

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

### **LyonRoss Capital Management LLC**

February 14, 2012

#### **Principal Office**

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CRD No. 156637

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This brochure provides information about the qualifications and business practices of LyonRoss Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at (212) 218-3950 or [info@lyonross.com](mailto:info@lyonross.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about LyonRoss Capital Management LLC is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The Advisor is registered as an investment adviser with the United States Securities and Exchange Commission (the "SEC") under the Investment Advisers Act of 1940 (the "Advisers Act"). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

## **Item 2: Material Changes**

This item is not applicable as the Advisor filed its initial application to register as an investment adviser with the SEC on February 14, 2012.

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## **Item 4: Advisory Business**

LyonRoss Capital Management LLC, (“LyonRoss” or the “Adviser”) a Delaware limited liability provides investment supervisory services on a discretionary basis to two private investment funds: the LyonRoss Liquid Strategies Fund (the “Liquid Strategies Fund”) and LyonRoss Partners Fund L.P., (the “Partners Fund” and together with the Liquid Strategies Fund the “Funds”) and a non-affiliated client (“Advisory Client”) on a non-discretionary basis. LyonRoss was founded by Piers Playfair in January 2007. Piers Playfair, through LyonRoss Holdings LLC, is the managing member of the Adviser. LyonRoss may provide investment advisory services to other private investment funds and/or managed accounts in the future. LyonRoss does not offer wrap fee accounts. LyonRoss maintains an office at 150 East 52<sup>nd</sup> Street, New York, New York, 10022.

As of January 31, 2012 LyonRoss manages \$252,000,000 on a discretionary basis on behalf of its Funds.

### **Partners Fund**

The Partners Fund, a Delaware limited partnership, was initially formed on May 11, 2006. The Partners Fund previously operated under the name LCM Advanced Alpha L.P. (formerly known as, BPA Advanced Alpha L.P.) as a feeder fund to LCM Advanced Alpha Master Fund L.P., a Cayman Islands exempted limited partnership (the “Master Fund”). LyonRoss is responsible for the selection and research of portfolio managers (the “Portfolio Managers”) that manage collective investment vehicles (the “Portfolio Funds”) and separate brokerage accounts (the “Separate Accounts), asset classes and securities. The Adviser performs due diligence on investment strategies and portfolio managers pursuing such strategies, including but not limited to making inquiries into the following areas: (i) the suitability of terms and conditions of portfolio funds and, if any, separate accounts, (ii) the analysis of portfolio managers’ trading skills and risk management capabilities and (iii) the integrity of the investment professionals and (iv) review of operations and controls.

To the extent any direct investments including, but not limited to, equities, futures, options and swaps (“direct investments” and, together with the Portfolio Funds and any Separate Accounts, the “Portfolio Investments”) are contemplated, the Adviser also performs due diligence on the suitability of a particular security or securities for the Fund. The Fund may also invest in other collective investment vehicles that are managed by the Adviser. While Portfolio Investments are generally made by the Master Fund, any Portfolio Investment may be made by either the Fund or the Master Fund, as determined on a case-by-case basis by the Adviser.

The selection of strategies and Portfolio Managers is intended to provide a balanced return over money market rates over the long term. At any time, significant portions of the Fund’s assets may be allocated to strategies and asset classes that correlate highly with global stocks and bonds (the “global financial markets”). Also, at any time, significant portions of the Fund’s assets may be allocated to strategies and asset classes which do not correlate highly, over time, to the global financial markets. The balance of strategies and asset classes will be at the sole discretion of the Adviser, consistent with the Adviser’s view of the optimal allocations required to achieve the Fund’s investment objective. There can be no assurance that the Fund will maintain, for any

specific period, any particular level of correlation with global financial markets. Please see Item 8: Methods of Analysis, Investment Strategy and Risk of Loss for additional information.

**Liquid Strategies Fund**

LyonRoss manages the Liquid Strategies Fund to seek absolute return with limited drawdown during stress periods in the markets through deployment of Fund assets across a diverse set of trading strategies. LyonRoss selects a mix of strategies in which to invest that are generally expected to capture returns from market inefficiencies rather than being long a particular market risk, in most cases employing systematic signals to generate trades. The Fund intends to invest mainly in the U.S. and European securities markets. The Adviser intends to manage the majority of the Master Fund's assets directly, and to allocate a portion of the Master Fund's assets to one or more Portfolio Managers in Separate Accounts. In addition to investing with Portfolio Managers, the Fund may invest up to 10% of its direct investments in pooled investment vehicles with liquidity terms similar to those of the Fund. Such pooled investment vehicles may be managed by independent managers or by affiliates of the Manager. The mix and weighting of the strategies are selected in the sole discretion of the Manager, consistent with Manager's view of the optimal allocation required to achieve the Fund's investment objective

The Fund seeks to achieve its objective by investing all or substantially all of its assets in liquid, readily marketable securities (including stocks, bonds, indexes, futures, options on indexes and futures, currency forwards and exchange-traded funds ("ETFs")) so as to maintain liquidity for investors. The selection of strategies that employ liquid investments is intended to provide investors with significant liquidity.

## Item 5: Fees and Compensation

### Liquid Strategies Fund

Class A and Class B Shareholders will not pay any management fees with respect to their Class A and Class B Participating Shares. For providing investment advisory services, LyonRoss receives an incentive fee (the "Incentive Fee") equal to 20% from the Liquid Strategies Fund. The Incentive Fee is payable monthly (which will be reduced based on asset growth, such that fees will be 0% when future assets raised reach Class A asset level). Refer to Item 6: Performance-based fees and side-by-side management for a detailed description.

### Partners Fund

For providing investment advisory services, LyonRoss receives from the Partners Fund, as of the beginning of each fiscal quarter, a management fee (the "Management Fee") at the annual rate of 1% in the case of Class B Participating Shares and at the annual rate of 1.3% in the case of Class C Participating Shares of the portion of the net asset value of the Fund that is allocable to the Shareholders as of the beginning of each fiscal quarter. Additional classes of Participating Shares may be charged management fees at different rates than the Participating Shares. Net asset value includes net realized and unrealized profits and losses.

LyonRoss may also receive an Incentive Allocation as of the end of each fiscal year of up to 6 % of the amount by which the net asset value of each Capital Account exceeds the High Water Mark. The Adviser may waive all or any portion of the Incentive Allocation with respect to any Limited Partner in any fiscal period. Incentive fees are accrued monthly from each investor's capital account, and deducted annually.

### Non-discretionary Account

As noted above, the Adviser also provides non-discretionary investment advisory services to an Advisory Client. For providing investment advisory consulting services, LyonRoss receives a monthly consulting fee equal to .0875% of the fair market value of each investment made by client that has been recommended by the Adviser.

### Other Expenses

The Funds are subject to additional expenses in addition to the Management Fees and Incentive Fees. The Funds bear their own expenses and their *pro rata* share of the Master Fund's expenses, including, but not limited to, the Management Fee, investment expenses (i.e., expenses related to the investment of the Fund's or the Master Fund's assets, including, without limitation, data, clearance, exchange, structuring, administrative, legal, tax, audit and technology fees, brokerage commissions, custody fees, interest and other borrowing charges, professional and legal expenses relating to particular investments and other expenses reasonably related to the investment decision and monitoring process), expenses from derivatives transactions, expenses associated with the Fund's or the Master Fund's securities financing activities, taxes, insurance premiums, legal expenses, regulatory expenses, the costs of brokerage services and research (including, without limitation, news, quotation, statistics and pricing services, hardware, software, databases and other technical and telecommunications services and equipment used in the investment management process), accounting, audit and tax preparation expenses, the Administrator's fees, other expenses associated with the operation of the Fund and the Master Fund, organizational expenses and

expenses incurred in connection with the offering and sale of Limited Partner interests and all extraordinary expenses.

Additional information regarding LyonRoss' brokerage practices is disclosed in Item 12: Brokerage Practices.

## **Item 6: Performance Based Fees and Side-by-Side Management**

The General Partner's Incentive Allocation may create an incentive for the General Partner to cause the Fund to make investments that are riskier or more speculative than would be the case in the absence of such allocation. In addition, since the Incentive Allocation is calculated on a basis that includes unrealized appreciation of the Fund's assets, it may be greater than if the Incentive Allocation were based solely on realized gains.

LyonRoss is committed to allocating investment opportunities on a fair and equitable basis and has established policies and procedures to address the conflicts of interest described above, including generally allocating trades among clients on a *pro rata* basis and periodically reviewing allocations to ensure that they are fair, equitable and in compliance with LyonRoss' allocation policy and fiduciary duty.



**Item 7: Types of Clients**

The Adviser's clients consist of the Funds and an Advisory Client as described in Item 4 above. The minimum investment required to invest in the Funds is described in the applicable Fund's offering memorandum. The Adviser, in its sole discretion, may waive or reduce any minimum commitment in certain circumstances.

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

### **Multiple Portfolio Managers**

Because the Funds invest with Portfolio Managers who make their trading decisions independently, it is theoretically possible that one or more of such Portfolio Managers may, at any time, take positions that may be opposite of positions taken by other Portfolio Managers. It is also possible that the Portfolio Managers retained by the Fund may on occasion be competing with each other for similar positions at the same time. Also, a particular Portfolio Manager may take positions for its other clients that may be opposite to positions taken for the Fund.

### **In-Kind Distributions**

Although it is expected that the Fund will distribute primarily cash to Shareholders upon redemption, the Fund may, in the Fund's sole discretion, make distributions in kind. There can be no assurance that the Fund will have sufficient cash to satisfy redemption requests, or that it will be able to liquidate investments at the time such redemptions are requested at favorable prices. Investments distributed in kind may not be readily marketable or saleable and may have to be held by Shareholders for an indefinite period of time. The risk of loss and delay in liquidating these securities will be borne by such Shareholders, with the result that such Shareholders may receive less cash than they would have otherwise received on the date of redemption. Shareholders have no right to request in-kind distributions and should not expect the Fund to accommodate any such request.

### **Investment Risks**

An investment in the Fund involves a high degree of investment risk, including the risk that the entire amount invested may be lost. The Fund, both directly through its Separate Accounts and indirectly through its investments in Portfolio Funds, will invest in securities and engage in other investment transactions using strategies and financial techniques with significant risk characteristics. No guarantee is made that the investment objective of the Fund will be realized. Below is a list of potential investment risk factors. There is no guarantee that the Fund will be able to control these risks or that the risks will not aggregate in a manner adverse to the Fund.

**Leverage.** The Adviser or the Portfolio Managers may utilize leverage in investing the assets of the Fund including engaging in trading on margin by borrowing funds and pledging securities as collateral. There is no limit on the amount of leverage the Adviser or Portfolio Managers may use. While any such use of borrowed funds increases returns if the Fund earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns if the Fund and the Portfolio Investment fail to earn as much on such incremental investments as they pay for such funds. The effect of leverage may therefore result in a greater decrease in the net asset value of the Fund than if the Fund and the Portfolio Investments were not utilizing leverage. Any use by the Fund or Portfolio Investments of short-term margin borrowings will result in certain additional risks to the Fund. For example, the securities pledged to brokers to secure the Fund's or Portfolio Investments' margin

accounts could be subject to a “margin call,” pursuant to which the Fund or Portfolio Investments would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. A sudden, precipitous drop in value of the Fund’s or Portfolio Investments’ assets accompanied by corresponding margin calls could force the Fund or Portfolio Investment to liquidate assets quickly, and for less than fair value, in order to pay off its margin debt.

***Concentration of Investments.*** The Adviser expects the Portfolio Investments typically to be broadly diversified. However, the Portfolio Investments are not generally obligated to limit the amount of capital that may be committed to any one investment. As such, its assets may not be diversified. Any such non-diversification would increase the risk of loss to the Fund if there was a decline in the market value of any security in which the Portfolio Investments had invested a large percentage of its assets.

***Short Sales.*** Portfolio Investments may make short sales of investment securities. In a short sale, the seller sells a security that it does not own, typically a security borrowed from a broker or dealer. Because the seller remains liable to return the underlying security that it borrowed from the broker or dealer, the seller must purchase the security prior to the date on which delivery to the broker or dealer is required. As a result, the Portfolio Investments will engage in short sales only where it believes the value of the security will decline between the date of the sale and the date the Portfolio Investments are required to return the borrowed security. The making of short sales exposes the Portfolio Investments to the risk of liability for the market value of the security that is sold, which is an unlimited risk due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available to be borrowed by the Portfolio Investments at reasonable costs. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, and the Portfolio Investments may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. Any of these factors could make the Fund unable to execute its investment strategy.

***Equity Risk.*** The market price of securities owned by the Portfolio Investments may go up or down, sometimes rapidly or unpredictably. A risk of investing in the Fund is that the equity securities in the portfolios of the Portfolio Investments will decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. In addition, securities which the Portfolio Investments believe are fundamentally undervalued or incorrectly valued may not ultimately be valued in the

capital markets at prices and/or within the time frame that the Portfolio Investments anticipate. As a result, the Fund may lose all or substantially all of its investment in any particular instance.

***Interest Rate Movements.*** Interest carry profits are made when short-term borrowing costs are lower than the yield on the investment financed. For example, purchasing an investment yielding 8% with money borrowed at 6% will produce profits to the Portfolio Investments. Any increase in borrowing costs could reduce such profits and, if such borrowing costs rise above the yield, could cause a negative interest carry. The effect of such interest rate movements may be reduced through the use of risk minimization techniques but cannot be totally eliminated.

***Investment in Small Companies.*** There is no limitation on the size or operating experience of the companies in which the Portfolio Investments may invest. Some small companies in which the Portfolio Investments may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

***Investment in Illiquid Securities.*** It is not currently anticipated that the Portfolio Investments will invest in securities that are not readily marketable or that are only thinly traded ("Illiquid Securities"). However, in certain circumstances it is possible the Fund may hold Illiquid Securities. Should the Fund hold Illiquid Securities, fair market value may be difficult to ascertain and there is a risk of mistaken valuations. In addition, the Portfolio Investments may not be able to readily dispose of such investments, and, in some cases, may be contractually prohibited from disposing of such securities for a specified period of time. These limitations on liquidity of the Portfolio Investments' investments could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized.

***Investment in Non-U.S. Securities.*** The Portfolio Investments may invest in non-U.S. securities. Such investments may be subject to a greater risk than U.S. investments due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of taxes on dividends, interest payments, or capital gains, the need for approval by government or other authorities to make investments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities and other factors beyond the control of the Portfolio Investments. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting, reporting or disclosure requirements than U.S. issuers. The securities markets of some countries in which the Portfolio Investments may invest have substantially less volume than those in the United States, and securities of certain

companies in these countries are less liquid and more volatile than securities of comparable U.S. companies. Accordingly, these markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities, than is usual in the United States. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the United States. Non-U.S. securities settlements may in some instances be subject to delays and related administrative uncertainties.

***Swaps and Counterparty Risks.*** The Portfolio Investments may utilize swaps and other derivative transactions where they believe it will further the objectives of the Portfolio Investments. To the extent the Portfolio Investments invest in repos, swaps, forwards, futures, options and other “synthetic” or derivative instruments, counterparty exposures can develop and the Portfolio Investments take the risk of nonperformance by the other party on the contract. This risk may differ materially from those entailed in exchange traded transactions which generally are supported by guarantees of clearing organizations, 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. In the international securities markets, the existence of less mature settlement structures and systems can result in settlement default and exposure to counterparty credits.

***Fixed-Income Securities.*** The Portfolio Investments may invest in bonds or other fixed income securities, including, without limitation, commercial paper and “higher yielding” (and, therefore, higher risk) debt securities, including but not limited to debt obligations issued by US and foreign governments, their agencies and instrumentalities, and the debt obligations of supranational entities. Such securities may be below “investment grade” and may face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer’s inability to meet timely interest and principal payments. The market values of certain of these lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher rated securities. Companies that issue lower rated debt securities often are highly leveraged and may not have access to more traditional methods of financing. Trading in such securities may be limited or disrupted by an economic recession, resulting in an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could affect adversely the ability of the issuers of such securities to repay principal and pay interest thereon and, therefore, increase the incidence of default for such securities.

***High Yield Securities.*** The Portfolio Investments may invest in “high yield” bonds and preferred securities that are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal. They are also generally

considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

***Risks of Arbitrage Strategies.*** The arbitrage strategies of certain Portfolio Managers may result in greater portfolio turnover and, consequently, greater transactions costs. The Portfolio Managers' investment strategies are designed to be relatively neutral with respect to the movements in the underlying fixed income or equity markets in which the Portfolio Managers will invest. However, depending upon the investment strategies employed and market conditions, the Fund may be adversely affected by unforeseen events involving such matters as changes in interest rates or the credit status of an issuer, forced redemptions of securities or acquisition proposals.

***Hedging Risk.*** When a derivative is used as a hedge against an opposite position that the Portfolio Investments also hold, any loss generated by the derivative should be substantially offset by gains on the hedged investment, and vice versa. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains.

***Portfolio funds may be difficult to value.*** The valuation of the master fund's investments in portfolio funds is ordinarily determined based upon valuations calculated by the Adviser based on information provided by the portfolio funds and their auditors. Although the Adviser reviews the valuation procedures used by the portfolio funds, the Adviser may not be able to confirm or review the accuracy of such valuations. The Adviser may face a conflict of interest in valuing portfolio funds, since the portfolio funds' values will affect the Adviser's compensation. Furthermore, revisions to a portfolio fund's gain and loss calculations will be an ongoing process, and no appreciation or depreciation figure can be considered final until the audits of the portfolio fund has been completed.

***The Adviser will not control the portfolio funds and separate accounts.*** The Adviser does not and will not control the portfolio funds, and there can be no assurances that portfolio funds will be managed in a manner consistent with the master fund's investment objective.

***No Secondary Market for Limited Partnership Interests.*** An investment in the Fund is a relatively illiquid investment because a limited partnership interest in the Fund is not generally transferable and the redemption rights of the Limited Partners are restricted. In addition, transfer of the limited partnership interests may be affected by restrictions on resales imposed by federal and state securities laws and the requirement that the General Partner consent to any transfer.

## Partners Fund

***Pooled Investment Vehicles, Pass-through Entities and Separate Accounts.*** The Fund may invest in Portfolio Funds, including unregistered investment vehicles, investment companies registered under the 1940 Act, and real estate investment trusts. Investments by the Fund in Portfolio Funds may include Portfolio Funds managed by the Adviser and its affiliates. The Fund may also establish Separate Accounts managed by the Adviser or its affiliates. If the Fund invests in Portfolio Investments managed by the Adviser or an affiliate of the Adviser, the Adviser will waive its rights to receive incentive fees and management fees from the Fund in respect of such investments and/or will ensure that the managers and general partners of such Portfolio Investments waive their rights to receive incentive fees and management fees in respect of such investments. However, because Portfolio Investments managed by the Adviser or an affiliate of the Adviser may charge management fees and incentive fees at different rates than the Fund, Shareholders may bear aggregate management fees and incentive fees payable to the Adviser or its affiliates in respect of such investments in excess of the fees ordinarily borne by such Shareholders with respect to their investment in the Fund. To the extent the Fund invests in Portfolio Funds and other “pass-through” entities which are treated as partnerships for federal income taxation purposes, the Fund must rely on such vehicles to deliver to it certain tax information that is necessary to complete the Fund’s own tax returns. If this information is not delivered to the Fund in a timely fashion, the Fund will be delayed in providing tax information to the Shareholders.

**Fund-of-funds generate multiple levels of fees and expenses.** By investing in portfolio funds indirectly through the master fund, the investor bears asset-based fees and performance-based fees and allocations of both the master fund and the portfolio funds. Thus, investors in the master fund may be subject to higher operating expenses than if he or she invested in a portfolio fund directly.

## Liquid Strategies Fund

### **Lack of Operating History**

The Liquid Strategies Fund and the Master Fund have a short operating history. Therefore, there is little operating history to evaluate their future performance. The past performance of other investment funds managed by the Adviser cannot be relied upon as an indicator of the Fund’s success, in part because of the material differences between the Fund’s investment strategy and the investment strategies of such other funds. An investor in the Interests must rely upon the ability of the Adviser in identifying and implementing investments. The Adviser’s Managing Principal and other investment professionals have limited experience managing an absolute return fund similar to the Fund. An investor in the limited partnership interests must rely upon the ability of the Adviser and the Adviser’s investment professionals and other key employees in identifying and implementing investments consistent with the Fund’s investment objective and policies.

## **Item 9: Disciplinary Information**

Neither LyonRoss nor its employees have been involved in any legal or disciplinary events in the past ten years that would be material to a client's evaluation of the company or its personnel.



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

LyonRoss is not registered as a broker-dealer and does not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

LyonRoss is not registered as and does not have any application to register as a futures commission merchant, commodity pool operator, commodity trading advisor or associated person of the foregoing entities.

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

The Adviser has adopted a Code of Ethics for all access persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons of the Adviser must acknowledge the terms of the Code of Ethics annually, or as amended.

The Code of Ethics is designed to assure that the personal securities transactions of the Adviser will not violate insider trading laws. Under the Code of Ethics, certain securities have been designated as restricted, based upon a determination that a related person of the Adviser either has material nonpublic information about an issuer or has a relationship with insiders of the issuer that is highly likely to result in such supervised person obtaining material nonpublic information. In addition, the Code of Ethics requires pre-clearance of any purchase of interests in private placements and initial public offerings. Employee trading is monitored on a quarterly basis under the Code of Ethics to reasonably prevent insider trading. Additionally, the Adviser manages proprietary capital which does not trade in the same strategies or investment opportunities as the Funds. The proprietary account is subject to similar preclearance procedures and Code of Ethics policy as the Adviser's access persons and the CCO reviews monthly reports to confirm compliance with the Code.

The Code of Ethics requires all access persons to devote their full time and efforts to the Adviser's business. In addition, no supervised 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 interests of the Adviser or the Adviser's clients.

In certain situations, an investment opportunity may be suitable for more than one Fund and/or Client. In making allocation decisions among Funds and the Clients, the Adviser will take into account a number of factors including, but not limited to, investment objectives, leverage parameters, volatility objectives, rate of return objectives, tax position, liquidity requirements and whether an allocation to a particular Fund or Client will have a material impact on its overall portfolio. Application of these and other considerations may result in different allocation decisions depending on the particular facts and circumstances in existence at the time the allocations are made and may or may not result in a *pro rata* allocation of limited investment capacity among all LyonRoss Funds and Clients.

The Adviser's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting its CCO, Julia Bronson, at [jbronson@lyonross.com](mailto:jbronson@lyonross.com).

## **Item 12: Brokerage Practices**

The Adviser actively monitors the performance of a short list of investment managers (“Managers”) and may recommend the services of such Managers to non-affiliated clients. Such recommendations are based on a comparative analysis of each Manager conducted on a quarterly basis which focuses on (i) performance over a 10 year span if available, (ii) firm history of the Manager, (iii) institutional clients serviced by the Manager and (iv) portfolio diversification, concentration, turnover and volatility. The Managers typically provide discretionary portfolio management services to clients. The Managers do not charge commissions on transactions effected but rather receive compensation in the form of a management fee. The management fees charged by the Managers are consistent with industry standards for discretionary managed accounts. Neither the Adviser nor any of its affiliates or related person receives services, research, products or any other form of compensation from the Managers in exchange for recommendations.

### **Selection of Trading Counterparties**

The Adviser is solely responsible for choosing the broker(s) used for each securities transaction for the Funds. In negotiating commission rates and selecting broker/dealers, the Adviser will take into account the financial stability and reputation of the particular broker/dealer, the ability to achieve prompt and reliable executions at favorable prices, the operational efficiency with which transactions are effected and the brokerage and research services provided by such broker/dealer. It is noted that since commission rates are generally negotiable, selecting brokers on the basis of considerations that are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable. The Adviser believes that valuable brokerage and research services can be provided to the Fund by brokerage firms effecting transactions for the Fund. Accordingly, the Adviser does not intend to seek lower brokerage commissions to the extent that doing so might detract from the provision of such brokerage and research services. Brokerage and research services may either be obtained from or paid for by brokerage firms and may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors, news, statistics and as well as discussions with research personnel and consultants.

The Fund may retain one or more prime brokers and custodians. From time to time LyonRoss may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to the Funds. LyonRoss may place portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if it determines that it is otherwise consistent with seeking best execution. In no event will LyonRoss select a broker-dealer as a means of remuneration for recommending it or any Fund or affording it with the opportunity to participate in capital introduction programs.

### **Soft Dollar Benefits**

LyonRoss does not receive any soft dollar benefits.

**Trade Errors**

In the event that the General Partner incurs a trade error as a result of the General Partner's gross negligence, willful misconduct, or fraud, trade errors are to be (i) corrected by the General Partner as soon as practicable, in a manner such that the Client incurs no loss and (ii) promptly reported to the CCO. Broker-dealers may not assume responsibility for trade error losses caused by the General Partner.

**Allocation of Investment Opportunities**

In certain situations, an investment opportunity may be suitable for more than one Fund. In making allocation decisions among Funds, the Adviser will take into account a number of factors including, but not limited to, investment objectives, leverage parameters, volatility objectives, rate of return objectives, tax position, liquidity requirements and whether an allocation to a particular Fund will have a material impact on its overall portfolio. Application of these and other considerations may result in different allocation decisions depending on the particular facts and circumstances in existence at the time the allocations are made and may or may not result in a *pro rata* allocation of limited investment capacity among all Funds.

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

### **Fund Administrator**

The General Partner has appointed Stone Coast Fund Services LLC to serve as the Funds' administrators. Pursuant to administration agreements entered into between each of the Funds and the administrators, the administrators are responsible for, among other things, (i) computing and disseminating the Funds' net asset value, and (ii) keeping the accounts of the Funds and such financial books and records as are required by law or otherwise for the proper conduct of the financial affairs of the Funds and preparing or procuring the preparation of annual financial statements of the Funds and furnishing such statements, as well as monthly reports regarding the Funds' performance, to limited partners of the Onshore Fund and shareholders of the Offshore Fund. The administrators charge the Funds fees for services at customary rates.

### **LCM Partners Fund**

At the end of each calendar month, the Adviser distributes a monthly letter to the LCM Partners Funds' respective investors and a quarterly asset allocation report containing information relating to general macro market conditions, the Funds' estimated performance, and future strategy considerations.

### **Liquid Strategies Fund**

On a weekly basis, the Adviser distributes an email letter containing information relating to estimated performance for the prior week to existing investors.

### **Side Letters**

LyonRoss may, from time to time, enter into letter agreements or other similar agreements (collectively, "Side Letters") with one or more investors or shareholders which provide such investor or shareholder(s) with additional and/or different rights (including, without limitation, with respect to management fees) that may be more advantageous than those set forth in the offering memorandum for the applicable Fund.

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

LyonRoss will compensate placement agents who introduce new investors that commit capital. The amount paid to placement agents (“placement fee”) ranges up to .50% and all placement fees will be fully disclosed to investors referred by placement agents.

**Item 15: Custody**

LyonRoss' Client funds and securities are held in custody by unaffiliated qualified custodians. LyonRoss is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception," which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements conducted in accordance with U.S. GAAP (domestic funds) or other generally accepted accounting principles. The beneficial owners of the Funds receive audited financial statements prepared in accordance with U.S. general accepted accounting standards within 120 days of the Liquid Strategies Fund's fiscal year end and within 180 days of the Partners Fund's fiscal year end.

**Item 16: Investment Discretion**

LyonRoss has the exclusive responsibility for selecting the security interests and external funds/managers to be purchased or sold for client accounts. There are no limitations or restrictions other than what is disclosed in each Fund's offering document or imposed in writing by the client.



## Item 17: Voting Client Securities

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

Due to the nature of LyonRoss' advisory services, and more specifically because LyonRoss may sometimes follow a quantitative, systematic approach to trading, which is not dependent upon the outcome of proxy contests, the Adviser currently may not vote proxies with respect to Fund holdings related to such strategies. However, with regard to certain positions in other strategies (e.g. merger arbitrage), the Adviser votes proxies in accordance with the following guidelines: Unless a particular proposal or the particular circumstances of a company suggests otherwise, proposals regarding routine matters (such as the election or re-election of board members, changes in capitalization, and the approval of auditors) generally shall be voted in accordance with written voting guidelines. Non-routine matters (such as mergers) may be reviewed and voted by on a case-by-case basis.

The general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities, including interests in Funds, if any (collectively, "proxies"), in a manner that serves the best interests of the Funds, as determined by LyonRoss in its discretion, taking into account the following factors:

- Generally, the Adviser 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, the Adviser 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.

The Adviser may retain a third party to assist it in coordinating and voting proxies with respect to the Funds' securities. If so, the CFO and/or CCO shall monitor the third party to assure that all proxies are being properly voted and appropriate records are being retained.

Additionally, LyonRoss may submit or withhold consent on behalf of the Portfolio Funds with respect to certain actions or amendments to offering terms proposed by the managers of the Portfolio Funds. Each proposed amendment or action ("Proposal") is reviewed by LyonRoss' investment personnel. LyonRoss' investment personnel submit the decision to the Portfolio Fund manager and maintain records of each Proposal received and LCM's response.

A copy of LyonRoss' proxy voting policies and procedures shall be provided to any client upon request.

**Class Actions/Other Claims**

To the extent that the Adviser has authority, pursuant to the governing documents of a Client account, to deal with class action claims/other claims (“Claims”) it will do so on a case-by-case basis in accordance with the following policy.

If the Adviser receives notice of a class action claim, the CCO will determine whether any Clients or former Clients of the Company owned the Security during the period covered by the Claim. The CCO will consult with the CIO to determine if he agrees with the basis of the Claim. In evaluating the Claim, the CIO, in consultation with the CCO, will decide whether or not to participate in the Claim depending upon (i) the nature of the Claim; (ii) prospects for recovery; (iii) resources required to pursue the Claim and (iv) other relevant factors pertaining to the particular Claim.

## **Item 18: Financial Information**

This Item is not applicable.