

**Item 1            Cover Page**

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

**Lily Pond Capital Management LLC**

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**Brochure Date: February 1, 2012**

**This brochure provides information about the qualifications and business practices of Lily Pond Capital Management LLC (the “Company”). If you have any questions about the contents of this brochure, please contact us by phone at 646-572-4600 or by e:mail at [gcarnes@lilypondcapital.com](mailto:gcarnes@lilypondcapital.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.**

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

**The Company may refer to itself as a registered investment adviser with the SEC or indicate that it is registered as an investment adviser with the SEC. These references do not imply that the Company has a certain level of skill or training.**

**Item 2            Material Changes****Material Changes since the Last Update**

The SEC adopted amendments to Part 2 of Form ADV effective October 2010 which changes were implemented by the Company on March 31, 2011. The amended Part 2 of Form ADV consists of Part 2A (the "Brochure") and Part 2B (the "Brochure Supplement"). Each update of the Brochure must now include a summary of all material changes since the last annual update. The Company is only addressing material changes since its last update which occurred on March 31, 2011. There have been no material changes that have occurred since our last update.

**Item 3            Table of Contents**

<b>Item Number</b>	<b>Item</b>	<b>Page</b>
	<b>Part 2A of Form ADV: Brochure Supplement</b>	
4	Advisory Business	4
5	Fees and Compensation	4
6	Performance Based Fees and Side-By-Side Management	5
7	Types of Clients	6
8	Methods of Analysis, Investment Strategies and Risk of Loss	7
9	Disciplinary Information	11
10	Other Financial Industry Activities and Affiliations	11
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	12
12	Brokerage Practices	16
13	Review of Accounts	18
14	Client Referrals and Other Compensation	19
15	Custody	19
16	Investment Discretion	19
17	Voting Client Securities	20
18	Financial Information	21
	Miscellaneous	21

**Item 4            Advisory Business****Firm Description and Principal Owners**

The Company is a specialized investment management firm founded by Howard Kurz in January 2001 which commenced investment management activities in October 2001. The Company is 100% owned and controlled by Howard Kurz who is the Chairman and Chief Investment Officer of the Company.

**Types of Advisory Services**

The Company provides investment management services focused on the global macro marketplace deploying strategies utilizing products within the fixed income, equity, commodity and foreign currency asset classes with a primary focus on foreign currencies.

The investment strategy of the Company's (i) fund clients is set forth in their respective offering documents and, (ii) separately managed account clients is based on the individual needs of such clients. Investors investing in the Company's fund clients cannot [generally] place investment restrictions on the Company. Such prospective investors may consider opening a separately managed account with the Company which may be tailored by each such client and where each such client may impose investment restrictions.

**Wrap Fee Programs**

The Company does not currently participate in wrap fee accounts.

**Client Assets**

As of January 31, 2012, the Company manages client assets of approximately \$398 million on a discretionary basis. The Company does not presently provide investment advisory services for any clients on a non-discretionary basis.

**Item 5            Fees and Compensation****Description**

The Company is compensated for its advisory services generally by receiving management fees on assets under management and incentive compensation on net profits (see Item 6 below for a discussion of performance-based compensation). Management fees charged to investors investing in the Company's fund clients are generally 2% of the net asset value of each investor's capital account or share value per annum. The management fee structure for institutional managed account clients generally ranges from 1.0% - 2% of the net asset value or notional value per annum. The Company reserves the right to negotiate all fees for all investors investing in fund clients or managed account/platform clients.

**Fees Deducted**

Management fees charged to investors investing in the Company's fund clients are deducted directly from the relevant fund client assets on a monthly basis. Management fees charged to separately managed account clients are invoiced to such clients in accordance with the terms of the managed account agreement then in place either on a monthly or quarterly basis as negotiated with each managed account client.

**Other Fees Charged**

Fund clients are charged all ordinary and necessary expenses of their operations, including, without limitation, brokerage commissions, research expenses, insurance premiums, legal and auditing expenses, accounting, administrative, consultant and other service provider expenses, expenses incurred with respect to furnishing shareholders with annual reports and other financial information and similar ongoing operational expenses. The administrators, the clearing and settlement agents, the corporate secretary, the registrar and transfer agent, the investment manager and any affiliate retained by the investment manager will be reimbursed for all out-of-pocket expenses incurred on behalf of a fund client.

Managed account clients' ordinary expenses are negotiated on a case by case basis but generally include all costs and expenses of transferring the assets to the Account; all taxes and governmental fees and charges incurred by the account (including all withholding taxes); all trading related expenses relating to the investment of the assets of the account including without limitation, all brokerage commissions and other trading costs and fees, underwriting discounts, bank service fees, transfer taxes, sales loads, spreads and other similar charges; and all charges of U.S. Depositories and of any custodian and/or other service providers.

See Item 12 – Brokerage Practices for information relating to the Company's brokerage practices.

**When Fees Are Payable**

The Company generally charges management fees in advance. Management fees are pro-rated for partial periods. Clients (including investors in fund clients) who have paid management fees in advance receive a pro-rata rebate for the period for which any pre-paid management fees are outstanding.

**Compensation for the Sale of Securities**

The Company does not accept compensation for the sale of securities or other investment products. (See Item 12 – Brokerage Practices for information relating to soft dollars).

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

The Company either directly or through an affiliate (with respect to its domestic US partnership feeder fund clients) is entitled to receive performance-based compensation generally equal to 20% of net capital appreciation or net capital gains with respect to each investor in each fund.

The Company may also be entitled to receive performance-based compensation from its managed account clients generally in the range of 20%-25% of net profits of each such managed account. Performance-based compensation is received (if at all) in arrears and may be negotiated on a case by case basis.

The Company's (or its affiliate's) right to receive performance-based compensation may create an incentive for the Company to cause a client to make investments that are riskier or more speculative than would be the case if the Company (or its affiliate) did not receive such compensation.

The Company may have financial or other incentives to favor one client over another. Under normal conditions, the Company will allocate investment opportunities among each client on a fair and equitable basis, subject to applicable law and client guidelines. To the extent the Company does not charge performance-based compensation to one or more clients such clients should be aware that the Company has an incentive to favor other client accounts that are charged performance-based compensation as the Company (or its affiliate) in such an instance would receive compensation based on the returns of such performance compensation paying clients.

The Company also charges asset-based management fees as described in Item 5 above.

## **Item 7           Types of Clients**

### **Description**

The Company currently provides investment advisory services to limited partnerships, limited liability companies, banks, thrifts, pension and profit sharing plans, trusts, estates, charitable organizations, endowments, institutions and individuals. The Company serves as investment manager to three master feeder structures and through separately managed accounts. In the master feeder structure, each onshore feeder limited partnership and each corresponding offshore feeder Bermuda company invests all or substantially all of their assets in a separate corresponding Bermuda company that serves as the master fund and whereby all trading takes place.

### **Sophistication and Minimum Investment Requirements**

The Company requires US investors investing in the onshore and offshore feeder funds to meet certain suitability requirements including being an accredited investor (as defined in Regulation D of the Securities Act of 1933, as amended (the "Securities Act")) and a qualified purchaser (as defined in the Investment Company Act of 1940, as amended (the "Company Act")) and requires all investors to meet general sophistication requirements. All investors investing in the onshore and offshore feeder funds are required to invest a minimum amount of US\$250,000, which amount may be waived in the sole discretion of the Company, an affiliate of the Company that serves as general partner to the onshore feeder fund and/or the Board of Directors of the offshore feeder fund (as the case may be).

With respect to individually managed account clients, all such clients must be qualified clients (as defined in the Investment Advisers Act of 1940, as amended (the “Advisers Act”)) as well as meet certain sophistication requirements; minimum capital contributions are generally US\$ 10,000,000 but may be less in certain instances within the Company’s discretion.

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

### **Methods of Analysis and Investment Strategies**

The Company relies on the evaluation of fundamental monetary/fiscal policies in conjunction with an information network in public policy to develop the theses upon which it invests. An investment theme is developed utilizing proprietary fundamental research compiled from research materials from economists, dialogue with academic contacts and economic modeling and time series analysis. Input is obtained from an investment advisory committee to provide an independent and unique global outlook and a non “Wall Street” perspective on targeted markets. Ideas are validated through the analysis and interpretation of public policy derived from dialogue with public policy officials and reviews of central bank directives and economic policy objectives. Trades are selected and themes converted to a portfolio investment upon analysis of instruments and overall portfolio risk to determine the optimal expression of the trade while evaluating historic price performance, historic and implied volatilities, risk/reward ratios, stop/loss levels and current and historic funding costs.

The Company’s client portfolios may contain a variety of positions in diverse investments including, but not limited to, private and public sector debt securities, foreign currencies, commodities, swaps and other notional principal contracts, equity indices and other bank derivative contracts, futures, options and forwards on the foregoing and include any financing transactions with the respect of same.

*The strategies employed by the Company are speculative and involve a high degree of risk. There is no assurance that the strategies will be profitable and there exists a possibility that a client (or an investor in a fund client) could suffer a substantial or complete loss of their investment.*

### **Risk Factors**

Prospective investors should give careful consideration to the following risk factors in evaluating the merits and suitability of an investment. The following does not purport to be a comprehensive summary of all of the risks associated with an investment. Rather, the following are only certain risks to which the strategies are subject and that the Company wishes to encourage prospective investors to discuss in detail with their professional advisers.

*Currency Trading.* Currency trading is volatile, highly leveraged and may be illiquid. Currency spot, forward and option prices are highly volatile. Such prices are influenced by, among other things: changing supply and demand relationships; government trade, fiscal, monetary and exchange control programs and policies; national and international political and economic

events; and changes in interest rates. In addition, governments, from time to time, intervene directly and by regulation in these markets with specific intention of influencing such prices.

Furthermore, as an added risk in these volatile and highly leveraged markets, it is not always possible to liquidate positions to prevent further losses or recognize unrealized gains. Principals in the inter-bank currency markets have no obligation to continue to make markets in the currencies traded. There have been periods during which certain banks and dealers have refused to quote prices for currencies or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and that at which they are prepared to sell. The inability to liquidate currency positions creates the possibility of the Company being unable to control its losses.

*Forward Trading.* Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell.

*Inter-bank Trading.* The currencies traded by the Company are generally not traded on exchanges; rather, banks and dealers act as principals in these markets. Neither the CFTC nor any banking authority regulates trading in currencies. In addition, there is no limitation on the daily price movements of such currencies. The imposition of credit controls by governmental authorities might limit such inter-bank currency trading to less than that which the Company would otherwise recommend, to the possible detriment of the fund/account.

*Trading Limited to Currencies.* The Company does not represent a diversified investment. Rather, it is possible that the Company will trade exclusively in currencies and derivatives thereon. Concentrating the Company’s trading in the inter-bank currency markets will result in less diversification of investment.

*Failure of Currency Counterparties.* The financial failure of, or refusal to perform by, any of the banks or dealers, and any other foreign exchange counterparty, with which the Company trades in the inter-bank markets could result in substantial losses for the client assets, as the Company will be dealing with such parties as principals. Speculative, proprietary trading by a broker or dealer, and any other foreign exchange counterparty, may impair the safety of client assets on deposits with such broker or dealer.

*Leverage.* The Company will be trading currency contracts on a leveraged basis. The low margin deposits normally required in currency trading allow for an extremely high degree of leverage compared to investments in other assets. Thus a relatively small price movement in a currency contract may result in significant losses. The use of leverage may provide the



opportunity for greater capital appreciation but, at the same time, will increase the client asset exposure to capital risk.

*Short Selling.* The Company's investment program may include short selling and will include leverage which practices can, in certain circumstances, maximize the adverse impact to which the client asset's may be subject.

The Company may sell short currencies of an issuer in the expectation of covering the short sale with currencies purchased in the open market at a price lower than that received in the short sale. If the price of the currencies declines, the Company may then cover the short position with currencies purchased in the market. The profit realized on a short sale will be the difference between the price received in the sale and the cost of the currencies purchased to cover the sale. The possible losses from selling short a currency differ from losses that could be incurred from a cash investment in the currency; the former may be unlimited, whereas the latter can only equal the total amount of the cash investment. Short selling activities are also subject to restrictions imposed by the federal currencies laws and the various national and regional currencies exchanges, which restrictions could limit a client's investment activities. There can be no assurance that currencies necessary to cover a short position will be available for purchase.

*Concentration of Investments.* From time to time a significant portion of client assets may be concentrated in a particular currency, market or country. Should such currency, market or country become subject to adverse financial conditions, client assets will not be afforded the protection otherwise available through greater diversification of its investments.

*Risks of Derivatives.* The Company does trade derivatives. The risks posed by derivatives include (1) credit risks (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (2) market risks (adverse movements in the price of a financial asset or commodity); (3) legal risks (an action by a court or by a regulatory or legislative body that could invalidate a financial contract); (4) operations risks (inadequate controls, deficient procedures, human error, system failure or fraud); (5) documentation risks (exposure to losses resulting from inadequate documentation); (6) liquidity risks (exposure to losses created by the inability to prematurely terminate a derivative); (7) system risks (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (8) concentration risks (exposure to losses from concentration of closely-related risks such as exposure to a particular industry or exposure linked to a particular entity); and (9) settlement risks (the risk that the Company faces when it has performed its obligations under a contract but has not yet received value from its counterparty).

*Use of Futures Contracts.* Subject to all applicable rules and regulations, the Company may use futures. The use of futures is a highly specialized activity which involves investment strategies and risks different from those associated with ordinary portfolio currencies transactions, and there can be no guarantee that their use will increase return or not cause the client assets to sustain large losses. Although the use of these instruments by the Company may reduce certain risks associated with portfolio positions, these techniques themselves entail certain other risks. If the Company applies a strategy at an inappropriate time or judges market conditions or trends incorrectly, futures strategies may lower the return or cause substantial losses. Certain strategies

limit the Company's possibilities to realize gains as well as limit its exposure to losses. The Company could also experience losses if the price movements of its futures positions were poorly correlated with those of its other investments, or if it could not close out its positions because of an illiquid market. In addition, the client assets will incur transaction costs, including brokerage commissions, in connection with its futures transactions and these transactions could significantly increase the investment turnover rate.

*Options.* The Company may engage in various types of options transactions. Participation in the options markets involves certain investment risks and transaction costs. The correlation between the option prices and the prices of the underlying securities may be imperfect and the market for any particular option may be illiquid at any particular time. Options transactions are normally highly leveraged and, accordingly, gains and losses are magnified. If an investor writes or sells an uncovered option, its losses, theoretically, could be unlimited.

There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*e.g.*, 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 buyer of a call option assumes the risk of losing its entire investment in the call option.

There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*e.g.*, 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 (paid to establish 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.

The ability to trade in or exercise options also may be restricted in the event that trading in the underlying securities interest becomes restricted. Options trading may also be illiquid in the event that the third-party managers' assets are invested in contracts with extended expirations. The Company may purchase and write put and call options on specific currencies, on stock indexes or on other financial instruments and, to close out their positions in options, may make a closing purchase transaction or closing sale transaction.

*Losses As a Result of Currency Fluctuation.* There are special risks associated with international investing, including currency exchange rate fluctuations, conversion risks and other economic, political and social risks. The Company will, throughout its life, be subject to the risks of fluctuation in exchange rates between United States dollars and other currencies. As a result of fluctuation in exchange rates, Company may receive a lower than anticipated return from its non-U.S. Dollar denominated assets.

*The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment with the Company. To the extent that prospective investors would benefit from an independent review, such benefit is not available through counsel or through the Company or any of its affiliates. Prospective clients are encouraged to seek the advice of independent legal counsel in evaluating the risks of investing. In addition, as the Company's investment program develops and changes over time, an investment may be subject to additional and different risks.*

## **Item 9            Disciplinary Information**

There are no legal or disciplinary, criminal or civil actions, administrative proceedings or self-regulatory proceedings that have been initiated against the Company or any of the Company's management persons<sup>1</sup> currently or at least ten years prior to the date set forth hereof.

## **Item 10           Other Financial Industry Activities and Affiliations**

### **Broker-Dealer or Registered Representative**

Neither the Company nor any of the Company's management persons<sup>1</sup> are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

### **Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor or Associated Person**

The Company is a registered commodity trading advisor ("CTA") with the National Futures Association. Lily Pond Advisors LLC (the "General Partner"), an affiliate of Company and the general partner of the Company's onshore feeder funds, is a registered commodity pool operator ("CPO"). Howard Kurz, the founder and CIO of the Company, is a registered CPO.

### **Material Relationships**

The Company serves as a CTA to its onshore and offshore feeder fund clients and offshore master fund clients.

The General Partner, a related person of the Company, serves as a CPO to the Company's onshore feeder fund clients.

Howard Kurz, a related person of the Company, serves as a CPO to the Company's offshore feeder fund and master fund clients.

The General Partner serves as the Company's onshore feeder funds' general partner. This relationship creates an incentive for the Company to make investments that are riskier or more speculative than would be the case if the General Partner (an affiliate of the Company) did not

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<sup>1</sup> Management persons: anyone with the power to exercise, directly or indirectly, a controlling influence over the firm's management or policies, or to determine the general investment advice given to the clients of the firm.

receive incentive compensation from the onshore feeder funds for serving as the general partner thereof.

### **Recommend or Select Other Investment Advisers**

The Company does not recommend or select other investment advisers for the Company's clients.

### **Item 11 Code of Ethics, Participation or interest in Client Transactions and Personal Trading**

#### **Summary of Code of Ethics**

The Company has adopted a Code of Ethics pursuant to Rule 204A-1 of the Advisers Act to prevent violations of federal securities laws. The Company expects all employees to act with honesty, integrity and professionalism and to adhere to federal securities laws. All officers, directors, partners and employees of the Company and any other person who provides advice on behalf of the Company and is subject to the Company's control and supervision (collectively referred to as "Supervised Persons") are required to adhere to the Code of Ethics.

The terms "employee" and "personnel" used throughout this document refer to and apply to all officers, partners, managing members and employees of the Company.

#### **I. Standards of Business Conduct**

##### **A. General**

Pursuant to Section 206 of the Advisers Act, it is unlawful for the Company and/or its employees:

- to employ any device, scheme, or artifice to defraud a client or prospective client;
- to engage in any transaction, practice, or course of business which defrauds or deceives a client or prospective client;
- knowingly to sell any security to or purchase any security from a client when acting as principal for his or her own account, or knowingly to effect a purchase or sale of a security for a client's account when also acting as broker for the person on the other side of the transaction, without disclosing to the client in writing before the completion of the transaction the capacity in which the adviser is acting and obtaining the client's consent to the transaction; and
- to engage in fraudulent, deceptive or manipulative practices.

##### **B. Duties Toward the Company**

Supervised Persons must give prior notice of, and under certain circumstances receive approval for, any outside activity in which they wish to engage. This includes outside business interests, private securities transactions, and maintenance of personal brokerage accounts.

## C. Grants and Gifts

As a general rule, Supervised Persons are prohibited from accepting any gift. However, gifts of strictly nominal value are allowed. This includes normal and customary business entertainment (e.g., business meals and entertainment where the person providing the entertainment is present) that is not “lavish,” the cost of which would be paid for by the Company as a reasonable expense if not paid by the client.

## II. Prevention of Insider Trading

Company has adopted policies designed to prevent insider trading that is more fully described in the Code of Ethics. The Company’s policy on insider trading applies to securities trading and information handling by all Supervised Persons of the Company (including spouses, minor children and adult members of their households and any other relative of a Company Supervised Person on whose behalf the Company Supervised Person is acting) for their own account or the account of any client of the Company.

The Company takes its obligation to detect and prevent insider trading with the utmost seriousness. The Company may impose penalties for breaches of the policies and procedures contained in this manual, even in the absence of any indication of insider trading. Depending on the nature of the breach, penalties may include a letter of censure, profit “give ups”, fines, referrals to regulatory and self-regulatory bodies and dismissal.

## III. Personal Securities Transactions

### A. Periodic Reports

As more fully described in the Company’s Code of Ethics, “Access Persons” and/or employees are required to submit reports detailing their personal securities holdings to the Chief Compliance Officer (“CCO”) on an initial, monthly and annual basis.

As an alternative to submitting quarterly transaction reports, the Company requires persons who are “Access Persons” and/or employees to submit monthly brokerage statements as long as such documents contain the information required under Rule 204A-1(b)(2)(i)(A)-(E) under the Advisers Act.

### B. Initial Public Offerings and Limited Public Offerings

Access Persons and employees must obtain prior written approval from the Compliance Officer before investing in initial public offerings (“IPOs”) or limited offerings (i.e., private placements).

In the event the CCO wishes to purchase IPOs or the securities of a private placement for his/her own employee account, the CCO must obtain prior written approval from Managing Member.

### C. Review of Personal Securities Reports

The CCO (or its designee) is responsible for reviewing the employees' monthly brokerage statements as part of the Company's duty to maintain and enforce its Code of Ethics.

In instances when the CCO has engaged in personal securities transaction, the Managing Member shall review the CCO's monthly brokerage statements.

#### IV. Outside Business Activities and Private Investments of Employees

All employees are required to devote their full time and efforts to the Company's business. As such, no person may make use of either his or her position as an employee or information acquired during employment, or make personal investments in a manner that may create a conflict, or the appearance of a conflict, between the employee's personal interests and the Company's interests. Accordingly, every employee is required to complete a disclosure form and have the form approved by the Company's CCO prior to serving in any of the capacities or making any of the investments more fully described in the Company's Code of Ethics.

#### V. Reporting Violations

All Supervised Persons (any officer, director, partner and employee of the Company) are required to report actual or known violations or suspected violations of the Company's Code of Ethics promptly to the CCO or the CCO's designee.

Any report of a violation or suspected violation of the Code of Ethics will be treated as confidential to the extent permitted by law. Any report of a violation or suspected violation may be submitted anonymously.

As part of the Company's obligations to conduct an annual review of all of its policies and procedures pursuant to Rule 206(4)-7 of the Advisers Act, the CCO shall review on an annual basis the adequacy of the Code of Ethics and the effectiveness of its implementation.

#### VI. Recordkeeping

The Company maintains the following:

- Copies of the Code of Ethics;
- Records of violations of the Code of Ethics and actions taken as a result of the violations;
- Copies of the Company's supervised persons' written acknowledgement of receipt of the Code of Ethics.
- Records of the Access Persons' and employees' personal trading – Initial Holdings Reports Annual Holdings Reports, and monthly brokerage statements, including any information provided under Rule 204A-1(b)(3)(iii) in lieu of such reports, i.e., brokerage confirmations and transaction reports;
- A record of the names of the Company's "Access Persons";
- Records of decisions, and the reasons supporting the decision to approve an Access Person's, and/or employee's acquisition of securities in initial public offerings or limited offerings; and



- Records of decisions, and the reasons supporting the decision to approve the CCO's acquisition of securities in initial public offerings or limited offerings.

## VII. Acknowledgement of the Code of Ethics

Each employee will execute a written statement certifying that the employee has (i) received a copy of the Company's Code of Ethics; (ii) read and understands the importance of strict adherence to such policies and procedures; and (iii) agreed to comply with the Code of Ethics.

## VIII. Training and Education

All Supervised Persons, i.e., all employees, are to receive training on complying with the Code of Ethics on an annual basis as part of the Company's annual employee compliance review meeting to ensure that all employees fully understand their duties and obligations and how to comply with the Policy's procedures.

## IX. Copies of the Company's Code of Ethics

A copy of the Company's Code of Ethics is available upon request to any existing client or prospective client (including any existing or prospective investor in a fund client). For a copy, please contact the CCO.

## **Participation or Interest in Client Transactions and Personal Trading**

The Company and its related persons may personally invest in "reportable securities" as defined in Rule 204A-1(e)(10) of the Advisers Act. In particular, a related person may from time to time have an interest, direct or indirect, in a security, the purchase or sale of which is recommended, or which in fact is purchased or sold by or otherwise traded for a client. Accordingly, the Company may sell or recommend the sale of a particular security for certain accounts, including accounts in which they have an interest, and they or others may buy or recommend the purchase of such security for other accounts, including accounts in which they have an interest. To the extent a related person invests in a security that is held by or recommended to a client, a conflict of interest arises as the reason for making such recommendation to a client could be to benefit the related person (i.e. by increasing the value of the security) rather than it being in the best interest of the client. Policies and procedures are in place to ensure that clients' interests are not disadvantaged by a trade made by a related person and that a related person does not benefit personally from trades undertaken for clients. In particular, the Company's related persons must disclose the reportable securities in which they have a direct or indirect beneficial ownership and must submit periodic reports that show all trades and holdings of accounts in which the related person has a beneficial interest. These reports are periodically reviewed by the CCO.

## **Item 12 Brokerage Practices**

The Company is responsible for managing client assets and is responsible for the day-to-day investment of client capital. It has discretionary authority to determine, without the clients'

consent: (1) securities to be bought or sold; (2) amount of securities bought or sold; (3) broker or dealer to be used; and (4) commission rates paid, within the guidelines established.

Portfolio transactions are allocated to brokers by the Company. The Company may utilize various brokers to execute, settle and clear transactions. In selecting brokers to effect portfolio transactions, the Company considers such factors as price, the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility, and any research or investment management-related services and equipment provided by such brokers. Accordingly, if the Company determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and research or investment management-related services and equipment provided by such broker, the Company may pay commissions to such broker in an amount greater than the amount another broker might charge.

Research or investment-management-related services and equipment provided by brokers through which portfolio transactions are executed, settled and cleared may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, on-line quotations, news and research services, and other services (e.g., computer and telecommunications equipment) providing lawful and appropriate assistance to the Company in the performance of its investment decision-making responsibilities on behalf of the funds/accounts (collectively, "soft dollar items").

Soft dollar items may be provided directly by brokers, by third parties at the direction of brokers or purchased by the Company with credits or rebates provided by brokers. Soft dollar items may arise from over-the-counter principal transactions, as well as exchange-traded agency transactions. Brokers sometimes suggest a level of business that they would like to receive in return for the various services that they provide. Actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions because total brokerage is allocated on the basis of all the considerations described above. A broker will not be excluded from executing transactions because it has not been identified as providing soft dollar items.

Section 28(e) of the United States Securities Exchange Act of 1934, as amended (the "1934 Act"), permits the use of soft dollar items in certain circumstances, provided that the Company does not pay a rate of commissions in excess of what is competitively available from comparable brokerage firms for comparable services, taking into account various factors, including commission rates, financial responsibility and strength and ability of the broker to efficiently execute transactions. Non-research products acquired through the use of "soft dollars," and "soft dollars" which are not generated through agency transactions in securities, are outside the parameters of Section 28(e)'s "safe harbor," as are transactions effected in futures, currencies or certain derivatives.

Soft dollar items within the Section 28(e) "safe harbor," whether provided directly or indirectly, as well as soft dollar items that fall outside of the Section 28(e) "safe harbor" (if any), may be utilized for the benefit of the Company and its affiliates' other accounts. The Company expects to use soft dollars to acquire soft dollar items that the Company or its affiliates would otherwise be obligated to provide to, or acquire at their own expense for, client assets under management.



Nonetheless, the Company believes that such soft dollar items may provide clients with benefits by supplementing the research and services otherwise available to the Company. [If you fall outside 28(e), need to itemize what specifically you are soft dollaring outside the safe harbor.]

Additionally, the Company may enter into directed brokerage arrangements in its discretion.

At the current time and during the last fiscal year the Company does not and did not avail itself of the use of soft dollars; however, it should be noted that if the Company uses client brokerage commissions to obtain research or other products or services, the Company will receive a benefit because it will not have to produce or pay for the research, product or services (as the case may be). The Company would seek to use soft dollar benefits to service those client accounts that would benefit from the research or other products or services received for the soft dollars and the Company would seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

The Company may have an incentive to select or recommend a broker-dealer based on the Company's interest in receiving the research or other products or services, rather than on the Company's clients' interest in receiving most favorable execution.

In addition to the factors described above, the Company may consider a broker's referrals of investors to the Company or the potential for future referrals. As with client commission payments for brokerage and research services and/or products, in some cases the transaction compensation paid might be higher than that obtainable from another broker-dealer who did not provide (or undertake to provide) referrals, although the Company will seek to avoid such a result and will seek "best execution." Awarding transaction business to brokers in recognition of past or future referrals may involve an incentive for the Company to cause clients to effect more transactions than it might otherwise do in order to stimulate more referrals. The Company did not direct client transactions to a particular broker-dealer in return for client referrals during its last fiscal year.

During the last fiscal year neither the Company nor its related persons acquired products or services with client brokerage commissions (mark ups or mark downs).

The Company does not recommend, request or require that a client direct the Company to execute transactions through a specified broker-dealer.

For transactions that are suitable for more than one client account, the Company seeks to allocate purchase and sale opportunities on a fair and consistent basis. However, the Company may determine that a given client account may not receive an allocation of a purchase and/or sale opportunity even if such opportunity is suitable for such client account for a variety of reasons, including, without limitation, the determination that the amount of an opportunity that would otherwise be allocated to such client account would not result in a meaningful impact on the performance of such client account.

In instances where transactions are suitable for more than one client account the Company may aggregate/combine the orders of more than one client for the purchase or sale of the same

security. The Company may aggregate transactions if it believes i) such aggregation is consistent with its duty to seek best execution (which shall include best price) for its clients and is consistent with the terms of the client account and ii) that aggregation of transactions would reduce the costs of execution and enable the Company to obtain more competitive order completion to the clients' benefit. No client account will be favored over any other account and each account that participates in the aggregated orders will participate at the average price acquired for all transactions of the Company on a given business day. The Company will make allocations on a pro-rata basis or otherwise. With respect to the latter, aggregated orders may be allocated among participating accounts other than pro-rata if a given security meets additional investment criteria with respect to a participating or for other reasons including, without limitation, tax consequences with respect to a given account or liquidity concerns (e.g. anticipated inflows and/or outflows of capital with respect to a given account). Notwithstanding the foregoing, the order may be allocated on a basis different from that specified herein if the participating accounts whose orders are allocated receive fair and equitable treatment and the reason for such different allocation is explained in writing.

### **Item 13      Review of Accounts**

Client accounts are reviewed on a daily basis to determine whether they are managed in accordance with the investment guidelines (i.e. portfolio composition, products and risk limits) delineated in the client account agreements or offering documents (as the case may be). The reviews are conducted by the CIO and COO with the support of operational personnel.

Investors in feeder funds established by the Company receive weekly performance estimates, monthly net asset value (NAV) statements, monthly reports containing performance and risk statistics along with market commentary and access (upon request) to the portfolio. Monthly NAV statements are provided by an independent administrator. All other information is prepared and distributed by the Company.

The monthly market commentary provided to investors in the feeder funds established by the Company, which discusses the performance of the account, the primary attributes of performance and the Company's outlook, is a letter written by the Company's CIO, Howard Kurz.

On an annual basis, investors in the feeder funds established by the Company receive audited financial statements within 120 days of the investment fund's fiscal year end. Reporting requirements for managed accounts are negotiated and vary per client.

### **Item 14      Client Referrals and Other Compensation**

Company has entered into third party marketing arrangements consistent with Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and may, at its sole discretion, appoint placement agents ("Placement Agents") with respect to the sale of interests or shares in the

onshore and offshore feeder funds, respectively. In such case, the Company will enter into placement agent agreements ("Placement Agent Agreements") with such Placement Agents. Placement Agent Agreements typically provide that in return for introducing a particular investor, the introducing Placement Agents are compensated, at no additional cost to the investment fund or other investors, by receiving a portion of any management fees and/or incentive compensation otherwise payable to the Company (or the General Partner, an affiliate of the Company).

Hunthill Capital, LLC ("HC"), the Company and the General Partner (collectively, and together with the affiliates and assigns of each, the "Company") have entered into an agreement pursuant to which HC has agreed to introduce to the Company certain investors for whom HC believes the advisory services offered by the Company are suitable. HC and the Company are not affiliated with each other. The Company and the General Partner (as the case may be) have agreed to pay to HC as compensation for its services 20% (twenty percent) of any and all management and incentive compensation received by the Company and/or the General Partner (as the case may be) with respect to HC referred investors invested in a Company-formed feeder fund. The fact that the Company and/or the General Partner is obligated to pay HC a fee for introducing the investor will not result in such investor being charged compensation in excess of the rate or level of compensation customarily charged by the Company and/or the General Partner (as the case may be) to other investors in the feeder funds for similar services to comparable accounts, nor will the Company or the General Partner charge any other amount or fee for the purpose of offsetting its cost of obtaining an investor through the introduction of HC. HC has not been authorized to make any representations on behalf of the Company or the General Partner, or to bind the Company or the General Partner in any way.

#### **Item 15      Custody**

The Company has custody of its offshore feeder and master fund clients' funds and securities by virtue of the fact that Howard Kurz, the Chairman and CIO of the Company, serves as a director to the offshore feeder and master fund clients. The Company is deemed indirectly to have custody over the assets of its onshore feeder fund clients as the General Partner, an affiliate of the Company, serves as the general partner of the onshore feeder funds. Investors in the funds receive audited financial statements prepared in accordance with US generally accepted accounting principles within 120 days of such fund's fiscal year end.

#### **Item 16      Investment Discretion**

All of the assets managed by Company are traded on a fully discretionary basis. Investors investing in the feeder funds established by Company are not able to place restrictions on investing in certain securities or types of securities. Potential clients seeking investment restrictions may consider opening separately managed accounts which may be tailored to the individual needs of the clients.

The Company requires investors' investing in the feeder funds to execute a subscription agreement and, with respect to investors investing in the onshore feeder fund, a limited partnership agreement, providing the Company with authority to trade on a discretionary basis.

The Company requires managed account clients to execute managed account agreements granting the Company authority to trade on a discretionary basis.

In certain circumstances, an investment opportunity may be suitable for more than one client (i.e., based on investment objectives, portfolio balance and weighting, whether the Company believes the allocation would have a meaningful effect on a given client). The Company may determine that a given client may not receive an allocation of a purchase and/or sale opportunity even if such opportunity is suitable for such client for a variety of reasons, including, without limitation, the determination that the amount of an opportunity that would otherwise be allocated to such client would not result in a meaningful impact on the performance of such client, to comply with stated investment guidelines or security trading restrictions and/or as a result of tax planning or restrictions.

### **Item 17      Voting Client Securities**

The Company has been given discretionary authority for investment decisions by its clients, and thus has authority to vote proxies on behalf of its clients unless an investment advisory agreement stipulates otherwise. If the Company has discretionary authority, clients do not direct voting in any particular proxy solicitation.

The Company will vote proxies, where given authority, in the best interests of its clients in terms of maximizing clients' rate of return on investment. In certain cases, this may involve refraining from voting when the cost of voting exceeds the expected benefit. Generally, the Company will only vote proxies for portfolio holdings that are either (a) current as of the date voting takes place and deemed in the sole discretion of the Company as non-routine or (b) current as of the date voting takes place and deemed in the sole discretion of the Company as material in the context of the client's total portfolio.

Potential material conflicts of interests may arise with any particular proxy solicitation. Such conflicts may include, but are not limited to, the following: the individual designated to vote proxies owns an interest in the company in which the Company will vote on a proxy; the individual designated to vote proxies will receive any unusual compensation or profit based on how the Company votes on a proxy; the individual designated to vote proxies serves as a director in the company in which the Company will vote on a proxy; the individual designated to vote proxies has an immediate family member (spouse, child, parent, sibling, or in-law) that is a director in the company in which the Company will vote on a proxy; the individual designated to vote proxies has a personal relationship with an executive or director in the company in which the Company will vote on a proxy; and the individual designated to vote proxies has a personal relationship with a candidate to be a director in the company in which the Company will vote on a proxy.

In the event of such a conflict of interest, the Proxy Voting Committee and the CCO jointly may determine that the individual designated to vote proxies has such a conflict of interest and is to be recused from voting the proxy at issue. In such cases, the remaining members of the Proxy Voting Committee will vote the proxy.

To comply with SEC rule 206(4)-6 and amended Rule 204-2, the Company maintains a copy of its Proxy Voting Policy and Procedures; maintain records of proxy statements received pertaining to client securities, records of votes cast; any documents prepared by the Company that were material to making a decision how to vote or that memorialized the basis for the decision; and records of each client request for proxy voting records as well as the Company's response to such requests.

The Company's Proxy Voting Policies and Procedures and information on how the Company has voted proxies are available upon request from the CCO.

## **Item 18      Financial Information**

The Company does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

### **Miscellaneous**

#### Privacy Policy

The Company recognizes the importance of protecting privacy. As such, the Company has policies in place to maintain the confidentiality and security of the onshore feeder fund's natural person limited partners' and the offshore feeder fund's natural person shareholders' (such natural persons collectively referred to as the "Investors") information.

In the normal course of business, the Company may collect the following types of information:

- Information provided in the subscription documents and other forms (including name, address, social security number, date of birth, income and other financial-related information)
- Data about transactions with us (such as the types of investments made and account status)

Any and all nonpublic personal information received by the feeder funds, Lily Pond Capital, LLC (the onshore feeder fund's general partner, the "General Partner") and/or the Company in the course of business with respect to the investors (which, for purposes of this privacy policy includes all natural person clients of the Company), including the information provided to a feeder fund by an Investor in the subscription documents, shall not be shared with nonaffiliated third parties which are not service providers to the such feeder fund, the General Partner and/or the Company without prior notice to such Investors. Such service providers include but are not limited to the administrator, the auditors and the legal advisors of the each feeder fund. Additionally, the feeder funds, the General Partner and/or the Company may disclose such nonpublic personal information as required by law (such as to respond to a subpoena or a request for information by a regulator and/or to prevent fraud). Without limiting the foregoing, the feeder funds, the General Partner and/or the Company may disclose such nonpublic personal information as required by law, including without limitation, the disclosure that may be required

by the Uniting and Strengthening America Act by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001 and the rules and regulations promulgated thereunder. If a feeder fund or the Company chooses to dispose of any Investor's nonpublic personal information that each is not legally bound to maintain, then each will do so in a manner that reasonably protects such information from unauthorized access. Such policy shall also apply to the former Investors.

The Company restricts access to nonpublic personal information about our customers to those employees and agents who need to know that information in order to provide products and services to you. The Company maintains physical, electronic and procedural safeguards to protect applicable nonpublic personal information.

For questions about this privacy policy, please contact the Company.

### **Disaster Recovery and Business Continuity Contingency Plan**

The Company's Disaster Recovery and Business Continuity Contingency Plan is available upon request.