

Part 2A of Form ADV: Firm Brochure

Item 1 Cover Page

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This brochure provides information about the qualifications and business practices of Locust Wood Capital Advisers, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 354-5404. 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.

Additional information about Locust Wood Capital Advisers, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Any reference to Locust Wood Capital Advisers, LLC as a “registered investment adviser” or as being “registered,” does not imply a certain level of skill or training.

Item 2 Material Changes

There are no material changes to the brochure for Locust Wood Capital Advisers, LLC (“Locust Wood”) since Locust Wood’s last annual update of its brochure (which was dated March 28, 2019).

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Item 4 Advisory Business

Locust Wood Capital Advisers, LLC (“Locust Wood”) is a Delaware limited liability company that was formed in May 2002. Locust Wood is principally controlled by Stephen J. Errico. Locust Capital Management, LLC (“Locust Wood Management”) and Locust Wood Long Opportunity GP, LLC (f/ka Locust Wood Select GP, LC) (“LW Long Opportunity GP”), affiliates of Locust Wood, are “Relying Advisers,” as that term is defined in the Glossary of Terms to Form ADV. Locust Wood Management and LW Long Opportunity GP are also principally controlled by Stephen J. Errico. The description of Locust Wood’s business and activities throughout this brochure includes the business and activities of Locust Wood Management and LW Long Opportunity GP.

Locust Wood currently provides discretionary investment advice to four private investment funds, Locust Wood Capital, LP (the “Capital Domestic Fund”), Locust Wood Capital Offshore, Ltd. (the “Capital Offshore Fund,” and together with the Capital Domestic Fund, the “Capital Funds”), Locust Wood Long Opportunity Fund, LP (f/ka Locust Wood Select Fund, LP) (the “Long Opportunity Domestic Fund”), Locust Wood Long Opportunity Offshore Fund Ltd. (f/ka Locust Wood Select Offshore Fund Ltd.) (the “Long Opportunity Offshore Fund”, together with the Long Opportunity Domestic Fund, the “Long Opportunity Funds,” and the Long Opportunity Funds together with the Capital Funds, the “Funds”) and certain separately managed accounts (the “Separate Accounts,” and together with the Funds, the “Client Accounts”). Locust Wood generally seeks to invest in equity of undervalued businesses in the public markets, however Locust Wood also seeks to be opportunistic, recognizing that investment environments change and opportunities in different asset classes may arise, and may invest in a wide variety of securities and financial instruments, domestic and foreign, of all kinds and descriptions, whether publicly traded or privately placed.

Locust Wood generally does not permit investors in the Funds to impose limitations on the investment activities described in the Funds’ offering documents. Under certain circumstances, Locust Wood will contract with a Separate Account client to adhere to limited risk and/or operating guidelines imposed by the client. Locust Wood negotiates such arrangements on a case by case basis. (*See Item 16 “Investment Discretion.”*)

As of January 1, 2020, Locust Wood managed approximately \$1,399,520,392 on a discretionary basis and additional assets on a non-discretionary basis.

Item 5 Fees and Compensation

The fees and compensation to Locust Wood are described in the advisory contracts with its clients. All clients are “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “1940 Act”).

Management fees to Locust Wood are generally paid quarterly in advance. Locust Wood generally deducts management fees directly from Client Accounts. Generally, the management fees will be pro-rated for subscriptions to the Funds or investments in a Separate Account made other than the first day of a calendar quarter. For certain Separate Accounts, managements fees may also be prorated if the advisory contract is cancelled or capital is withdrawn prior to the end of a calendar quarter.

Locust Wood generally receives performance-based fees from the Separate Accounts on an annual basis in arrears and upon withdrawals from the Separate Accounts. Locust Wood Management or LW Long Opportunity GP generally receives performance-based allocations from the Funds on an annual basis in arrears and upon redemptions and withdrawals by investors in the Funds.

The Funds generally bear their own expenses including, without limitation, without limitation: the fees payable to Locust Wood; legal (including the costs of any litigation or investigation involving activities of the Funds, including amounts paid in settlements thereof and attorneys' fees, litigation expenses, the cost of settlements and indemnification expenses (including advances thereof); and fees and expenses incurred in connection with the reorganization, dissolution, winding-up or termination of the Funds), audit and accounting expenses (including third party accounting services and fees and expenses incurred in connection with any tax audit by any U.S. federal, state or local authority, including, without limitation, any related administrative settlement and judicial review); organizational expenses; the Funds' regulatory expenses (such as blue sky fees and expenses and expenses associated with complying with FATCA and CRS, any governmental, regulatory, licensing, filing or registration fees or taxes (including, without limitation, fees and expenses incurred in connection with the preparation and filing of Section 13 filings, Section 16 filings and other similar regulatory filings)); investment expenses (whether or not such investments are consummated) such as commissions (including clearing and settlement charges, custodial fees and expenses and bank service fees), research fees and expenses (including research-related travel expenses, and fees and expenses of and related to obtaining research and market data (including, without limitation, data subscriptions, such as Bloomberg)); interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; administrator fees and expenses; Fund-related insurance costs (including D&O and cybersecurity insurance costs); directors' fees and expenses; fees and expenses associated with shareholder and director meetings (including, without limitation, travel-related expenses); costs of preparing and distributing reports and notices to investors; and any other expenses reasonably related to the purchase, sale or transmittal of the Funds' assets (including, without limitation, expenses and bank service fees costs and expenses related to compliance with specific jurisdictions' securities' offering laws, rules and regulations (e.g., AIFMD)).

(See Item 12 "Brokerage Practices" below.)

The expenses that are charged to Separate Accounts are determined on a case by case basis, but generally include all commissions, custodian fees, charges, taxes and other costs related to the investment activities of the accounts.

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

Locust Wood, Locust Wood Management and LW Long Opportunity GP generally receive annual performance-based fees or allocations from the Client Accounts. With respect to the Funds, performance-based allocations are subject to a hurdle, and an allocation is only taken with respect to capital appreciation in excess of such hurdle.

Allocation of Investment Opportunities Among Client Accounts Generally

The specific terms applicable to performance-based fees and allocations may differ among the various Client Accounts (e.g., the performance fee/allocation rates may differ and some Client Accounts may have hurdles, including different hurdle terms among such Client Accounts). This may result in a conflict of interest when Locust Wood and its affiliates allocate trade opportunities among these Client Accounts because Locust Wood and its affiliates may have an incentive to favor accounts that are more likely to be subject to higher performance-based fees and allocations. To avoid such a conflict of interest Locust Wood will follow documented procedures in allocating trades among such accounts, which will not take into account the performance-based fees and allocations to which such accounts are subject.

It is Locust Wood's basic policy that no Client Account shall receive preferential treatment over any other Client Account. In allocating securities among Client Accounts, it is Locust Wood's policy that all Client Accounts should be treated fairly and that, to the extent possible, all Client Accounts should receive equivalent treatment in the aggregate.

Allocation of Investment Opportunities Among Client Accounts that Trade Pari Passu

Generally, all of the Capital Funds' investment activities are conducted through the Capital Domestic Fund, which also serves as a master trading vehicle for the Capital Offshore Fund. In the event that Locust Wood determines that the Capital Domestic Fund should not participate in an investment opportunity due to tax, legal, regulatory or other reasons which may not apply to the Capital Offshore Fund, Locust Wood may allocate such opportunities to the Capital Offshore Fund and the Chief Compliance Officer will document the reasons for such allocation.

When allocating investment opportunities among the Capital Funds and the Separate Accounts, Locust Wood generally allocates investment opportunities so that each security held by the Capital Funds and the Separate Accounts is held on a *pari passu* basis. In certain circumstances, Locust Wood may determine that it is not possible to allocate an investment opportunity on a *pari passu* basis. In such cases, Locust Wood will allocate such investment opportunities in a manner that it deems fair and equitable under the circumstances existing at such time.

The factors that Locust Wood may consider when determining which securities to allocate to each Client Account other than on a *pari passu* basis include, but are not limited to, the investment objectives and strategies of each Client Account; the risk profile of each Client Account; applicable tax considerations; any restrictions placed on a Client Account by the client or by virtue of federal or state law (such as the Employee Retirement Income Security Act of 1974, as amended); the size of the Client Accounts; overall portfolio composition of the Client Accounts; relative capital available for investment in the applicable Client Account; the nature of the security to be allocated (including liquidity considerations); the size of the available position; the supply or demand for a security at a given price level; current market conditions; timing of cash flows and account liquidity; and any other information determined to be relevant to the fair allocation of securities.

Allocation of Investment Opportunities to the Long Opportunity Funds

Generally, all of the Long Opportunity Funds' investment activities are conducted through the Long Opportunity Domestic Fund, which also serves as a master trading vehicle for the Long Opportunity Offshore Fund. In the event that Locust Wood determines that the Long Opportunity Domestic Fund should not participate in an investment opportunity due to tax, legal, regulatory or other reasons which may not apply to the Long Opportunity Offshore Fund, Locust Wood may allocate such opportunities to the Long Opportunity Offshore Fund and the Chief Compliance Officer will document the reasons for such allocation.

The Long Opportunity Funds' investments will generally be made on a more concentrated basis than the other Client Accounts', and therefore will generally not be allocated on a *pari passu* basis relative to the other Client Accounts. Positions will generally be established for the Capital Funds and Separate Accounts prior to establishing positions in the same security for the Long Opportunity Funds. Locust Wood will generally allocate an investment that is part of the other Client Accounts' portfolios to the Long Opportunity Funds only after (i) the other Client Accounts have established their positions in such investment up to a level deemed appropriate by Locust Wood based on the criteria set forth in the immediately preceding paragraph, (ii) Locust Wood has a strong conviction in such investment and (iii) the investment meets Locust Wood's desired risk-return profile.

In addition, since the Long Opportunity Funds will be making more concentrated investments, the Long Opportunity Funds may continue building a position in a security after the other Client Accounts' have reached the desired weighting that Locust Wood has deemed appropriate for such other Client Accounts.

It is possible that in limited circumstances Locust Wood may determine to establish a new position for the Long Opportunity Funds at the same time that the position is established or increased for the other Client Accounts. In such situations, the investment will be allocated either (i) on a *pari passu* basis among all of the participating Client Accounts (including the Long Opportunity Funds) until the other Client Accounts reach the desired exposure, and then additional investments will be allocated to the Long Opportunity Funds, or (ii) among all of the participating Client Accounts (including the Long Opportunity Funds) in accordance with the desired exposure for each Client Account. Notwithstanding such allocation process, Locust Wood will generally aggregate the orders for such investment in accordance with its policy regarding the aggregation of client orders to the extent feasible. (See Item 12 – "Aggregation of Orders.")

Allocation of New Issues and Small Lots

New issues (as defined by FINRA rule 5130) are allocated to Client Accounts in accordance with the criteria set forth above. Transactions involving fewer than 2,500 shares will be allocated to only one particular Client Account, and Locust Wood will rotate the Client Account that participates in such transactions.

Valuations

As the management fees and performance-based fees and allocations made to Locust Wood and Locust Wood Management are based directly on the net asset value of the Funds, Locust Wood will have a conflict of interest in valuing the assets held by the

Funds. Locust Wood will follow its documented valuation policies and consult with the third-party administrator to the Funds in order to mitigate this risk.

Item 7 Types of Clients

Locust Wood currently provides investment advice to clients who are private investment funds and insurance company separate accounts. Investors in such private investment funds are generally institutional investors that qualify as “qualified purchasers” (as defined under the 1940 Act). The minimum investment in the Funds is generally \$1,000,000 with respect to the Capital Funds and \$250,000 with respect to the Long Opportunity Funds; provided, however that Locust Wood may reduce such minimum investment in its discretion. For example, Locust Wood has agreed that investors that invest in the Funds through certain third-party platforms may be permitted to invest less than this minimum investment. The minimum investment for a Separate Account is determined on a case by case basis.

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

Methods of Analysis and Investment Strategies Generally

Locust Wood seeks to follow a predominately value-based investment philosophy. The investment process employed by Locust Wood focuses on finding undervalued businesses in the public markets. Locust Wood believes that the volatility in these markets, caused by participants seeking short term results, creates excellent opportunities for investors with a longer term time horizon. Locust Wood’s investment ideas come from a variety of sources, including financial publications, a network of investment professionals that the principal of Locust Wood has established during more than thirty years of experience on Wall Street, SEC documents and public filings, and company conferences, visits and webcasts. Locust Wood seeks to identify factors that are anticipated to cause an improvement in a company’s outlook, and subsequently its share price. Such factors may include, but are not limited to, turnaround situations, change of management, new products or services, and the spin off of subsidiaries. Locust Wood generally evaluates companies based on cash earnings and balance sheet analysis and pays attention to management’s ownership and ethics.

From time to time, Locust Wood may employ short selling, although this is not expected to be a major component of its investment strategy. Locust Wood will generally short stocks as part of an arbitrage or paired trade strategy or if it identifies an investment it views as very expensive with an identifiable catalyst it believes will make such investment less expensive.

Locust Wood generally attempts to mitigate investment risk in the following ways:

1. *Diversification.* With respect to the Client Accounts other than the Long Opportunity Funds, generally, no position will generally constitute more than 15% of a client’s assets (calculated at the time of investment), and a client’s portfolio will typically consist of 20-50 securities. The Long Opportunity Funds will generally not seek such diversification, and may have only a small number of positions in its portfolio at any given time.

2. *Analysis and Due Diligence.* Locust Wood seeks to monitor diverse factors, including fundamental changes to a company's business or revised forecasts for the business. Locust Wood attempts to mitigate risk through continuous research and due diligence.
3. *Price Consciousness.* In addition, Locust Wood is generally a price conscious investor. Locust Wood seeks to invest at prices where it believes its clients have a high margin of safety.

Locust Wood pursues its investment strategies described above and generally follows the outlined investment strategies for so long as such strategies are in accord with its clients' investment objectives. In addition, Locust Wood may also formulate and implement new strategies to carry out the investment objectives of its clients.

While Locust Wood anticipates that it will invest its clients' assets in equity securities, Locust Wood has broad and flexible investment authority with respect to its clients' assets. Accordingly, Locust Wood's investments may at any time include long or short positions in U.S. or non-U.S. publicly traded or privately issued or negotiated common stocks, preferred stocks, stock warrants and rights, corporate debt, bonds, notes or other debentures or debt participations, convertible securities, fixed income securities, swaps, options (purchased or written), futures contracts, commodities, forward contracts and other derivative instruments, partnership interests and other securities or financial instruments including those of investment companies. However, Locust Wood will not purchase, hold, sell or otherwise deal in commodities, commodity contracts, commodity futures, financial futures or options thereon until, to the extent required, it has registered with the Commodity Futures Trading Commission or is able to rely upon an exemption from such registration. Locust Wood may also invest in new issues of securities, subject to the rules and regulations pertaining to such investments, including the Conduct Rules of the U.S. Financial Industry Regulatory Authority, Inc. ("FINRA"). Locust Wood may, to the extent legally permissible, utilize leverage, generally in accordance with the U.S. Federal Reserve Board's margin rules set forth in Regulation T (*i.e.*, under Regulation T, a customer must deposit cash or eligible securities equal to at least 50% of the purchase price of the securities it purchases, and the balance of the purchase price is then lent to the customer).

Investing in securities involves risk of loss that clients and investors should be prepared to bear.

Certain Risks Associated with Locust Wood's Methods of Analysis and Investment Strategies

Locust Wood has broad discretion in making investments for its Client Accounts. Investments generally consist of equity securities and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that Locust Wood will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of Locust Wood's activities and the value of its investments. In addition, the value of a client's portfolio may fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that Locust Wood's investment objective will be

achieved. The confidential private offering memorandum of each of the Funds contains a discussion about the particular risks associated with investments in the Funds. The following is a summary of certain of the risks associated with Locust Wood's methods of analysis that may be applicable to the Funds and any Separate Accounts.

U.S. Government Securities

Locust Wood may invest in U.S. Government securities. Generally, these securities include U.S. Treasury obligations and obligations issued or guaranteed by U.S. Government agencies, instrumentalities or sponsored enterprises. U.S. Government securities also include Treasury receipts and other stripped U.S. Government securities, where the interest and principal components of stripped U.S. Government securities are traded independently. These securities are subject to market and interest rate risk. Locust Wood may also invest in zero coupon U.S. Treasury securities and in zero coupon securities issued by financial institutions, which represent a proportionate interest in underlying U.S. Treasury securities. A zero coupon security pays no interest to its holder during its life and its value consists of the difference between its face value at maturity and its cost. The market prices of zero coupon securities generally are more volatile than the market prices of securities that pay interest periodically.

Special Situations

Locust Wood may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, 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, will 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 Locust Wood of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, Locust Wood 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 Locust Wood may invest, there is a potential risk of loss of its entire investment in such companies.

Portfolio Turnover

Locust Wood's investment strategy may require it to actively trade the portfolios of Client Accounts, and as a result, turnover and brokerage commission expenses of a Client Account may significantly exceed those of other investment entities of comparable size.

Use of Leverage

Locust Wood may utilize leverage generally in accordance with Regulation T of the U.S. Federal Reserve Board's margin rules. In addition, certain financial and derivative instruments in which the Funds expect to invest contain leverage. Leverage increases an account's returns if the account earns a greater return on investments purchased with borrowed funds than the account's cost of borrowing such funds. However, the use of leverage exposes an account to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the account not borrowed to make the investments, (ii) margin calls or interim margin requirements that may force

premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the account's cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the account's assets, the account might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

Small to Medium Capitalization Companies

Locust Wood may invest a portion of a client's assets in the stocks of companies with small- to medium-sized market capitalizations. While Locust Wood believes these investments often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks.

Non-U.S. Securities

Investing in securities of non-U.S. governments and companies that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States Government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Convergence Risk

Locust Wood may pursue relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In the event that the perceived mispricings underlying Locust Wood's trading positions were to fail to converge toward, or were to diverge further from, its expectations, Locust Wood's Client Accounts may incur a loss.

Lack of Diversification

Locust Wood's clients' portfolios may not be widely diversified among sectors, industries, geographic areas or types of securities. Further, the clients' portfolio may not necessarily be diversified among a wide range of issuers. Accordingly, a client's portfolio may be subject to more rapid change in value than would be the case if Locust Wood was required to maintain a wide diversification among companies, industry groups, sectors, securities and other instruments. Due to the concentrated nature of the Long Opportunity Funds' portfolio, this risk will be increased for the Long Opportunity Funds.

Market Risks

The profitability of a significant portion of Locust Wood's investment strategy depends to a great extent upon correctly assessing the future course of price movements of specific securities and other investments. There can be no assurance that Locust Wood will be able to predict accurately these price movements. Although Locust Wood may attempt to mitigate market risk through, among other strategies, the use of long and short positions, there is always some, and often a significant, degree of market risk.

Even if Locust Wood is able to accurately predict the future performance of specific issuers, since its Client Accounts will have exposure to the overall market, and the overall market movements may outweigh the performance of specific issuers, a Client Account may experience losses if the overall market declines.

Interest Rate Risk

Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. Locust Wood may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no guarantee that Locust Wood will be successful in fully mitigating the impact of interest rate changes.

Options

The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

Derivatives

To the extent that Locust Wood invest in swaps, derivative or synthetic instruments, repurchase agreements or other over-the-counter transactions, the Client Accounts may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. Locust Wood aims to have all securities and other assets deposited with counterparties as collateral clearly identified as being assets (directly or indirectly) of the Fund, and hence the credit risk is reduced. However, it may not always be possible

to achieve this segregation, and there may be practical or time problems associated with enforcing rights to its assets in the case of an insolvency of any such party.

Locust Wood 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 that such opportunities are both consistent with the investment objective of its Client Accounts and legally permissible. Special risks may apply to instruments that are invested in by Locust Wood in the future that cannot be determined at this time or until such instruments are developed or invested in by Locust Wood on behalf of its Client Accounts.

The Dodd-Frank Act enables the CFTC and the SEC to enact new regulations on certain over-the-counter derivatives. Under the Dodd-Frank Act, certain over-the-counter derivatives contracts are regulated through regulated clearing houses and subject to regulation by the SEC and the CFTC. Such contracts will be traded more like futures and options contracts and parties to such transactions will trade standardized contracts and will face clearing corporations as contractual counterparties, rather than facing the credit risk of counterparties under individually negotiated over-the-counter agreements.

In addition, swap dealers and major swap participants (entities that are not swap dealers, but are subject to rules governing dealers due to their levels of activity) are subject to regulatory oversight and requirements with respect to over-the-counter derivatives, which will include business conduct requirements, such as know-your-customer rules, increased risk disclosure and rules requiring trades to be documented and confirmed within certain timeframes. Derivative contracts, whether cleared or uncleared, will have to be reported to trade data repositories registered with the CFTC and/or the SEC. Despite these changes, parties to over-the-counter derivative trades (*i.e.*, those not yet subject to the new clearing requirements) will continue to bear counterparty credit risk.

While the CFTC has finalized the majority of its required rulemakings under the Dodd Frank Act, there are still a number of rules that have not been finalized by the SEC. As a result, the effect that the foregoing regulatory changes will have on the price of derivative contracts, liquidity and administrative costs, among other things, remains unclear.

Short Sales

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a client's portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

Lack of Liquidity of Investments/Restricted or Non-Marketable Securities

Locust Wood's investments in restricted or non-marketable securities may involve a high degree of business and financial risk that can result in substantial losses. There may be no existing market for the purchase and sale of such investments and Locust Wood may not be able to readily sell such investments. In addition, assets may, at any given time, include securities and other financial instruments or obligations that are thinly-traded, making purchase or sale of such securities at desired prices or in desired quantities

difficult or impossible. Furthermore, the sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value any such investments accurately.

Operational and Information Security Risk from Cyberattacks

Locust Wood and its service providers may be subject to operational and information security risks resulting from cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information and various other forms of cybersecurity breaches. Cybersecurity attacks affecting Locust Wood, Client Accounts, and other third party service providers (e.g., prime brokers, custodians) may adversely impact the Client Accounts. Similar types of cybersecurity risks are also present for other market participants, which may have material adverse consequences for the Client Accounts, and may cause the Client Accounts' investments to lose value. Cyberattacks are viewed as an emerging risk and the scope of the risk and related mitigation techniques are not yet fully understood and are subject to continuing change.

Item 9 Disciplinary Information

There have been no legal or disciplinary events that are material to a client's or prospective client's evaluation of Locust Wood's advisory business or the integrity of Locust Wood's management.

Item 10 Other Financial Industry Activities and Affiliations

Management of Affiliated Investment Funds

Locust Wood and its related persons currently manage four pooled investment vehicles, the Capital Domestic Fund, the Capital Offshore Fund, the Long Opportunity Domestic Fund and the Long Opportunity Offshore Fund, and may in the future manage other pooled investment vehicles (collectively, the "Affiliated Funds"). The Affiliated Funds may be deemed to be related persons of Locust Wood. The management of assets for multiple Client Accounts (including the Affiliated Funds) may result in conflicts of interests when Locust Wood and its related persons allocate their time and investment opportunities among Client Accounts. In addition, the compensation earned by Locust Wood and its related persons from each of the Affiliated Funds may differ from one another and other clients. Locust Wood and its related persons will generally follow documented procedures in allocating trades among such Affiliated Funds and other clients (*see Item 6 above*).

Subject to applicable law, Locust Wood may effect transactions (generally for rebalancing purposes and to correct misallocations of trades) among Client Accounts (including the Affiliated Funds) in which one Client Account will purchase securities from or sell securities to another Client Account (including Affiliated Funds in which Locust Wood or its related persons may have a significant interest). This may result in a conflict of interest because a potential transaction may result in benefits to one transacting party that may be greater than the benefits to the other transacting party. In order to mitigate such conflicts, Locust Wood effects such transactions only when it

believes that such transactions are in the best interests of the applicable Client Accounts. Such transactions shall be effected for cash consideration, generally at the closing price of the particular security, and no brokerage commission or transfer fee shall be paid to Locust Wood or its related persons in connection with any such transaction.

Mr. Errico may have a significant personal investment in the Funds, and may have a greater portion of his personal assets allocated to certain of the Funds. As a result, Locust Wood may have a conflict of interest in allocating investment opportunities among the Funds and other Client Accounts. As described above, Locust Wood follows documented procedures in allocating trades among Client Accounts. (*See Item 6 above.*)

To the extent that any expenses are incurred by Locust Wood on behalf of more than one of its Client Accounts, Locust Wood will allocate such expenses as it deems appropriate and consistent with the applicable governing agreements.

Affiliated Management Companies

Locust Wood Management and LW Long Opportunity GP are also principally controlled by Mr. Errico. Locust Wood Management serves as the general partner to the Capital Domestic Fund and LW Long Opportunity GP serves as the general partner to the Long Opportunity Domestic Fund. Each of Locust Wood Management and LW Long Opportunity GP have delegated all investment discretion to Locust Wood.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics Generally

Locust Wood has adopted a Code of Ethics (the “Code of Ethics”). Locust Wood’s Code of Ethics provides that Locust Wood is committed to conducting business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, Locust Wood recognizes that it has a fiduciary duty to its clients, and that all employees must conduct their business on behalf of Locust Wood in a manner that enables Locust Wood to fulfill this fiduciary duty. In this regard, Locust Wood has developed policies and procedures in its Code of Ethics that are premised on fundamental principles of openness, integrity, honesty and trust. In addition, among other things, the Code of Ethics governs all personal investment transactions by Locust Wood’s employees, Locust Wood’s policies with respect to gifts and entertainment, compliance with applicable federal securities laws, the manner in which violations of the Code of Ethics are to be reported, and certain other outside activities of Locust Wood’s employees. Locust Wood will provide a copy of its Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions and Transactions between Client Accounts

Locust Wood recommends that prospective clients invest in Funds. Mr. Errico and other management persons have significant personal investments in these funds. In addition, Locust Wood Management receives performance-based allocations from the Capital Domestic Fund (and the Capital Offshore Fund through its investment therein) and Long

Opportunity Domestic Fund (and the Long Opportunity Offshore Fund through its investment therein).

Subject to applicable law, Locust Wood may effect transactions between Client Accounts (generally for rebalancing purposes and to correct misallocations of trades) whereby one Client Account will purchase securities from or sell securities to another Client Account (*see Item 10 above*).

In the event that Locust Wood effects a cross trade between an account in which it or its controlling persons own more than twenty five percent (25%) and another Client Account, such transaction may be deemed to be a principal transaction under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Such transactions may create a conflict of interest for Locust Wood because Locust Wood may put its or its control persons’ interests in such accounts before the interests of its clients in the other account. In order to mitigate this conflict of interest, Locust Wood monitors the interests of its principals, their immediate family members and their affiliates in Client Accounts, and will not effect any cross trades between accounts if Locust Wood believes that such trade would result in a principal transaction unless:

- 1) Locust Wood believes that such transaction is in the best interest of the clients participating in the transaction; and
- 2) Locust Wood obtains the consent of the applicable clients as required by the Advisers Act.

Personal Securities Trading by Locust Wood’s Personal

Locust Wood’s personnel may, upon receiving the prior written approval of Locust Wood’s Chief Compliance Officer, trade in securities, provided that such securities are not included on Locust Wood’s “Restricted List.”

In addition, without the prior approval of the Chief Compliance Officer, Locust Wood’s personnel may invest in registered open-end investment companies (*i.e.*, mutual funds), direct obligations of the Government of the U.S., bankers’ acceptances, bank certificates of deposit, commercial paper, short-term, high quality debt securities, including repurchase agreements, and such other money market or investment instruments as may be authorized by Locust Wood’s Chief Compliance Officer from time to time.

Locust Wood and its related persons may, through other investments, including other investment funds, have interests in the securities in which the Client Accounts invest as well as interests in investments in which its Client Accounts do not invest.

Locust Wood’s pre-clearance of its personnel’s personal securities trading is intended to mitigate any conflicts that may arise from such personnel’s personal securities trading

If there is limited availability to participate in an investment opportunity in which Locust Wood personnel and one or more Locust Wood Client Accounts wish (and are able) to participate, the Locust Wood Client Accounts will be allocated the investment (subject to their respective investment mandates, risk and/or operating guidelines and available capacity and Locust Wood’s allocation policy – *see Item 6 above*) before Locust Wood personnel will be permitted to participate in the investment.

Timing of Transactions for Client Accounts and Affiliated Funds

Locust Wood personnel may be permitted to trade certain securities positions with the prior written approval from Locust Wood's Chief Compliance Officer (*see above*). In order to prevent Locust Wood personnel from selling securities at the same time that Locust Wood is buying or selling the same securities for its Client Accounts, such personnel must receive the prior approval of Locust Wood's Chief Compliance Officer and generally will not be permitted to:

- 1) engage in "front-running" of Client Accounts, which is a practice generally understood to be personally trading ahead of Client Accounts; or
- 2) trade a security that has been purchased or sold by a Client Account within the preceding three (3) days.

Item 12 Brokerage Practices*Selection of Brokers*

Locust Wood is authorized to determine the broker or dealer to be used for each securities transaction for its Client Accounts. In placing orders, it is Locust Wood's policy to obtain the best price and execution for its transactions.

In selecting brokers and negotiating commission rates, Locust Wood will take into account the financial stability of the broker, the actual executed price of the security and the broker's commission rates, research, custodial and other services provided by such brokers and/or dealers that are expected to enhance Locust Wood's general portfolio management capabilities, the size and type of the transaction, the difficulty of execution and the ability to handle difficult trades, the operational facilities of the brokers and/or dealers involved (including back office efficiency), and the ability to handle a block order for securities and distribution capabilities. Locust Wood may also consider the referral of investors, consistent with best execution (*see "Brokerage for Client Referrals" below*).

At least annually, selected Locust Wood employees meet to evaluate systematically the execution performance of its brokers. The review of brokers consists of various factors, including (i) the average commission rate charged by each broker; (ii) any services provided by the broker other than execution (*i.e.*, research or other services used in the management of Client Accounts); (iii) whether the execution and other services provided by the broker were satisfactory (taking into account such factors as the speed of execution, the certainty of execution, and the ability to handle large orders or orders requiring special handling); (iv) the reason for using that broker (*i.e.*, execution only, etc.); (v) unusual trends (such as higher than usual commission rates or a large volume of business directed to an unknown broker); and (vi) any other factors that the reviewers think necessary for Locust Wood to make a reasonable decision about its best execution determinations. The reviewers also evaluate, and seek to resolve, any conflicts of interest that Locust Wood may have in selecting brokers to execute client transactions.

Research and Other Soft Dollar Benefits

Locust Wood executes securities transactions on behalf of Client Accounts with broker-dealers that provide Locust Wood with access to proprietary research reports (such as standard investment research and credit reports). To the best of Locust Wood's knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. These bundled services are made available to Locust Wood on an unsolicited basis and without regard to the rates of commissions charged or paid by Client Accounts or the volume of business that Locust Wood directs to such broker-dealers. Locust Wood will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker. Commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. The amount by which the bundled commission rate exceeds a broker's execution-only rate is considered soft dollars. Brokers sometimes suggest a level of business they would like to receive in return for the research services and products they provide, however Locust Wood has not committed to provide any level of brokerage business to any broker. Notwithstanding that the Client Accounts may pay bundled commission rates, Locust Wood will not (i) engage any brokers in any third-party soft dollar arrangements or (ii) enter into any third party commission sharing arrangements by which a broker would pay third party service providers on behalf of Locust Wood.

Locust Wood will only subject the Client Accounts to higher commission rates from a particular broker if it determines in good faith that the amount of the charged commissions is reasonable in relation to the value of the brokerage and research services provided by such broker. In any event, such brokerage and research services furnished by brokers through which the Clients Accounts effect securities transactions will be limited to services that fall within the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934.

Such potential soft dollar benefits may be used to service all Client Accounts and not just those that paid for the benefits. It is anticipated that any soft dollar benefits received by Locust Wood will be applicable to all Clients Accounts, since the Clients Accounts, since the Clients Accounts generally utilize very similar strategies.

Locust Wood's prime brokers provide Locust Wood with capital introduction and front and back office services, including trading, securities lending, clearing, reporting, and settlement for equities, fixed income, foreign currency and options, among others.

Brokerage for Client Referrals

Subject to applicable law, Locust Wood may direct some client brokerage business to brokers who refer prospective investors to the Funds, consistent with best execution. In addition, Locust Wood has entered into an agreement with UBS Financial Services Inc. ("UBS"), Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Morgan Stanley Smith Barney LLC ("Morgan Stanley"), pursuant to which UBS, Merrill Lynch and Morgan Stanley receive a portion of the management fees paid to Locust Wood with respect to investors introduced by each of them (respectively). Locust Wood may in the future enter into similar arrangements with other broker-dealers and has entered into similar agreements in the past with broker-dealers whereby management fees may still be payable with respect to investors previously introduced by them. Because such referrals, if any, are likely to benefit Locust Wood but will provide an insignificant

(if any) benefit to clients, Locust Wood will have a conflict of interest with its clients when allocating client brokerage business to a broker who has (or whose affiliates have) referred investors to a Fund. To prevent client brokerage commissions from being used to pay investor referral fees, Locust Wood will not allocate client brokerage business to a referring broker unless Locust Wood determines in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to the Client Account and that Locust Wood is receiving best execution.

Trade Error Policy

Subject to applicable law and the terms of the applicable clients' investment management agreements, Locust Wood will generally reimburse the applicable Client Accounts for net losses that occur as a result of trade errors resulting from Locust Wood's gross negligence, willful misconduct or violation of applicable law. Locust Wood will not enter into agreements with broker-dealers to absorb any correction costs in exchange for the promise of future brokerage business.

Locust Wood endeavors to detect trade errors prior to settlement and correct them in an expeditious manner. Locust Wood's traders review trading records for clients on each business day. When a possible trade error is detected, the traders will notify Locust Wood's Chief Compliance Officer and they will review the applicable trade to determine if in fact an error did occur, the cause of the error, the effect of the error on the client or clients involved, and whether or not the error can be corrected prior to settlement.

Aggregation of Orders

Generally, it is Locust Wood's practice to aggregate client orders for the purchase or sale of securities. Locust Wood will generally follow the guidelines set forth below in aggregating client orders for securities, including any orders placed for the Funds:

- no investment advisory client will be favored over any other investment advisory client;
- each client that participates in an aggregated order will participate at the average share price for all of Locust Wood's transactions in that security on a given business day and transaction costs will be shared pro rata based on each client's participation in the transaction;
- if the aggregated order is filled in its entirety, it will be allocated among Client Accounts in accordance with Locust Wood's general policy on the allocation of investment opportunities (*see Item 6 above*); and
- if the aggregated order is partially filled, it will be allocated among Client Accounts that are participating in such investment at such time *pro rata*;

Item 13 Review of Accounts

Client portfolios are reviewed daily, and their performance analyzed, by Locust Wood's investment professionals, including, but not limited to, Stephen Errico. Client portfolios are also reviewed by the Chief Compliance Officer to monitor compliance with the

applicable trading mandates and any applicable risk and/or operating guidelines. Client investments are evaluated based on performance, company fundamentals, news and press releases, analyst reports, general market conditions and such other considerations as Locust Wood deems appropriate.

Locust Wood may, in its discretion, furnish investors in the Funds with periodic written unaudited performance reports on a quarterly basis. On an annual basis, investors receive a copy of the relevant fund's annual audited financial statements and, where applicable, a statement of taxable income (form K-1).

Locust Wood and its affiliates may provide certain investors the right to receive reports from the Funds on a more frequent basis or that include information not provided to other investors (including, but not limited to, more detailed information regarding portfolio positions), possibly enabling such investors to better assess the prospects and performance of the Funds.

Locust Wood provides the owners of the Separate Accounts with periodic unaudited reports at such times as the owners of such accounts and Locust Wood agree. The custodians of the Separate Accounts send account statements to the owners of the accounts no less frequently than monthly. In addition, since a Separate Account investor directly owns the positions in its Separate Account, such investor may have full, real-time transparency as to all transactions and holdings in its account, and may be better able to assess the future prospects of a portfolio that may have significant overlap with the portfolios of the Funds, especially with respect to long positions. The investors in the Separate Accounts may have the right to withdraw all or a portion of their capital from their accounts on shorter notice and/or with more frequency than the terms applicable to an investment in the Funds.

Item 14 Client Referrals and Other Compensation

Locust Wood has entered into agreements with UBS, Merrill Lynch and Morgan Stanley pursuant to which UBS and Merrill Lynch receive a portion of the management fees paid to Locust Wood with respect to investors introduced by them (respectively). Locust Wood may in the future enter into similar arrangements with other broker-dealers and has entered into similar agreements in the past with broker-dealers whereby management fees may still be payable with respect to investors previously introduced by them.

Investors that are introduced by UBS, Merrill Lynch, Morgan Stanley or such other broker-dealers may be subject to higher fees than other investors in the Funds. Investors that invest in the Funds through UBS, Merrill Lynch, Morgan Stanley or other broker-dealers may also pay additional fees to UBS, Merrill Lynch, Morgan Stanley or such other broker-dealers, as applicable, pursuant to their account agreements with UBS, Merrill Lynch, Morgan Stanley or such other broker-dealers. Such investors must acknowledge their understanding of the arrangement between Locust Wood and UBS, Merrill Lynch, Morgan Stanley or such other broker-dealers. Locust Wood may also execute trades through such third parties or their affiliates, subject to receiving best execution (*see Item 12 "Brokerage for Client Referrals."*).

In addition, Locust Wood employs the services of Triple A Partners, LLC ("AAA") to market the investment offerings and services of Locust Wood to Financial Advisors employed by the aforementioned broker-dealers, including but not limited to, UBS,

Merrill Lynch and Morgan Stanley. AAA does not market directly to potential advisory clients of Locust Wood or prospective investors of funds managed by Locust Wood.

Item 15 Custody

As noted above in Item 13, owners of the Separate Accounts will receive account statements no less frequently than monthly from the custodians of their accounts. Separate Account clients should carefully review these statements that are received from the custodians of their accounts.

Although Locust Wood is technically deemed to have custody of the assets of the Funds, investors in such Funds receive audited financial statements in lieu of account statements from the Funds' custodians.

Item 16 Investment Discretion

Locust Wood has discretionary authority to manage securities accounts on behalf of its clients (other than the one non-discretionary account). The investors in the Funds generally may not place any limits on Locust Wood's authority beyond the limitations set forth in the Funds' respective offering and governing documents. On a case by case basis, owners of the Separate Accounts may negotiate certain risk and/or operating guidelines that Locust Wood will adhere to when exercising its discretionary authority over such accounts.

Item 17 Voting Client Securities

Voting Securities

Locust Wood generally has voting discretion over securities held in the Client Accounts. Clients are generally not able to direct their votes in a particular situation. Locust Wood will exercise its discretion in the best interests of its clients, which may result in different voting results for proxies for the same issuer. Locust Wood has adopted a proxy voting policy which is summarized below. Locust Wood may, in its discretion, retain a third party to assist it in coordinating and voting proxies with respect to client securities. If so, the Chief Compliance Officer will monitor the third party to assure that all proxies are being properly voted and appropriate records are being retained.

- Generally, Locust Wood will vote in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors, and increases in or reclassification of common stock.
- Generally, Locust Wood will vote against proposals that make it more difficult to replace members of the issuer's board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights, and create supermajority voting.

For other proposals, Locust Wood shall determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others:

- whether the proposal was recommended by management and Locust Wood's opinion of management;
- whether the proposal acts to entrench existing management; and
- whether the proposal fairly compensates management for past and future performance.

Locust Wood's Chief Compliance Officer will identify any conflicts that exist between the interests of Locust Wood and its clients in connection with any proxies to be voted by Locust Wood on behalf of its clients. This examination will include a review of the relationship of Locust Wood and its affiliates with the issuer of each security and any of the issuer's affiliates to determine if the issuer is a client of Locust Wood or an affiliate of Locust Wood or has some other relationship with Locust Wood or a client of Locust Wood. Such conflicts may arise, for example, from the following relationships: (i) the issuer is an investor in a fund or account managed by Locust Wood; (ii) the issuer has a material business relationship with Locust Wood; (iii) the proponent of a proxy proposal has a business relationship with Locust Wood (e.g., the proponent is a pension plan for which Locust Wood manages money); (iv) Locust Wood has material business relationships with candidates for director in a proxy contest; or (v) an employee of Locust Wood has a personal interest in the outcome of a particular matter. This list provides examples of possible conflicts of interest and is not meant to be comprehensive. Each employee must notify the Locust Wood's Chief Compliance Officer of any potential conflicts of interest of which he or she is aware.

If Locust Wood is authorized to vote a proxy with respect to an issuer or a person or entity with respect to which the Chief Compliance Officer has identified a conflict of interest, Locust Wood shall rely exclusively on the recommendation of an independent proxy voting service.

Special considerations may apply in cases of conflicts of interest involving ERISA clients. Locust Wood will confer with appropriate ERISA counsel in such cases.

Clients may contact Locust Wood's Chief Compliance Officer, via e-mail or telephone, in order to obtain a copy of Locust Wood's proxy voting policy and/or information on how Locust Wood voted such client's proxies, and to request a copy of Locust Wood's proxy voting policies and procedures.

Class Action Participation Procedures

To the extent that Locust Wood has discretion to participate in class action lawsuits filed against companies or issuers in which the Funds are invested, Locust Wood will generally participate in such class action lawsuits unless it believes that such participation is not in the best interest of the Funds.

Item 18 Financial Information

Locust Wood does not require or solicit prepayment of more than \$1,200 in Fees per client six months or more in advance, and is not required to include a balance sheet for its most recent fiscal year.

Item 19 Requirements for State-Registered Advisers

Locust Wood is not a State-Registered Adviser.