equity positions is the key to achieving sustained and substantial appreciation. In evaluating potential investments, LCS will typically engage in a detailed, bottom-up analysis of potential investments. In implementing its strategy, the Fund may utilize derivative instruments such as put and call options, SWAP or contracts for differences ("CFD") transactions in particular securities, indices, SWAP

baskets, futures contracts on market indices and put and call options on market indices. The Private Fund may utilize leverage to take advantage of perceived market opportunities. The use of leverage entails certain risks (including, without limitation, the potential of increased losses and performance volatility) and expenses.

At the option of their beneficial owner, certain Managed Accounts may also invest in the private fund. Absent specific authority, LCS does not exercise discretionary authority with respect to such Clients' decision to invest in the private investment fund.

#### **Allocation of Initial Public Offering Securities**

LCS may be given the opportunity to participate in initial public offerings from time to time that have limited participation opportunities. All initial public offerings will be for the benefit of all eligible client accounts, except that initial public offerings are not allocated to directed brokerage accounts. LCS will generally allocate initial public offering shares received for an opportunity among its eligible participating client accounts on a rotating basis if they cannot be proportionally allocated, in accordance with the Firm's allocation policies and procedures.

#### **Principal Risks**

*The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment for a Managed Account, and the following risk factors may not be applicable to all Clients. An investment by a Client is speculative and involves a substantial degree of risk, including the risk that an investor could lose some or all of its investment. Prospective investors should carefully consider the risks of investing, which include, without limitation, those set forth below which are more fully described in the applicable private investment fund's offering documents. These risk factors include only those risks LCS believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed*

*by LCS and do not purport to be a complete list or explanation of the risks involved in an investment in the Clients advised by LCS.*

Equity Securities: LCS generally follows a “large-cap” value “bottom-up” approach towards managing Client assets. LCS defines “large-cap” issuers as issuers having market capitalization greater than seven (7) billion U.S. dollars. LCS will primarily invest in equity securities trading in the United States, however certain “family member” and select investment advisory accounts may also invest in foreign traded securities which are perceived to have a greater risk. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, a Managed Account may suffer losses if LCS invests in equity instruments of issuers whose performance diverges from LCS’s expectations or if equity markets generally move in a single direction and such a Managed Account has not hedged against such a general move. A Managed Account may also be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Convertible Securities: Convertible securities are bonds, debentures, notes, preferred stocks, or other securities that may be converted into, or exchanged for a specified amount of common stock of the same or different issuer within a particular time period at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted, or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics, and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by a Managed Account is called for redemption, such Managed Account will be required to permit the issuer to redeem the security, convert it into the underlying common stock, or sell it to a third party. Any of these actions could have an adverse effect on such Managed Account’s ability to achieve its investment objective.

*Market Risk:* Prices of securities (and stocks in particular) have historically fluctuated. Managed Accounts returns and principal value will fluctuate, and the original investment may be worth more or less than the original cost.

Competition; Availability of Investments: Certain markets in which LCS may invest on behalf of Managed Accounts are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can be no assurance that LCS will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other pooled investment vehicles, the public equity markets, and other investors may reduce the availability of investment opportunities. There has been significant growth in the number of firms organized to make such investments, which may result in increased competition for LCS in obtaining suitable investments.

Investments in Undervalued Securities: LCS may invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities may offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

LCS may make certain speculative investments in securities which are believed to be undervalued; *however*, there are no assurances that the securities purchased will, in fact, be undervalued. In addition, a Client may be required to hold such securities for a substantial time period before realizing their anticipated value providing such value is ever realized. During this period, a portion of a Client's assets would be committed to the securities purchased, thus possibly preventing such Client from investing in other opportunities. In addition, a Client may finance such purchases with borrowed funds and thus will have to pay interest on such borrowed funds during such holding period.

Risk of Purchasing Securities of Initial Public Offerings: LCS may purchase securities of companies in initial public offerings or shortly thereafter on behalf of our clients. Special risks

associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for us to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Other may be emerging growth companies about which limited information is available for analysis. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

*Style Risk:* LCS frequently identifies opportunities in various securities/companies sectors that appear to be temporarily depressed or in LCS's opinion may be undervalued. The prices of securities with these types of characteristics may tend to go down more than others in their sector. LCS has a disciplined and deliberate investing approach, and there may be times when LCS Clients have a significant cash position. A substantial cash position can adversely impact a Managed Account's performance in certain market conditions and may make it more difficult for a Client to achieve its investment objective, subject to Client guidelines and restrictions.

*Focus and Non-Diversification Risk:* Certain Managed Account's portfolios may be non-diversified and follow a more concentrated investment strategy. This means that a Managed Account may have investments in fewer issuers, can be more volatile, and may increase or decrease in value and realize greater potential gains and losses than that of a more diversified Managed Account of comparable size.

Concentration of Investments: Some Managed Accounts do not have fixed quantitative guidelines for diversification and may for any given time period be concentrated in particular positions. As a consequence, such Managed Account's returns as a whole may be adversely

Interest Rate Risk: In general, the value of bonds and other debt securities falls when interest rates rise. Longer term obligations are usually more sensitive to interest rate changes than shorter-term obligations. While bonds and other debt securities normally fluctuate less in price than common stocks, there have been extended periods of increases in interest rates that have caused significant declines in bond prices.

Credit Risk: The issuers of the bonds and other debt securities held in Managed Accounts may not be able to make interest or principal payments. Even if these issuers are able to make interest or principal payments, they may suffer adverse changes in financial condition that would lower the credit quality of the security, leading to greater volatility in the price of the security.

Currency: A Managed Account may invest a portion of its assets in instruments denominated in currencies other than the U.S. dollar, the price of which is determined with reference to currencies other than the U.S. dollar. Each Managed Account will, however, value its securities and other assets in U.S. dollars. To the extent unhedged, the value of a Managed Account's assets will fluctuate with U.S. dollar exchange rates as well as the price changes of such Client account's investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which a Managed Account makes its investments will reduce, all other economic factors being constant, the effect of increases and magnify the effect of decreases in the prices of the Client account's securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the Managed Account's non-U.S. dollar securities.

*Investment and Trading Risks in General:* Clients should be aware that they may lose all or part of their investment. No guarantee or representation is made an investment program will be successful. An investment program may utilize such investment techniques as concentrating its portfolios in the securities of particular companies, or industries, or engaging in short sales, option transactions, swap or contracts for differences, limited diversification, margin transactions, leverage and futures contracts, which practices can, in certain circumstances, maximize the impact of adverse market moves to which such a Client may be subject.

*Systemic Risk:* Credit risk may also arise through default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a “systemic risk” and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms, and exchanges, with which the Client may interact on a frequent basis.

*Use of Leverage:* While leverage presents opportunities for increasing a Managed Account’s total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment of a Managed Account would be magnified to the extent the investment is leveraged. The cumulative effect of the use of leverage by a Managed Account in a market that moves adversely to such Managed Account’s investments could result in a substantial loss to such Managed Account which would be greater than if such account was not leveraged.

In general, a Managed Account’s anticipated use of short-term margin borrowings results in certain additional risks to the Client. For example, should the securities pledged to brokers to secure a Managed Account’s margin accounts decline in value, the Managed Account could be subject to a “margin call,” pursuant to which the Client must either deposit additional funds or securities with



the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of such Managed Account's assets, such Managed Account might not be able to liquidate assets quickly enough to satisfy its margin requirements.

*Trading is Leveraged:* The banks and broker-dealers that provide financing to a Managed Account can apply essentially discretionary margin, haircut, financing, and collateral valuation policies. Changes by banks and dealers in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. In addition, money borrowed by a Managed Account will be subject to interest costs, which will be an expense of the Managed Account, and, to the extent not covered by income attributable to the investments acquired, will adversely affect the operating results of a the Managed Account. Irrespective of the risk control objectives of a Managed Account, the use of leverage necessarily entails some degree of risk.

*Foreign Securities/Non-U.S. Investments:* The success of a Managed Account's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a Client's investments), trade barriers, currency exchange controls, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of a Client's investments. Volatility or illiquidity could impair such Client's profitability or result in losses.

The economies of non-U.S. countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of the gross domestic product, the rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. Further, certain non-U.S. economies are heavily dependent upon international trade and, accordingly, have been

and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain non-U.S. countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

With respect to certain countries, there is a possibility of expropriation, confiscatory taxation, and imposition of withholding or other taxes on dividends, interest, gains, gross sale or disposition proceeds or other income, limitations on the removal of funds or other assets of a Client, political or social instability or diplomatic developments that could affect investments in those countries. An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks are expected to change independently of each other.

*Operations Risk:* Various force majeure events, including acts of God, natural disasters like fire, flood or earthquakes, wars, terrorist acts, outbreaks of infectious disease, epidemic, pandemic or other serious public health concern, cyber-attacks, technology and/or power failures, labor strikes, or geopolitical or other extraordinary, or other unforeseen circumstances or events, may materially disrupt LCS's business and operations, its investments or the business and operations of any counterparty or service provider to LCS or the Private Fund, and the Managed Accounts and the Private may be adversely affected thereby. For example, if a significant number of LCS's personnel were to be unavailable in a force majeure event (such as war, terror attack or an outbreak of infectious disease), or if one or more of the LCS's or the Private Fund's counterparties or service providers were significantly impacted by their own business continuity issues, LCS's ability to effectively conduct its business could be severely compromised. In addition, the cost to LCS, its affiliates, the Private Fund or the Managed Accounts of repairing or replacing damaged assets or systems resulting from such force majeure event could be considerable. While LCS has adopted

certain policies and procedures designed to restore and/or continue LCS's business and operations in such situations, there is no guarantee that such policies and procedures will be effective in any of such situations or will be implemented in time, and LCS, the Private Fund and the Managed Accounts may be adversely affected thereby.

Private Fund: In addition to the risks described above under "Principal Risks," the Fund managed by LCS is subject to additional risks subject to the Fund's offering memorandum.

Use of Leverage: The Fund may incur additional leverage as described above to potentially increase investment return, including with the use of put and call option contracts. Please see below for additional information regarding the risks of call and put options.

The Fund may also borrow by entering into reverse repurchase agreements. Under a reverse repurchase agreement, the Fund sells securities and agrees to repurchase them at a mutually agreed date and price. Reverse repurchase agreements may involve the risk that the market value of the securities retained in lieu of sale by the Fund may decline below the price of the securities the Fund has sold but is obligated to repurchase. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, such buyer or its trustee or receiver may receive an extension of time to determine whether to enforce the Fund's obligation to repurchase the securities and the Fund's use of the proceeds of the reverse repurchase agreement may effectively be restricted pending such decision. To the extent that, in the meantime, the value of the securities that the Fund has purchased has decreased, the Fund could experience a loss. The financing used by the Fund to leverage its portfolio is currently extended by securities brokers and dealers in the marketplace in which the Fund invests. While the Fund attempts to negotiate the terms of these financing arrangements with such brokers and dealers, its ability to do so is limited. The Fund is, therefore, subject to changes in the value that the broker-dealer ascribes to a given security or position, the amount of margin required to support such security or position, the borrowing rate to finance such

security or position and/or such broker-dealer's willingness to continue to provide any such credit to the Private Fund.

Commodity Futures Contracts: Transactions in futures contracts carry a high degree of risk. Though the futures contract may require a much smaller amount of margin to be provided in comparison to the economic exposure which the futures contract provides to the relevant investment, index, rate, currency or physical commodity, investment in a futures contract creates a "gearing" or "leverage" effect. This means that a small margin payment can lead to enhanced losses as well as enhanced gains. It also means that a relatively small movement in the underlying reference investment, index, rate, currency or physical commodity can lead to a much larger proportional movement in the value of the futures contract. This may be to the financial benefit of the Fund as well as to its detriment.

Futures positions may be illiquid because, for example, many commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day, no trades may be executed at prices beyond the daily limits.

Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. There is no assurance that a liquid secondary market will exist for commodity futures contracts or options on commodity futures purchased or sold, and the Fund may be required to maintain a position until exercise or expiration, which could result in losses. Similar occurrences could prevent the Fund from promptly liquidating unfavorable positions and subject the Fund to substantial losses. In addition, the Fund may not be able to execute futures contract trades at

favorable prices if the trading volume in such contracts is low. It is also possible that an exchange or a regulator may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract is conducted for liquidation only. In addition, the Commodity Futures Trading Commission (“CFTC”) and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally required in such trading may provide a large amount of leverage, and in such circumstances, a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.

The price of stock index futures contracts may not correlate perfectly with the movement in the underlying stock index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, investors may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market may be less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause temporary price distortions. Successful use of stock index futures contracts by the Fund is also subject to LCS’s ability to correctly predict market movements.

*Short Selling:* The Fund’s investment program includes short selling of securities. Short sales may occur if it is believed that the market price of a company’s securities is likely to decline. In addition, a short position may be taken in an effort to reduce the risk inherent in taking long positions. LCS may establish an absolute short position in expectation of a price decline. Also, LCS may establish a short position pursuant to an event-driven strategy in anticipation of a particular event. The extent

to which the Fund engages in short sales depends on upon its investment strategy and perception of market direction. Such practices can, in certain circumstances, substantially increase the impact of adverse price movements on the Fund portfolio. Short selling involves selling securities that may or may not be owned by the seller and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in the value of securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Securities may also be sold short by the Fund in a long/short strategy to hedge a long position, or to enable the Fund to express a view as to the relative value between the long and short positions. There is no assurance that the objectives of these strategies will be achieved, or specifically that the long position will not decrease in value and the short position will not increase in value, causing the Fund losses on both components of the transaction. In addition, when the Fund effects a short sale, it may be obligated to leave the proceeds thereof with the broker and also deposit with the broker an amount of cash or other securities (subject to requirements of applicable law) that is sufficient under any applicable margin or similar regulations to collateralize its obligation to replace the borrowed securities that have been sold.

*Special Situations:* The Fund may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing workouts, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a

distribution of cash or a new security the value of which will be less than the purchase price to the Fund of the security or another financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Fund may invest, there is a potential risk of loss by the Fund of its entire investment in such companies.

Call Options: The Fund may incur risks associated with the sale and purchase of call options, a type of derivative. The seller (writer) of a call option which is covered (*i.e.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

Put Options: The Fund may incur risks associated with the sale and purchase of put options, a type of derivative. The seller (writer) of a put option which is covered (*i.e.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes

the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Options on securities may be cash settled, settled by physical delivery or settled by entering into a closing purchase transaction. In entering into a closing purchase transaction, the Fund may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

*Other Derivative Instruments:* The Fund may enter into other derivative instruments, such as credit derivatives. It may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Fund and legally permissible. Special risks may apply to instruments that are invested in by the Fund in the future that cannot be determined at this time or until such instruments are developed or invested in by the Fund. For example, risks with respect to credit derivatives may include determining whether an event will trigger payment under the contract and whether such payment will offset the loss or payment due under another instrument. In the past, buyers and sellers of credit derivatives have found that a trigger event in one contract may not match the trigger event in another contract, exposing the buyer or the seller to further risk. Other swaps, options and other derivative instruments may be subject to various types of risks, including market risk, regulatory risk, tax risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk, and operations risk. In addition, as new derivative instruments are developed, documentation may not be standardized, leading to potential disputes or misunderstanding with counterparties.

*Swap Agreements/Contracts for Differences:* The Fund may enter into swap or contract for differences agreements and options on swap agreements (“swaptions”). These agreements can be



individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. The Fund, for instance, may enter into swap agreements with respect to foreign and domestic equity securities, interest rates, credit defaults, currencies, securities, indexes of securities, and other assets or other measures of risk or return that may be used to reduce the Funds exposure to market risk. Depending on their structure, swap agreements may increase or decrease the Fund exposure to, for example, equity securities, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Swap agreements or contracts for differences can take many different forms and are known by a variety of names. The Fund is not limited to any particular form of swap agreement if consistent with the Funds' investment objective.

Whether the Fund use of swap agreements, contracts for differences or swaptions will be successful will depend on LCS's ability to select appropriate transactions for the Fund. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Fund portfolio. Moreover, the Fund may bear the risk of loss of the amount expected to be received under a swap or contracts for differences agreement in the event of the default or insolvency of its counterparty. The Fund will also bear the risk of loss related to swap or contracts for differences agreements, for example, for breaches of such agreements or the failure of the Fund to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely the Fund's ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

Central Clearing: In order to mitigate counterparty risk and systemic risk in general, various U.S. and international regulatory initiatives are underway to require certain derivatives to be cleared through a clearinghouse. In the United States, clearing requirements were part of the Dodd-Frank Act. The CFTC imposed its first clearing mandate on December 13, 2012, affecting certain interest rate and credit default swaps. It is expected that the CFTC and the SEC will introduce clearing

requirements for other derivatives in the future. Trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, the FCM, as well as possible SEC or CFTC mandated margin requirements. The Fund is not in direct privity with the clearinghouse, but instead acts through a member of the clearinghouse, a futures commission merchants (“FCM”), which acts as a quasi-agent, guaranteeing the obligations of the Fund to the clearinghouse. This regime is modeled in large part after the U.S. futures clearing regime. Clearing through FCMs has in certain cases led to losses caused by operational failure or fraud.

As products become more standardized in order to be cleared, standardized derivatives may mean that the Fund may not be able to hedge its risks or express an investment view as well as it would using customizable derivatives available in the OTC markets. Compared to the OTC derivatives market, the Fund may be subject to more onerous and more frequent (daily or even intraday) margin calls from both the clearinghouse and the FCM. Virtually all of the margin models that are utilized by the clearinghouses are dynamic, meaning that, unlike many of the Fund’s bilateral swap contracts where the amount of initial margin posted on the contract is typically static throughout the life of the contract, the amount of the initial margin that is required to be posted in respect of a cleared contract will fluctuate, sometimes significantly, throughout the life of the contract. The dynamic nature of the margin models utilized by the clearinghouses and the fact that the margin models might be changed at any time may subject the Fund to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment which could have a detrimental effect on the Fund. Clearinghouses also limit collateral that they will accept to cash, U.S. Treasuries and, in some cases, other highly rated sovereign and private debt instruments, which may require the Fund to borrow eligible securities from a dealer to meet margin calls and raise the costs of cleared trades to the Fund. In addition, clearinghouses may not allow the Fund to portfolio margin (or cross-margin) its positions, which may increase the amount of overall margin that the Fund

needs to post. While clearinghouse margin models are dynamic and may change daily, they are also different from the margin models applied by OTC derivative dealers. The OTC derivative dealers generally have a model that is supported by a team of individuals that analyze the credit risk of the Fund and fund manager by reviewing, among other variables, strategy, performance, key portfolio managers, the sophistication of technology and operations, traditional volatility, types of products, and lock-up periods. The model used by the dealers to apply margin is tailored for the risk of the Fund and fund manager. In contrast, the clearinghouse margin model is applied across all types of counterparties, and there is no analysis of individual counterparty risks. This may mean that the clearinghouse margin model may be less fluid. It may mean that it is also more expensive overall for the Fund than if specific factors of the Fund were considered.

Also, each clearinghouse only covers a limited range of products, and the Fund may have to spread its derivative portfolio across multiple clearinghouses, which in turn reduces the benefits of netting that derivatives users rely on to mitigate counterparty risk.

Although standardized clearing for derivatives is intended to reduce risk (for instance, they may reduce the counterparty risk to the dealers to which the Fund would be exposed to OTC derivatives), it does not eliminate risk. Rather, standardized clearing transfers risk of default from the OTC derivatives dealer to the central clearinghouse, which may increase systemic risk, potentially more so than a failure by an OTC derivatives counterparty. The failure of a clearinghouse could have a significant impact on the financial system. Even if a clearinghouse does not fail, large losses could force significant capital calls on member firms during a financial crisis, which could lead member firms to default, worsening the crisis. Because these clearinghouses are still developing and the related bankruptcy process is untested, it is difficult to speculate what the actual risks would be to the Fund related to the default of a clearinghouse. While the futures model worked well during the Lehman crisis in 2008, there has been no testing whether the model is scalable so that it would apply to derivatives more generally. In addition, there is no one international standard for

clearinghouses; existing clearinghouses have different waterfalls that apply upon the insolvency of a clearinghouse or a clearinghouse member, and it is possible that the Fund could be in a worse position if a clearinghouse were to fail than had the Fund executed a trade with a traditional derivative counterparty. Also, a clearinghouse will likely require that a Fund relinquish control of its transactions if the clearinghouse were to become insolvent, and, therefore, the Fund would not be able to terminate and close out of a defaulting clearinghouse's positions, but would become subject to regulators' control over those positions. In such a circumstance, the Fund may not be able to take actions that it deems appropriate to lessen the impact of such clearinghouse default. Clearinghouses tend to trade in particular products in order to achieve economy of scale. This heightens the concentration risk for the Funds. In that case, the Fund may only be able to protect itself from clearinghouse risk by exiting the market entirely, potentially foregoing an entire segment of beneficial transactions.

Applicable regulations may also require the Fund to make public information regarding its swaps volume, position size, and/or trades, which could detrimentally impact the Fund's ability to achieve its investment objectives.

*Convertible Trading and Arbitrage:* Convertible trading and arbitrage strategies involve investing in convertibles that appear incorrectly valued relative to their theoretical value. The strategy consists of the purchase (or short sale) of a convertible security coupled with the short sale (or purchase) of the underlying security for which the convertible security can be exchanged to exploit price differentials. LCS typically will seek to hedge out the risk inherent in the stock; the remaining interest rate risk may or may not be hedged.

Convertible arbitrage strategies generally involve spreads between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss on the position will occur. Such positions do, however, entail a substantial risk that the price differential

could change unfavorably, causing a loss to the spread position. Substantial risks also are involved in borrowing and lending against such investments. The prices of these investments can be volatile, market movements are difficult to predict, and financing sources and related interest and exchange rates are subject to rapid change. Certain corporate securities may be subordinated (and thus exposed to the first level of default risk) or otherwise subject to substantial credit risks. Government policies, especially those of the Federal Reserve Board and foreign central banks, have profound effects on interest and exchange rates that, in turn, affect prices in areas of the investment and trading activities of convertible arbitrage strategies. Many other unforeseeable events, including actions by various government agencies and domestic and international political events, may cause sharp market fluctuations.

*Derivative Agreements:* LCS, on behalf of the Fund, may enter into derivative agreements and options on derivative agreements. These agreements can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. LCS, on behalf of the Fund, for instance, may enter into derivative agreements with respect to interest rates, credits, currencies, securities, indexes of securities and other assets or other measures of risk or return. Depending on their structure, derivative agreements may increase or decrease the Fund's exposure to, for example, equity securities, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Derivative agreements can take many different forms and are known by a variety of names. The Fund is not limited to any particular form of derivative agreement if consistent with the Fund investment objectives.

Whether the Fund use of derivative agreements will be successful will depend on LCS's ability to select appropriate transactions for the Fund. Derivative transactions may be highly illiquid and may increase or decrease the volatility of the Fund portfolio. Moreover, the Fund bears the risk of loss of the amount expected to be received under an agreement in the event of the default or insolvency of its counterparty (which may be mitigated by collateral posted by such counterparty).

The Fund will also bear the risk of loss related to defaults that it makes under such derivatives agreements, for example, breaches of such agreements or the failure of the Fund to post or maintain required collateral. Many derivative markets are relatively new and still developing. It is possible that developments in the markets, including potential government regulation, could adversely affect the Fund's ability to trade such derivatives.

Stock Index Options: The Fund may also purchase and sell call and put options on stock indices listed on securities exchanges or traded in the OTC market for the purpose of realizing its investment objectives or for the purpose of hedging its portfolio. A stock index fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes will depend upon the extent to which price movements in the Fund's portfolio correlate with price movements of the stock indices selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Fund will realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by the Fund of options on stock indices will be subject to LCS's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

Highly Volatile Markets: The prices of the Fund's investments, including, without limitation, common equity and related equity derivative instruments, high-yield securities, convertible bonds, and other derivatives, including futures and options prices, can be highly volatile. Price movements of forward, futures and other derivative contracts in which the Fund's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and

international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in government bonds, currencies, financial instruments, futures, and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Funds are also subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses.

*Debt Securities:* The Fund may invest in U.S. and non-U.S. corporate and sovereign debt securities and instruments. It is likely that many of the debt instruments in which the Fund invests may be unrated, and whether or not rated, the debt instrument may have speculative characteristics. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Such instruments are dependent on the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these securities and may have an adverse impact on the value of such instruments. It is also likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

*Hedging Transactions:* The Fund may from time to time purchase or sell futures, forwards, swaps, options, securities, indices, or other products in order to hedge the risk of an existing position(s).

The Fund may utilize financial instruments, both for investment purposes and for risk management purposes, in order to (i) protect against possible changes in the market value of the Fund's investment portfolio resulting from fluctuations in the securities and commodity markets and

changes in currencies and interest rates, (ii) protect the Fund's unrealized gains in the value of the Fund's investment portfolio, (iii) facilitate the synthetic sale of any such investments, (iv) enhance or preserve returns, spreads, or gains on any investment in the Fund's portfolio, (v) hedge the interest rate or currency exchange rate on any of the Fund's liabilities or assets, (vi) protect against any increase in the price of any securities the Fund anticipates purchasing at a later date, or (vii) for any other reason that LCS deems appropriate.

The Fund may engage in certain transactions as a way to mitigate risk associated with its investments; however, it may be impossible to fully hedge an investment given the uncertainty as to the amount and timing of projected cash flows and investment returns, if any, on the Fund's investments. This may lead to losses on both the Fund's investment and the related hedging transaction. Conversely, there will be times in which the Fund believes that it is not advisable to enter into hedging transactions; accordingly, the Fund may be exposed to fluctuations in currencies and other market conditions specific to the underlying asset.

The success of the Fund's hedging transactions will be subject to its ability to predict correlations between the value of the portfolio's assets and the direction of currency exchange rates, interest rates, and equity prices. Therefore, while the Fund may enter into such transactions to seek to reduce currency exchange rate, interest rate or equity value or commodity risks, unanticipated changes in risk may result in a poorer overall performance for the Fund than if it had not engaged in any such hedging transaction. 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.

*Lender Liability Considerations; Equitable Subordination:* In recent years, a number of judicial decisions in the U.S. have upheld the right of borrowers to sue lenders or bondholders on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded on the premise that an institutional lender or bondholder has violated a duty



(whether implied or contractual) of good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or investors. Because of the nature of certain of the investments that may be made by the Fund, the Fund may be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (i) intentionally takes an action that results in the undercapitalization of an obligor to the detriment of other creditors of such obligor, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a stockholder to dominate or control an obligor to the detriment of other creditors of such obligor, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Because of the nature of certain of the investments made by the Fund, the Fund may be subject to claims from creditors of an obligor that investments in such obligor that are held by the Fund should be equitably subordinated.

*Contingent Liabilities:* The Fund may from time to time incur contingent liabilities in connection with an investment subject to its offering documents. For example, the Fund may purchase from a lender a participation or assignment of a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, the Fund would be obligated to fund its *pro rata* share of the amounts sought to be borrowed. The Fund may also enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third party, and may, on the other hand, enter into agreements through which third parties offer default protection to the Fund.

*Borrower Fraud:* Of paramount concern in investing in securities backed by loans and other debt instruments is the possibility of fraud, material misrepresentation or omission on the part of the borrower or the lack of adequate documentation or any documentation regarding such loans and debt obligations. Such occurrences may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the Fund to perfect or effectuate a lien on the collateral securing the loan. The Fund will rely upon the accuracy and completeness of representations made by borrowers and lenders to the extent reasonable, but cannot guarantee such accuracy or completeness or the adequacy or existence of required documentation. Under certain circumstances, payments to the Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

*The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in a Managed Account or the Private Fund. LCS encourages its Clients and prospective Clients to consider all risk factors LCS has explained in this Brochure as well as those enumerated in the relevant offering document. Prospective Private Fund investors should read the entire offering documents of the Private Fund and consult with their own advisors before deciding to invest.*

## **ITEM 9**

### **DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a Client's or prospective Client's evaluation of LCS's advisory business or the integrity of LCS's management.

## ITEM 10

### OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

#### U.S. Private Investment Fund

As previously noted, LCS, LLC, an affiliate of LCS, serves as the managing general partner of Bi-directional Disequilibrium Fund, L.P.

LCS and its management persons are not registered, and do not have any application to register as futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the preceding entities. LCS has claimed a CFTC 4.13(a)(3) exemption with respect to the Fund. LCS has claimed a CFTC rule 4.14(a)(8) exemption with the National Futures Association, and LCS believes that other exemptions are available that would not require registration as a commodity pool operator or commodity trading advisor. LCS will continue to monitor regulatory developments, and if its business operations require or no other regulatory exemptions are available, LCS will register with the CFTC.

#### Affiliated Investment Adviser

River Partners Capital Management, L.P. (“RPCM”) is an SEC-registered investment adviser. John A. Levin, the controlling principal of LCS, is also a control person of RPCM, and its general partner, River Partners Capital Management GP, LLC as well as RP Tax, LLC (a tax preparation entity which is a wholly-owned subsidiary of RPCM) (collectively the “RPCM entities”). LCS and RPCM entities are under the common control of John A. Levin. All RPCM entities operate independently from LCS, and LCS has no direct or indirect control or supervisory authority over any RPCM person or operations. Other than John A. Levin, certain LCS employees may provide administrative or ministerial tasks on behalf of RPCM. LCS believes that this relationship does not create a material conflict with the Clients of LCS.

*Services Arrangement with Levin Easterly Partners LLC*

In connection with the March 31, 2019 closing of the transaction whereby LEP acquired the assets and operations of LCS's institutional asset management business and related operations, LEP and LCS have entered into a services agreement pursuant to which LEP provides services to LCS and supports its back office and business operations. These services include, among other things, services of certain employees of LEP, access to research, office space and operational support. LCS personnel will continue to have access to the LEP research team. LEP is reimbursed by LCS for the costs to provide such services. In addition, LEP has adopted policies and procedures designed to ensure that the provision of such services to LCS does not conflict with LEP's duties to Client accounts.

## ITEM 11

### CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

#### Investment Activities of LCS, LEP and its Personnel

LCS, its partners, and employees may from time to time make personal investments in securities or instruments in which LCS may also invest the Private Fund and/or other Managed Accounts' assets. Subject to LCS Code of Ethics, its personnel may buy, sell, or hold securities or other instruments for its own or their own accounts while entering into different investment decisions for the Private Fund and/or Managed Accounts. Personnel and their immediate family members who derive financial support from such personnel, are required to disclose personal brokerage accounts (other than mutual funds, etc.) for LCS compliance monitoring purposes, with certain exceptions, including (i) third-party discretionary situations, (ii) where a spouse of an LCS employee is employed at another broker-dealer and (iii) purchases, sales and maintenance of open-ended mutual funds, U.S. Treasury obligations, Exchange Traded Funds, certificates of deposit or municipal securities. In addition, LCS and its eligible personnel may also invest in the Private Fund or applicable "long-only" strategies of its or their choosing but are not required to invest in the Private Fund. It is expected that, if such investments are made, the size and nature of these investments will change over time. Neither LCS nor its personnel are required to keep any minimum investment in the Private Fund or any investment strategy.

#### Code of Ethics and Statement on Personal Trading

From time to time, various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of LEP, LCS, their affiliates, and respective personnel (each, including LCS, an "Advisory Affiliate", and LEP personnel providing services to LCS). LCS has established policies and procedures to monitor and resolve conflicts and will endeavor to resolve conflicts with respect to investment opportunities in a manner it deems equitable to the

extent possible under the prevailing facts and circumstances. LEP and LCS personnel are subject to similar Personal Trading restrictions and Code of Ethics. The Advisory Affiliates may invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or may fall within the investment guidelines of the Private Fund and/or other Managed Accounts. The Advisory Affiliates may give advice or take action for their own accounts that may differ from, conflict with or be adverse to the advice given or action taken by the Private Fund and/or other Managed Accounts. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for the Private Fund and/or other Managed Accounts. Potential conflicts also may arise due to the fact that the Advisory Affiliates may have investments in the Private Fund.

LCS strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty, and trust. In seeking to meet these standards, LCS has adopted a Statement on Personal Trading and a Code of Ethics (collectively, the “Code”). The Code incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of Client first; all personal securities transactions must be conducted in a manner consistent with the Code. Any actual or potential conflicts of interest or any abuse of an employee’s position of trust and responsibility must be avoided. Employees must not take any inappropriate advantage of their positions, and information concerning the identity of securities and financial circumstances of the Client, including the Private Funds’ investors, must be kept confidential; and independence in the investment decision-making process must be maintained at all times.

*Clients and investors in a Client may request a copy of the Code by contacting Levin Capital Strategies, L.P., Attn: Compliance Department at Levin Capital Strategies, L.P., 595 Madison Avenue, 17<sup>th</sup> Floor, New York, NY 10022 or by email at [LCSCCompliance@levincap.com](mailto:LCSCCompliance@levincap.com).*

LCS also maintains Insider Trading policies and procedures (the “Insider Trading Policies”) that are designed to prevent the misuse of material, non-public information. LCS personnel are required to certify their compliance with the Code and the Insider Trading Policies, on a periodic basis.

LCS has established policies and procedures to monitor and resolve conflicts concerning investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above. Regular monitoring of employee and LCS transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

The Advisory Affiliates may also have ongoing relationships with companies whose securities are in or are being considered for the Fund and/or other Managed Accounts. From time to time, LCS may acquire securities or other financial instruments of an issuer for a Managed Account which are senior or junior to securities or financial instruments of the same issuer that are held by, or acquired for, another Managed Account (*e.g.*, the Managed Account may acquire senior debt while another Managed Account may acquire subordinated debt). LCS recognizes that conflicts may arise under such circumstances and will endeavor to treat the Private Fund and Clients fairly and equitably.

#### *Cross Trades and Principal Transactions*

LCS and its personnel do not purchase or sell any securities for their own accounts to or from the Fund or other Managed Accounts. However, under unusual circumstances, LCS may determine that it is in the best interest of the Fund or other Managed Accounts to effect securities trades through crosses and/or internal crosses between or among the Fund and/or Managed Accounts, subject to the Fund and/or Managed Account investment guidelines and restrictions. This could occur, for example, in connection with a rebalancing transaction. In such cases, the Fund and/or Managed Account will purchase securities held by another Managed Account. If LCS decides to



engage in a cross trade, LCS will determine that the trade is in the best interests of each client involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those Client.

LCS generally does not execute cross trades; *however*, if it does so, it will generally do so with the assistance of a broker-dealer who executes and books the transaction at the close of the market on the day of the transaction. Alternatively, a cross trade between two Clients may occur as an “internal cross”, where LCS instructs the custodian for the Client to book the transaction at a price determined in accordance with LCS’s valuation policy. If LCS effects an internal cross, LCS will not receive any fee in connection with the completion of the transaction.

LCS would effectuate these transactions based on the then current independent market price and consistent with valuation and other procedures established by LCS. Neither LCS nor any related party will receive any compensation in connection with these cross-trading transactions.

To the extent that a cross trade may be viewed as a principal transaction due to the ownership interest in the Fund by LCS and its personnel, LCS will comply with the requirements of Section 206(3) of the Advisers Act, including that LCS will notify the general partner of the Fund or the underlying investor of a Separately Managed Account in writing of the transaction and obtain the consent of the general partner of the Fund or the underlying investor of a Separately Managed Account.

## ITEM 12

### BROKERAGE PRACTICES

As noted previously, LCS usually has full discretionary authority to manage the Managed Accounts and the Fund, including authority to make decisions with respect to which securities are bought and sold with and without prior consultation with the client, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. LCS's authority is limited by its own internal policies and procedures and the Fund's investment guidelines and each Managed Account's investment management agreement/guidelines

LCS places its Managed Accounts in one of three trading groups based upon where a Client's assets are held or where the Client has directed that their securities transactions be executed (each individually, an "LCS Trading Group" and collectively, the "LCS Trading Groups"). As described below, one of the LCS Trading Groups may have Mr. Levin's family and family-related accounts that may or may not be Managed Accounts along with other LCS Managed Accounts (the "Fidelity Trading Group"). Mr. Levin is Chairman and Chief Executive Officer of LCS. Some of the Managed Accounts in the Fidelity Trading Group are maintained at an unaffiliated custodian or bank, rather than at Fidelity's clearing agent. Another LCS Trading Group consists of a group of Managed Accounts for which Clients have directed that their securities transactions be executed at a specific broker-dealer (the "Directed Brokerage Group"). The other LCS Trading Groups consist of Managed Accounts settled on a delivery versus payment ("DVP") basis. There is no assurance that LCS can accommodate any Managed Accounts' directed brokerage request(s). However LCS shall make a good faith attempt to determine if such an arrangement is possible.

To minimize conflicts of interest among the LCS Trading Groups and to help avoid potentially volatile price movements caused by the entering of Client orders into the market simultaneously,

LCS maintains a daily trading rotation whereby generally, its orders are executed sequentially for each LCS Trading Group and each Managed Account where available trading the same security receives the same prices by means of the aggregation of orders utilizing an average price account *except* for certain Directed Brokerage accounts. A recognized by-product of LCS' rotational process is that Clients across trading groups likely will receive different prices for their orders based on the time (and date, in cases where an order continues beyond a single trading day) that such orders are executed or an order may never be executed because of price sensitivity or lack of liquidity. Nevertheless, it is LCS' good faith and reasonable determination that over time no one LCS Trading Group (and Client within each LCS Trading Group) is regularly advantaged or disadvantaged by its rational approach to trade order rotation.

LCS generally will not be able to aggregate orders across all accounts in all circumstances because certain advisory accounts are held with a specified broker-dealer as, for example, in the case of the Fidelity and Trading Group, or the Directed Brokerage Group. In addition, the orders of customers within the Fidelity Trading Group are not aggregated with orders of other trading groups as they are executed through Fidelity. Although the orders involving the Fidelity Trading Group generally are aggregated across accounts within that group and receive the average price for such transactions.

Fidelity charges commission and fees for brokerage transactions, and no LCS individual directly or indirectly receive commissions from any advisory Client's brokerage transactions. However, Fidelity may allocate a portion of commissions generated for LCS' soft dollar credits that can be used for eligible and qualified research expenses allowable under Section 28(e) of the Securities Act of 1934. Generally, advisory Clients choose their custodian, bank, trust company, or brokerage firm where the Client assets will be held provided that LCS is able to operationally perform investment advisory services. Clients are not obligated to maintain a brokerage account with any broker/dealer nor obligated to purchase any investment products affiliated with LCS. At the request

of a client, LCS personnel may suggest without any compensation to open a brokerage account with Fidelity or other custodians. Notwithstanding the foregoing, those advisory Clients which establish brokerage accounts with Fidelity will have their trades executed exclusively by Fidelity, and not as part of orders that may be aggregated with orders of other advisory Clients that are introduced or held at other brokerage firms, banks or other custodians selected by other advisory Clients. These Fidelity Client accounts, together with certain other Managed Accounts held at certain custodians selected by such advisory Clients who have elected to have their trades executed by Fidelity will have their orders executed exclusively by Fidelity. All transactions for Fidelity Clients are usually automatically routed from LCS to Fidelity, for execution via their trading platform, subject to previously agreed-upon Fidelity commission rates that is available upon request. If LCS believes clients may receive a material benefit, LCS may, at its sole discretion and option execute away from Fidelity. However the Client may realize higher transaction costs associated settling these “away” trades. In this context, these specific advisory Clients who have selected Fidelity to be their exclusive executing broker will not have their orders aggregated or bunched for execution by other broker-dealers who may effect transactions at the direction of LCS in the same securities at or about the same time as these other transactions by Fidelity. Accordingly, these Managed Accounts which select Fidelity as their executing broker-dealer may receive different execution prices or be charged different commission rates. In essence, those Managed Accounts at Fidelity, and those Managed Accounts which have designated Fidelity as their executing broker-dealer, will be treated as directed brokerage accounts. The Managed Accounts at Fidelity will typically trade as one trading group. See above for a discussion on how LCS places trades on behalf of each trading group.

Certain Clients with Managed Accounts may request or require LCS to use a specified broker-dealer to execute the Managed Account’s securities transactions and may have made separate arrangements with such broker-dealers regarding the commissions to be paid with respect to such

transactions. These Clients are sometimes referred to collectively in this Brochure as “Directed Brokerage Accounts” and individually as a “Directed Brokerage Account.” As noted in Item 4 *Advisory Business* of this Brochure, LCS manages the accounts of certain family members, employees, affiliates and affiliates of family members of LCS personnel (collectively, the “Fidelity Trading Group”). The Fidelity Trading Group accounts are maintained with and generally will have all trades executed exclusively through Fidelity. As described below, the Directed Brokerage Accounts, and the Fidelity Trading Group will not participate in trades aggregated with other LCS Clients and may thereby receive prices that are not the same or as favorable as other Clients or the Fund and may pay commissions that are different from or not as favorable as other Clients or the Fund for similar transactions. The Fidelity Trading Group accounts are, however, generally aggregated across all other accounts in that same group and will receive the average price for such transactions.

Fidelity’s commission rates may not be the lowest commission rates available. By agreeing to have Fidelity as its exclusive executing broker-dealer, Managed Accounts in the Fidelity forego any potential benefit from savings on execution costs that LCS may be able to obtain for its other Clients when executing away from Fidelity, such as by LCS negotiating a volume discount on batched or bunched orders. LCS Clients who open a Fidelity account may incur certain other fees and expenses other than brokerage commissions. However LCS Clients will not incur any custodian fees for holding their portfolio with Fidelity unless securities are held outside of the U.S.

Clients in the Fidelity Trading Group are advised at the time of opening their account with Fidelity, or for existing Clients, by written notification, of the manner in which their Managed Accounts are maintained and traded along with commission rates and other brokerage account fees and expenses. Clients may incur higher total commission charges other than the currently stated Fidelity “minimum commission” rate where in the LCS opinion it would help the Client achieve “best execution” or the specific traded security, such as foreign securities traded outside the United

States. Managed Accounts in the Fidelity Trading Group may at the time of the transaction have their orders aggregated with Mr. Levin's family or family related trading activities

For Directed Brokerage Accounts, where LCS does *not* have the discretion to select broker-dealers:

- LCS does not negotiate commission rates. Rather, the commission rates will be as negotiated by the client with the broker-dealer, and this will not change as a result of LCS serving as an investment adviser. LCS will attempt to help minimize brokerage transaction costs, and the use of a directed broker request may result in transactions occurring at different times with different prices;
- LCS is not responsible for obtaining competitive bids on directed trades done on a net basis; and
- LCS may be unable to obtain a more favorable price based on transaction volume on transactions that cannot be aggregated with transactions of its other advisory Clients.

Portfolio transactions for each Client where LCS has the discretion to select broker-dealers for execution of orders (which excludes the Fidelity and Directed Brokerage Groups), will be allocated to non-affiliated brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to LCS and/or certain Clients, but not beneficial to all Clients. In selecting an appropriate broker-dealer to effect a Client trade, LCS seeks to obtain best execution, taking into consideration the price of a security offered by the broker-dealer, as well as a broker-dealer's full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to LCS, brokerage and research services provided to LCS (*e.g.*, research ideas, analysis, and investment strategies), special execution and block positioning

capabilities, clearance, market making capabilities (including participation in initial public offerings), and settlement and potentially custodial services.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the Fund and Managed Accounts by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. LCS does not deem it practicable and in the best interest of its Clients to solicit competitive bids or commission rates on each transaction. However, consideration is regularly given to information concerning the prevailing level of commissions charged on comparable transactions by other qualified brokers and dealers. Generally, neither LCS nor the Fund separately compensate any broker or dealer for any of these other services.

If LCS decides, based on the factors set forth above, to execute OTC transactions on an agency basis through Electronic Communications Networks (“ECNs”) or “Dark Pools”, it will also consider the following factors when choosing to use one ECN over another: the ease of use, the flexibility of the ECN compared to other ECNs and the level of care and attention that will be given to smaller orders. LCS maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

Certain Clients in the Fidelity Trading Group are maintained by LCS “Access Persons.” An LCS Access Person is any LCS employee or any LEP person who is providing services to LCS under the services arrangement with LEP, or any LEP person who is aware of LCS investment activities. All LCS Access Persons are required (with certain limited exceptions as set forth in the first paragraph under Item 11) to maintain their own and related brokerage accounts with Fidelity, including any account over which an LCS Access Person has a direct or indirect economic interest or the ability to trade any account, as well as any account of any individual who lives with an LCS Access Person or who receives substantial economic support from such person. This requirement

is based on the goal of preventing conflicts of interest between LCS Access Persons and their Clients and the corollary good faith determination by LCS senior management that closer, more direct and robust monitoring of LCS Access Persons from a compliance perspective is achieved when such individuals' brokerage accounts are maintained at Fidelity. In consideration of the fact that such LCS Access Persons: (i) make their own personal trading decisions and, generally, do not receive the benefit of the LCS' investment advice received by LCS's other Clients; and (ii) suffer the loss of convenience and brokerage relationships they might previously have had at other broker-dealers, Fidelity charges LCS Access Persons the same commissions for their personal trades as Client Managed Accounts with accounts at Fidelity. Any reduced commission that may occur from Fidelity's commission schedule is solely at Fidelity's discretion.

#### *Soft Dollar Usage and Commission Sharing Arrangements*

From time to time, LCS may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting Fund and/or Managed Account security transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. LCS will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e). LCS believes it is important to its investment decision-making processes to have access to independent research.

Generally, research services provided by broker-dealers may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services are



received primarily in the form of written reports, telephone contacts, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, computer software, and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives. In some cases, research services are generated by third parties but are provided to LCS by or through broker-dealers.

Also, consistent with Section 28(e), research products or services obtained with “soft dollars” or commission sharing arrangements (herein used interchangeably) generated by the Fund or Managed Accounts may be used by LCS to service the Fund and/or Managed Accounts, including Client that may not have paid for the soft dollar benefits. LCS does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the client accounts generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to LCS (*e.g.*, a “mixed use” item), LCS will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of LCS’s allocation of the costs of such benefits and services between those that primarily benefit LCS and those that primarily benefit the Fund and/or Managed Accounts.

When LCS uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, LCS receives a benefit because it does not have to produce or pay for such products or services. LCS may have an incentive to select or recommend a broker-dealer based on LCS’s interest in receiving research or other products or services, rather than on its Client’s interest in receiving most favorable execution.

In the past, including in the last year, LCS or its related persons acquired the following types of products and services with client brokerage commissions (or markups or markdowns), information

on the economy, industries, groups of securities, individual companies, statistical information, accounting, regulatory and tax law interpretations, political developments, legal developments affecting portfolio securities, pricing services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, computer hardware and software, and meetings arranged with corporate and industry spokespersons, economists, academics, and government representatives. In some cases, research services are generated by third parties but are provided to LCS by or through broker-dealers.

At least annually, LCS considers the amount and nature of the research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Client on the basis of that consideration. Broker-dealers 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 broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level because total brokerage is allocated on the basis of all of the considerations described above. In no case will LCS make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to paying cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

#### *Additional Brokerage Considerations*

LCS has entered into an agreement with a brokers-dealer to act as a prime broker on behalf of its proprietary Fund. From time to time, LCS personnel may speak at conferences and programs for potential investors interested in investing in the Private Fund that are sponsored by the prime

broker. These conferences and programs may be a means by which LCS can be introduced to potential investors in the Fund. Neither LCS nor the Fund directly compensates the prime broker for organizing such “capital introduction” events or for any investments ultimately made by prospective investors attending such events (although either may do so in the future). While such events and other services provided by a prime broker may influence LCS in deciding whether to use such prime broker in connection with brokerage, financing and other activities of the Fund, LCS will not commit to allocating a particular amount of brokerage to a broker-dealer in any such situation.

### **Trade Allocation and Aggregation Policies and Procedures**

#### **Trade Allocation Policies and Procedures**

LCS may give advice or take action with respect to the investments of one or more Managed Accounts that may not be given or taken with respect to other Managed Accounts with similar investment programs, objectives, and strategies. Accordingly, Managed Accounts with similar strategies may not hold the same securities or instruments or achieve the same performance. LCS also may advise Managed Accounts with conflicting programs, objectives or strategies. These activities also may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Managed Accounts. Finally, LCS and its personnel may have conflicts in allocating their time and services among the Managed Accounts. LCS will devote as much time to each Managed Account as LCS deems appropriate to perform its duties in accordance with its management agreements.

Certain Clients may have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. It is the policy of LCS to allocate investment opportunities for the Managed Accounts fairly and equitably, to the extent possible, over a period of time. LCS, however, will have no obligation to purchase, sell or exchange any security or financial instrument for an Managed Account which LCS may purchase, sell or exchange for

another Managed Account if LCS believes in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for a particular Managed Account.

LCS generally makes investment decisions among Managed Accounts depending on the particular investment strategy pursued by each Managed Account. Allocations among Managed Accounts within a particular strategy are then made generally on a pro rata basis in proportion to the relative value of each Separately Managed Account and the Funds' eligible net assets, or on a pro rata basis in proportion to the actual position size held by the Fund and Separately Managed Account. However LCS may take into consideration a number of additional factors, including, among others, the nature and size of the proportion of a securities issue likely to be available to LCS or the nature and size of the proposed transaction; the investment objectives and/or investment strategy, tax consequences (if applicable), risk tolerances, time horizons and restrictions and guidelines of the Fund and/or other Managed Accounts; the eligibility to invest in initial public offerings; the relative size and cash availability of the applicable strategy for the Fund and/or other Managed Account; the ability to borrow and the cost of borrowed funds; legal restrictions, including those that may arise in foreign jurisdictions; the liquidity of the investment relative to the Fund and/or other Managed Account; the degree of specialization of the Fund and/or Managed Account relative to the investment offered; the relative historical participation of the Fund and/or Managed Account in the investment; the difficulty of liquidating an investment for more relative to the size and needs of the Fund or Managed Account(s); the possibility that an allocation may result in a small or odd lot; new Client with a substantial amount of investable cash; and other factors that may be considered relevant.

LCS may combine purchase or sale orders on behalf of the Fund with orders for other Managed Accounts and allocate the securities or other assets so purchased or sold, on an average price basis, among such accounts. LCS may enter into arrangements with broker-dealers to open such "average

price” accounts wherein orders placed during a trading day are placed on behalf of the Fund and/or Managed Accounts and are allocated among such accounts using an average price.

Generally, Managed Accounts are traded together in a daily pre-determined trading rotation within a relevant or same investment strategy group, and investment decisions are made for that group following a similar or same investment strategy. Generally, the Fund may trade at different times (or use derivative instruments (such as an option or swap contracts)) from Separately Managed Accounts and may receive different prices from other accounts. However, because certain Client accounts such as the Directed Brokerage Accounts and the Fidelity Trading Groups are directed or required to be held with a specified broker-dealer, LCS will not be able to aggregate orders for those accounts with orders for other LCS trading groups, although the orders involving the Fidelity Trading Group generally are aggregated across accounts within that group and do receive the average price for such transactions. Moreover, LCS periodically reviews its trades for best execution. LCS’s trading desk follows protocols and procedures to ensure that all Managed Accounts are treated fairly over time.

LCS’s portfolio managers and the investment team are responsible for the investment decisions made on behalf of the Fund and are also responsible for the management of other investment vehicles which follow various investment strategies. The portfolio managers are also responsible for the management of other Managed Accounts and may work with members of LCS’s investment team (Including LEP research analysts) responsible for advisory accounts following different investment strategies. There may be times when differences between the investment strategies and objectives of the Fund and certain Managed Accounts or differences in view between LCS and other portfolio managers at LCS, result in the Fund holding short positions in issuers in which other Managed Accounts hold long positions, or the Fund buying (or selling) securities which are being bought (or sold) for the Managed Accounts. LCS’s trading desk follows documented procedures to limit conflicts among accounts and to ensure that all accounts are treated fairly over time.

Allocations will be made among client accounts eligible to participate in initial public offerings and secondary offerings on a pro rata basis, except when LCS may determine in its discretion that a pro rata allocation is not appropriate, which may be based on factors including, the investment strategy, a client's investment guidelines explicitly prohibiting participation in initial public offerings or secondary offerings and/or a client's status as a "restricted person" under applicable regulations.

#### **Aggregation Policies and Procedures**

If LCS determines that the purchase or sale of the same security is in the best interest of more the Fund and/or other Managed Accounts (including the Fund and/or Separately Managed Accounts in which LCS personnel have a direct or indirect ownership interest), LCS may, but is not obligated to, aggregate orders to reduce transaction costs to the extent permitted by applicable law.

As noted above, because certain Managed Accounts are held with a specified broker-dealer, including accounts in which LCS personnel have a direct or indirect ownership interest, and certain Managed Accounts have directed LCS to execute their securities transactions through a specified broker-dealer, LCS generally will not be able to aggregate orders across all accounts in all circumstances. To address this situation, LCS typically treats its Managed Accounts as falling within separate trading groups depending on where their accounts are held and generally aggregates appropriate trades across accounts within each trading group.

In addition, to avoid placing competing trades for each separate trading group in the market simultaneously, LCS generally places orders for different trading groups using a daily rotational method but may deviate from this approach where LCS believes that this approach will result in fundamental unfairness to a Managed Accounts. This approach will result where trades in the same security for Managed Accounts in one separate trading group (including the Fund and/or Managed Accounts in which LCS personnel have a direct or indirect ownership) receive priority with respect to a purchase or sale of a particular security and also receive a different price, which may, and in

some cases, be more favorable than the price received by Managed Accounts in another trading group. LCS intends to monitor its trading rotation to determine that no Fund and/or Separately Managed Accounts are systematically disadvantaged by this approach to trade order priority. LCS may, depending upon market conditions, time of day, and difficulty/complexity of compiling investment advisory orders go out of its scheduled daily trading rotation if in the opinion of LCS the circumstances warrant such action to obtain best execution, take advantage of news announcements, or prevent potential harm to other investment advisory Clients.

When an aggregated order is filled through multiple trades at different prices on the same day, each participating Managed Account within a particular trading group generally will receive the average price with transaction costs allocated pro rata based on the size of each Managed Account's participation in the order (or allocation in the event of a partial fill) as determined by LCS. In the event of a partial fill, allocations generally will be made pro rata based on the initial order, but may be modified on the basis that LCS deems to be appropriate, including, for example, in order to avoid odd lot positions, *de minimis* allocations, or accounts subject to minimum ticket charges, LCS may use a random allocation. Smaller client account(s) or accounts with small portfolio positions may or may not participate with other accounts where LCS deems the transactional costs prohibitive. This may result in either higher or lower portfolio returns than other client accounts with similar investment objectives.

When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by LCS. As a result, certain trades in the same security for one Client (including a Client in which LCS and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another Client, and orders placed later may not be filled entirely or at all, based on the prevailing market prices at the time of the order or trade. The use of derivative instruments for certain managed accounts may result in different effective net price(s) from other Managed Accounts.

Certain Managed Accounts and family accounts of Mr. Levin, who have selected Fidelity as their broker/dealer, will likely have their orders aggregated and executed in an average price account through Fidelity.

In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

#### Trade Errors

LCS may on occasion experience errors with respect to trades executed on behalf of its Clients. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, or for the wrong account, or the wrong quantity is purchased or sold (*e.g.*, 1,000 shares instead of 10,000 shares are traded). Trade errors may result in losses or gains. LCS will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by counterparty, such as by a broker-dealer, LCS will strive to recover any losses associated with such error from the counterparty but is not responsible for such error. To the extent that LCS determines that it is responsible for a trade error, LCS intends to bear the loss caused by such trade errors, but may on a case-by-case basis and subject to client disclosure and consent not to credit the Managed Account for gains resulting from a trade error. LCS may not be responsible for errors that arise in the investment management process, including those that do not result in transactions in a Managed Account (such as transactions that result in loss of an investment opportunity) and clerical mistakes not resulting in transactions in Client accounts.



## **ITEM 13**

### **REVIEW OF ACCOUNTS**

LCS performs various daily, weekly, monthly, quarterly and other periodic reviews of each Client's portfolio. Such reviews are conducted by the LCS's portfolio managers, research associates and other applicable personnel. A review of a Managed Account may be triggered by any unusual activity or various other circumstances.

Investors in the Fund receive a monthly statement providing the investors' balances in the Fund and typically a monthly or quarterly commentary from LCS describing the performance of the Fund. LCS may provide certain investors with information on a more frequent and detailed basis if agreed to by LCS. In addition, LCS issues and the Funds administrator will send to investor's the audited financial statements concerning the Fund within 120 days of the Fund fiscal year. LCS will distribute the Fund's tax information to investors. Each beneficial owner and interested parties upon the client's authorization with respect to its Managed Account typically receive a quarterly commentary letter from LCS, as well as monthly or quarterly account statements directly from their broker-dealer or custodian.

In addition, LCS's or LEP personnel may participate in periodic portfolio reviews with Fund investors or Clients at LCS' discretion, which is attended by the appropriate members of LCS' investment staff.

While all investors generally receive similar information, to the extent an investor receives additional information (that other investors have not received), which is in addition to the information provided in the Fund's regular reports to investors, such information may provide such investor with greater insight into the Fund's activities.

## **ITEM 14**

### **CLIENT REFERRALS AND OTHER COMPENSATION**

LCS may enter into various arrangements pursuant to which unaffiliated third parties may be compensated for referring Clients to LCS. Compensation is typically a percentage of LCS' advisory fees (including incentive/allocation fees, if any) received from the referred Clients. Levin Easterly, Easterly Securities LLC, an affiliate of Levin Easterly and Easterly Partners, Dakota Funds Group, LLC and Herald Investment Marketing, LLC (collectively "Dakota") may receive fees from LCS for Client referrals who become LCS Clients or LCS Fund investor. Clients do not bear the placement fees charged for Client introductions or referrals.

LCS, and LCS, LLC may from time to time utilize third-party placement agents that receive compensation, which may be borne by LCS, for referring investors to the Fund or other other potential investment vehicles managed by LCS. In addition, LCS may from time to time maintain incentive compensation arrangements with certain of its employees in connection with referrals of Managed Accounts, which may be deemed to constitute indirect compensation in this regard. All such referrals shall conform to SEC rule 206(4)-3.

LCS may from time to time refer certain Managed Accounts or potential Clients to Fidelity. No referral fees or commissions are paid to firm personnel or third parties by LCS or Fidelity for Managed Accounts that opens a Fidelity brokerage account. LCS and its affiliates are not affiliated with Fidelity, and any statement to the contrary is not true.

**ITEM 15**  
**CUSTODY**

With respect to the Private Fund and certain Managed Accounts, LCS is deemed to have custody of certain client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account. Account statements related to these Clients are sent by qualified custodians directly to Managed Accounts.

LCS is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied with certain requirements of the Custody Rule with respect to the Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that the Fund is subject to an audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board ("PCAOB"), and requires that the Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

## **ITEM 16**

### **INVESTMENT DISCRETION**

LCS serves as an investment manager with discretionary trading authority to the Private Fund. In addition, LCS serves as the investment adviser with discretionary trading authority and also provides discretionary advisory services for Separately Managed Accounts.

LCS's investment decisions and its advice with respect to the Fund are subject to the Fund's investment objectives and guidelines, as set forth in the offering documents.

LCS also serves as discretionary investment adviser to a Client or Clients who open Separately Managed Accounts with full power and authority to supervise and make investment decisions on behalf of such Managed Accounts without prior consultation with the Client. LCS has the ability to determine the amount of securities to be purchased or sold, broker or dealer to be used unless (i) directed otherwise by the Client, and the commission rate paid for those accounts that settle transactions on a DVP/RVP basis, (ii) the Client establishes a brokerage account with Fidelity, in which case Fidelity usually will execute all orders for such accounts or (iii) an account is directed by a Client and a commission rate and other fees, if applicable, have been negotiated by the Client. Clients may impose, in LCS's opinion, any reasonable guideline or restriction on LCS, without materially impacting its ability to invest on the Managed Accounts' behalf. LCS's investment decisions and advice with respect to each Client Managed Account are subject to each client's investment objectives and guidelines, as set forth in the Client's investment management agreement/guidelines, as well as any written instructions provided by the Client to LCS.

LCS or an affiliate of LCS has entered into an investment management agreement, or similar agreement, with the Fund and each Separately Managed Account, pursuant to which LCS or LCS affiliated entity, was granted discretionary trading authority.

## ITEM 17

### VOTING CLIENT SECURITIES

LCS will, if authorized by the Client, vote proxies on their behalf. LCS is responsible for voting such shares of client's discretionary securities under management. However, in certain cases, in accordance with the agreement governing the account, the client may expressly retain the authority to vote proxies or instruct LCS how to vote any given proxy. Such Client should receive their proxies or other shareholder notifications and solicitations directly from their custodian. Please note that in such cases, the proxy voting policies and procedures described below would not apply.

The SEC adopted Rule 206(4)-6 under the Advisers Act, which requires registered investment advisers that exercise voting authority over Client securities to implement proxy voting policies. In compliance with such rules, LCS has adopted proxy voting policies and procedures (the "Policies"). The general policy is to vote proxy proposals, amendments, consents or resolutions relating to Client securities, including interests in private investment fund, if any (collectively, "proxies"), in a manner that serves the best interests of the Fund and other Managed Accounts, as determined by LCS in its discretion. LCS believes this alleviates potential conflicts of interests that may exist between LCS and the Client with respect to proxy voting. Generally, LCS will utilize the proxy voting guidelines set forth by Glass Lewis, Inc. ("GL") with respect to a wide range of matters. These guidelines address a range of issues, including corporate governance, executive compensation, capital structure proposals and social responsibility issues and are meant to be general voting parameters on issues that arise most frequently. If LCS determines that it may have, or is perceived to have, a conflict of interest when voting proxies, LCS will vote in accordance with its Policies. LCS may vote certain proxies on a case by case basis contrary to GL proxy voting guidelines if LCS believes that such vote would be in the best interest of LCS's Client. If such action is undertaken by LCS, it will usually vote with management's recommendation. If GL does not have a recommendation or if LCS is not able to obtain a voting recommendation from GL for

any reason or holdings are only related to family related accounts, LCS will vote in favor of management's recommendation provided that there are no material conflicts of interests present. If management or GL has no recommendation, LCS may vote the client shares where LCS believes would best reflect management's ability to enhance shareholder value. This may result in LCS voting what may be perceived in management's favor. In limited circumstances and for non-United States proxy issuers, LCS may refrain from voting proxies where LCS believes that voting would be inappropriate taking into consideration the cost of voting the proxy, applicable proxy voting share-blocking requirements, disclosure of the Managed Account's non-public information, and the anticipated benefit, potential costs or lost trading opportunity to the Fund and other Clients.

*LCS shall maintain required records relating to votes cast, Client requests for information and LCS's proxy voting policies and procedures in accordance with applicable law.*

*A copy of LCS voting policies and the proxy voting records relating to a Client may be obtained by the Client by contacting LCS at 595 Madison Avenue, 17<sup>th</sup> Floor, New York, NY 10022, by calling LCS at 212.259.0800 or email at [LCSCompliance@levincap.com](mailto:LCSCompliance@levincap.com).*

## **ITEM 18**

### **FINANCIAL INFORMATION**

LCS is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Client and has not been the subject of a bankruptcy petition at any time since inception.

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