

## **Item 1 Cover Page**

**FORM ADV - PART 2A  
(THE “BROCHURE”)**

**OF**

**LAKE HILL CAPITAL MANAGEMENT, LLC**

150 East 58<sup>th</sup> Street, Suite 2501  
New York, NY 10155

**February 8, 2013**

**This Brochure provides information about the qualifications and business practices of Lake Hill Capital Management, LLC (together with its affiliates as applicable, the “Adviser”). If you have any questions about the contents of this Brochure, please contact Justin T. Golden by telephone at 212.792.6672 or by email at [justin@lakehillgroup.com](mailto:justin@lakehillgroup.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. The Adviser is registered as an investment adviser with the SEC, however such registration does not imply that the SEC endorses the skill or training of the Adviser.**

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

## **Item 2 Material Changes**

As the Adviser is a newly registered adviser, this Brochure represents the Adviser's initial filing of Form ADV Part 2A with the SEC. Therefore, the Adviser does not have any specific material changes to disclose pursuant to this Item.

### Item 3 Table of Contents

Item 1 Cover Page.....	1
Item 2 Material Changes .....	2
Item 3 Table of Contents.....	3
Item 4 Advisory Business .....	4
Item 5 Fees and Compensation .....	5
Item 6 Performance-Based Fees and Side-By-Side Management .....	6
Item 7 Types of Clients.....	6
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9 Disciplinary Information .....	13
Item 10 Other Financial Industry Activities and Affiliations .....	13
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading..	14
Item 12 Brokerage Practices .....	14
Item 13 Review of Accounts.....	16
Item 14 Client Referrals and Other Compensation .....	16
Item 15 Custody.....	16
Item 16 Investment Discretion.....	16
Item 17 Voting Client Securities.....	16
Item 18 Financial Information .....	17

## Item 4 Advisory Business

### A. General Description

The Adviser is a limited liability company formed under the laws of the State of Delaware. The Adviser was formed in 2005 and its principal place of business is located in New York, New York. Messrs. Zemach Sternberg and Scott Kovarik are the principal owners of the Adviser.

### B. Description of Advisory Services

The Adviser is a private asset management firm that specializes in quantitative and relative value strategies in derivatives and underlying securities markets. The Adviser's products are generally intended for institutional investors and high net worth individuals.

The Adviser provides advisory services on a discretionary basis to its clients, which may include separately managed accounts ("Separate Accounts") and pooled investment vehicles ("Funds") intended for sophisticated and institutional investors (Separate Accounts and Funds are collectively referred to herein as "Clients").

For a description of the general investment strategies to be employed by the Adviser, please see Item 8A hereof – "Methods of Analysis and Investment Strategies."

Notwithstanding the disclosure set forth in Item 8A hereof, the Adviser will not limit the type of investment advisory services it offers and there are no material limitations to the types of securities in which it may invest (subject to the terms of the investment management agreement, limited partnership agreement (or other organizational documents) or other offering document of any Client (collectively, the "Offering Documents")). The Adviser may invest in any security and in any sector of the market to carry out the overall objectives of its Clients. Such objectives, strategies and policies may be expected to evolve materially over time. The Adviser has complete flexibility to create or organize (alone or in conjunction with others including affiliates) or otherwise utilize special purpose subsidiaries or other special purpose investment vehicles. In addition, the Adviser may retain sub-advisers (each, a "Sub-Adviser") to provide investment advice to Clients.

### C. Availability of Tailored Services for Individual Clients

The Adviser will tailor its advisory services to the individual needs of its Clients. The Client's Offering Documents provide more detailed descriptions of each Client's investment objectives and may contain investment guidelines, policies, or restrictions. The Adviser will not tailor its advisory services to the needs of individual investors in a Fund (a "Fund Investor") and does not anticipate accepting Fund Investor-imposed investment restrictions.

#### D. Wrap Fee Programs

The Adviser does not participate in wrap fee programs.

### **Item 5 -Fees and Compensation**

#### A. Advisory Fees and Compensation

This Brochure will only be delivered to "qualified purchasers" as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended.

The Adviser reserves the right to charge some Fund Investors more or less than other Fund Investors for the same management services, depending on various factors, including, for example, the timing of the investment, the number of related investment accounts, or the total size of the Fund Investor's investment with the Adviser. Fee arrangements with any Separate Account will be individually negotiated. In this regard, the Adviser may waive or modify fees for Separate Accounts owned by, or Fund Investors that are, members, employees or affiliates of the Adviser and relatives of such persons or for certain other investors.

#### B. Payment of Fees

Fees charged may be deducted directly from the Client accounts. Management fees and performance fees are paid quarterly or as separately negotiated. Terms regarding the payment of fees applicable to any Client will be negotiated on a case by case basis and set forth in such Client's Offering Documents.

#### C. Other Fees and Expenses

Other fees and expenses that will be payable by a Client will be set forth in detail in the Client's Offering Documents. Subject to limitations set forth in the Offering Documents, such expenses may include, but are not limited to, all of the ordinary and necessary expenses related to the Client's operations including, without limitation, all costs and expenses of the Client incurred in the investigation, holding, purchase, sale or exchange of investments or investment opportunities, fees charged by third party vendors and service providers, travel expenses to the extent incurred in connection with the investigation, making, holding or selling of Client investments, fees and expenses of currency hedges and other bona fide hedging transactions in respect of a Client, and expenses incurred in connection with any litigation involving a Client or a Client investment, interest on borrowed money, brokerage fees, legal fees, audit and accounting fees, taxes applicable to the Client on account of its operations, fees incurred in connection with the maintenance of bank or custodian accounts, and all expenses incurred in connection with the registration of the Client's securities if required under applicable securities laws or regulations. The Client shall also bear all out-of-pocket expenses of preparing and distributing reports and annual financial statements to the Clients, the cost of liability and other insurance premiums, out-of-pocket costs associated with

Client meetings and other meetings with the Client's investors. The Client shall bear all organizational costs, fees, and expenses actually incurred by or on behalf of the Adviser or its affiliate in connection with the formation and organization of the Client, including legal and accounting fees, administration fees and expenses incident thereto.

#### D. Prepayment of Fees

As noted in Item 5(B) above, a Client may pay its management fee quarterly or as separately negotiated. If such fee shall be paid in advance, the fee will be prorated for any partial quarters. Terms regarding the prepayment of fees applicable to any Client will be negotiated on a case by case basis and set forth in such Client's Offering Documents.

#### E. Additional Compensation and Conflicts of Interest

No supervised person of the Adviser will accept compensation for the sale of securities or other investment products.

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

The Adviser may charge performance-based fees. The Adviser will negotiate with each Client to determine whether or not performance-based fees will be charged. The amount of any such performance-based fees will vary based on circumstances including but not limited to the size of the account, its use of leverage, hurdle rates, expenses incurred, reporting requirements, and termination provisions all of which are individually negotiated.

It should be noted that, to the extent the Adviser does charge performance-based fees, the Adviser's right to receive such performance-based fees may create an incentive for the Adviser to cause a Client to make investments that are riskier or more speculative than would be the case if the Adviser did not receive such compensation.

Conflicts of interest would be present to the extent that the Adviser charges performance-based fees to certain Clients but not to others. In such an instance, the Adviser would receive compensation based on the returns of the performance-based fee paying Clients and therefore would have an incentive to favor such Clients over the non-performance-based fee paying Clients.

### **Item 7 -Types of Clients**

The Adviser will provide investment advice only to Funds and Separate Accounts (whose beneficial owners may be, for example, institutional investors, family offices and high net worth families or individuals).

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

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

The Adviser is a private investment manager that specializes in quantitative and relative-value strategies in derivatives markets. Generally, the Adviser will utilize relative value trading strategies in global derivative and related markets with the objective of maximizing capital appreciation while minimizing risk through portfolio diversification. The Adviser will pursue this objective primarily by investing in stocks, options, futures, swaps, warrants, convertible bonds, and related securities. The Adviser may employ the use of highly developed electronic trading systems coupled with quantitative analytics to help achieve its objectives.

Through investments in its Funds or Separate Accounts, the Adviser's objective is to provide both institutions and high net-worth families investment solutions that generate alpha by monetizing hedging demands in the S&P 500 and Russell 2000 options market, or any other market. The Adviser warehouses inventory, both long and short, while generally re-optimizing daily to maintain a book of exchange-traded products.

The Adviser compares market return distributions to identify relative-value trading opportunities in various options markets. These relative-value opportunities form the basis of the Adviser's Strategy. By expressing the market return distribution in terms of implied volatility, the Adviser attempts to see the impact of supply and demand on the option market. Portfolios generally are rebalanced daily based on changes in option prices and movement in the underlying.

### **B. Material Risks of the Adviser's Investment Strategies.**

THE FOLLOWING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE LIST OR EXPLANATION OF THE RISKS INVOLVED IN AN INVESTMENT IN A FUND OR SEPARATE ACCOUNT MANAGED BY THE ADVISER. PROSPECTIVE INVESTORS SHOULD READ THE OFFERING DOCUMENTS OF FUND OR SEPARATE ACCOUNT, WHICH WILL INCLUDE THE MATERIAL RISKS ASSOCIATED WITH THE INVESTMENT STRATEGIES EMPLOYED BY THE ADVISER IN SUCH CLIENT'S PORTFOLIO, AND CONSULT WITH THEIR OWN ADVISERS BEFORE DECIDING WHETHER TO INVEST. AN INVESTMENT IN A CLIENT IS SUITABLE ONLY FOR SOPHISTICATED EXPERIENCED INVESTORS.

Investment in a Client managed by the Adviser involves significant risk factors and is suitable only for investors that can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investment and who meet the conditions set forth in the applicable Client's Offering Documents. There can be no assurances that the Adviser will achieve its investment objective. Investment in a Client managed by the Adviser involve a high degree of risk, including the risk of loss of the entire amount invested. The

Performance-based fee which may be paid to the Adviser, as described above, creates an incentive for the Adviser to cause a Client to make investments that are riskier than it would otherwise make. The use of short sales, options, leverage, futures, swaps and other derivative instruments may create special risks and substantially increase the impact of adverse price movements on a Client's portfolio. While the Adviser intends to invest in liquid securities, there can be no assurance that any of these securities will not become illiquid at some point in time. Moreover, an investment in a Client managed by the Adviser provides limited liquidity since the interests in such Client are not freely transferable, and the capital accounts are subject to limited withdrawal provisions. Each prospective investor should carefully review the applicable Offering Documents before deciding to invest.

**Forward Trading.** The Adviser may trade forward contracts. These contracts, unlike exchange-traded futures contracts and options on futures, are not regulated by the CFTC. Therefore, the Adviser will not receive any benefit of CFTC regulation for these trading activities. These transactions are not exchange-traded so that no clearinghouse or exchange stands ready to meet the obligations of the contract. Thus, the Adviser faces the risk that its counterparties may not perform their obligations. This risk may cause some or all of the Adviser's gains to be unrealized. At times, certain market makers have refused to quote prices for forward contracts, or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and sell. If this occurs, the Investment Manager may be unable to effectively use its forward trading programs and the Adviser could experience significant losses.

**Securities Futures Contracts.** Securities futures contracts include both futures contracts on single stocks and futures contracts on narrow-based securities indices. They are treated as both futures and securities and, therefore, are subject to the joint jurisdiction of SEC and the CFTC. Securities futures contracts are subject to the same risks as other securities, as well as to the greater volatility and risks of futures trading. Since they are new products, securities futures contracts have relatively low liquidity and no trading history.

#### **Futures Contracts Risks.**

- **Volatility.** Futures prices are highly volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the Adviser. Like other leveraged investments, any purchase or sale of a futures contract may result in losses that exceed the amount invested. Relatively small futures positions have the potential to significantly erode or erase the Adviser's gains in other investments.
- **Margin requirements.** Margin requirements for commodities trading are set by the individual commodity exchanges or other trading facility for each type of commodity contract based upon the perceived volatility of each type of contract. Margin

requirements vary not only by the type of commodity contract, but also depending upon whether the transaction is for "bona fide hedging" as defined in Section 1.3(z) of the CFTC Regulations. Margin requirements for transactions that are not bona fide hedging are significantly higher than for bona fide hedging transactions.

- **Daily Price Fluctuation Limits.** Commodity exchanges and trading facilities limit fluctuations in certain commodity futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity cannot be taken or liquidated unless traders are willing to effect trades at or within the limit. Commodity futures prices have occasionally moved to the daily limit for several consecutive days with little or no trading. This could prevent the prompt liquidation of unfavorable positions and subject the Adviser to substantial losses.
- **Possible Effects of Speculative Position Limits.** The CFTC and certain exchanges and trading facilities have established "speculative position limits" on the maximum net long or net short positions that any person may hold or control in particular commodities. All futures positions held by all accounts owned or controlled by the Investment Manager and its principals will be aggregated with the Master Fund's positions for purposes of determining compliance with these limits. Trading instructions may have to be modified and the Adviser's positions may need to be liquidated to avoid exceeding these limits. These actions could adversely affect the Master Fund's operations and profitability. As noted above, certain proposed legislation could limit the trading of speculators (such as the Adviser) in the futures markets.
- **Risk Disclosure.** Commodity futures trading is highly speculative. Price movements of commodity futures contracts are influenced by, among other things, changing supply and demand relationships, governmental agricultural and trade programs and policies, and national and international political and economic events.

**Futures.** The price of futures contracts may not correlate perfectly with the movement in the underlying because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, market participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Secondly, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price

distortions. Successful use of futures contracts by the Adviser also is subject to the Investment Manager's ability to correctly predict movements in the direction of the market.

Options. The Adviser may purchase and sell call and put options on listed on securities exchanges or traded in the over-the-counter market. A stock fluctuates with changes in the market values of the stocks. Because the value of an option depends upon many factors, whether the Adviser will realize gains or losses from the purchase or writing of options depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by the Adviser of options will be subject to the Investment Manager's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

Derivative Financial Instruments and Instruments Generally. Derivative securities and instruments, or "derivatives", include securities, instruments and contracts which are derived from and are valued in relation to one or more underlying securities, financial benchmarks or indices. Derivatives typically allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark or index at a fraction of the cost of acquiring, borrowing or selling short the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives trading. However, there are a number of additional risks associated with derivatives trading. Transactions in certain derivatives are subject to clearance on a U.S. national exchange and to regulatory oversight, while other derivatives are subject to risks of trading in the over-the-counter markets or on non- U.S. exchanges. Price movements of futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, the Adviser's assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties. Additional risks associated with derivatives trading include:

Liquidity. Derivatives, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets the Adviser may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which the Adviser may conduct its transactions in derivatives may prevent profitable liquidation of positions, subjecting the Adviser to the potential of greater losses. The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives.

The Adviser may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are deemed by the Investment Manager to be consistent with the investment objective of the Adviser. Special risks may apply to instruments that are invested in by the Adviser in the future that cannot be determined at this time or until such instruments are developed or invested in by the Adviser.

**Swap Transactions.** The Adviser may engage in swap transactions. Currency swaps involve the exchange of cash flows on a notional amount of two or more currencies based on their relative future values. An equity swap is an agreement to exchange streams of payments computed by reference to a notional amount based on the performance of a basket of stocks or a single stock. The Adviser will usually enter into swaps on a net basis; i.e., the two payment streams are netted out in a cash settlement on the payment date or dates specified in the agreement. The Adviser receives or pays, as the case may be, only the net amount of the two payments. The Adviser may employ swaps for speculative purposes, such as to obtain the price performance of a security without purchasing it in cases where the security is illiquid, unavailable for direct investment or available only on less attractive terms.

Unlike futures and options on futures contracts and commodities, and although Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") contemplates that certain swaps will be exchange-traded and cleared by a clearinghouse in the future, swap contracts are currently not generally traded on an exchange or cleared by an exchange or clearinghouse. As with any forward foreign currency or spot contract, until such time as these transactions are cleared or guaranteed by an exchange, the Adviser will be subject to the risk of counterparty default on its swaps. Because swaps do not generally involve the delivery of underlying assets or principal, any loss would be limited to the net amount of payments required by contract. In some swap transactions the counterparty may require the Adviser to deposit collateral to support the Adviser's obligation under the swap agreement. If the counterparty to such a swap defaults, the Adviser would lose the net amount of payments that the Adviser is contractually entitled to receive and could lose, in addition, any collateral deposits made with the counterparty.

If the swap counterparty is an unaffiliated entity, it may hold such collateral in U.S. or non-U.S. depositories. Non-U.S. depositories are not subject to U.S. regulation. The Adviser's assets held in these depositories are subject to the risk that events could occur which would hinder or prevent the availability of these funds for distribution to customers including the Adviser. Such events may include actions by the government of the jurisdiction in which the depository is located including expropriation, taxation, moratoria and political or diplomatic events.

**Equity Financial Instruments.** The Adviser may invest in equities and equity derivatives. The value of these financial instruments generally will vary with the performance of the issuer and

movements in the equity markets. As a result, the Adviser may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Investment Manager's expectations or if equity markets generally move in a single direction and the Adviser has not hedged against such a general move. The Adviser also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible financial instruments or private placements, delivering marketable common stock upon conversions of convertible financial instruments and registering restricted financial instruments for public resale.

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

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

**Credit Default Swaps; Other Derivatives.** The Adviser may invest in credit default swaps. A credit default swap is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. In the manner described above, credit default swaps can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. In addition, credit default swaps can be used to implement the Investment Manager's view that a particular credit, or group of credits, will experience credit improvement. In the case of expected credit improvement, the Adviser may "write" credit default protection in which it receives spread income. The Adviser may also

"purchase" credit default protection even in the case in which it does not own the referenced instrument if, in the judgment of the Investment Manager, there is a high likelihood of credit deterioration. The credit default swap market in high yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock, and potential loss upon default, among other factors. As such, there are many factors upon which market participants may have divergent views.

Swaps and other derivatives instruments are subject to legal, tax and market uncertainties that present risks in entering into these derivatives. There is currently limited case law or litigation characterizing swaps and certain other derivatives, interpreting their provisions or characterizing their tax treatment. In addition, new and additional regulations and laws may apply to swaps and other derivatives that have not heretofore been applied. There can be no assurance that future court decisions construing provisions in, or provisions similar to those in, any swap agreement or other related documents or new and additional regulations and laws governing swaps and other derivatives will not have a material adverse effect on the investments.

#### C. Recommendation of a Particular Type of Security

Notwithstanding the forgoing, the Adviser will not recommend any particular type of security. There are no material limitations to the types of securities in which the Adviser may invest Clients' assets (subject to anything to the contrary in the relevant Offering Documents of a particular Client). For a complete discussion of securities in which the Adviser may invest, please see Item 4(B) hereof – "Advisory Business, Description of Advisory Services", and Item 8A hereof – "Methods of Analysis and Investment Strategies."

### **Item 9 - Disciplinary Information**

There are no known legal or disciplinary events that are material to Clients' evaluation of the Adviser's advisory business or the integrity of the Adviser.

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

Neither the Adviser nor any of its management persons are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. The Adviser

does not recommend or select other investment advisers for its Clients or receive compensation directly or indirectly from such advisers.

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

The Adviser recognizes and believes that (i) high ethical standards are essential for its success and to maintain the confidence of its Clients; (ii) its long-term business interests are best served by adherence to the principle that the interests of Clients come first; and (iii) it has a fiduciary duty to its Clients to act solely for their benefit. All personnel of the Adviser must put the interests of the Adviser's Clients before their own personal interests and must act honestly and fairly in all respects in dealings with clients. All personnel of the Adviser must also comply with all federal securities laws. In this vein, the Adviser has adopted a Code of Ethics governing personal trading by its personnel. Among other requirements, the Code of Ethics requires personnel who have access to Client portfolio information or the Adviser's non-public securities recommendations to pre-clear certain securities transactions and report certain personal securities holdings to the Adviser, and the Adviser is required to review such reports. Clients or prospective Clients may obtain a copy of the Adviser's Code of Ethics by contacting Justin T. Golden by telephone at 212.792.6672 or by Email at [justin@lakehillgroup.com](mailto:justin@lakehillgroup.com).

Affiliates of the Adviser may serve as a general partner and/or managing member of Clients or of entities in which Clients may invest. Neither the Adviser nor a related person recommends to Clients, or buys or sells for Clients, securities in which the Adviser or a related person has a material financial interest, other than potentially as investors alongside a Client.

The Adviser and its related persons may invest their personal funds in a Client, and, therefore, such persons may hold an indirect interest in the same securities as other investors in the Client. Further, a related entity of the Adviser is the general partner of certain of the Clients. In addition, certain employees of the Adviser may own securities in their personal accounts that are also recommended by the Adviser to its Clients. The Adviser has established procedures intended to limit conflicts of interest in cases where the Adviser, a related person or any employee, buys, sells or otherwise has an interest in, securities recommended by the Adviser to its Clients.

#### **Item 12 Brokerage Practices**

Except for the general investment guidelines set forth in each Offering Document of a Client, and the Adviser's internal best execution policies described herein, there may be no limitations on the authority of the Adviser with respect to the selection of broker-dealers with

which it will do business. The Adviser may in the future be authorized to determine the broker-dealer to be used for securities transactions. Portfolio transactions will be allocated to brokers based upon best execution, which may include a consideration of such broker's provision or payment of the costs of research and other services. In selecting brokers or dealers to execute transactions, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. While the Adviser generally does not enter into traditional "soft dollar" arrangements, it is not the Adviser's practice to negotiate "execution only" commission rates; thus, a Client may be deemed to be paying for research services provided by the broker which are included in the commission rate. Research and related services furnished by brokers will be limited to services that constitute research within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended.

Accordingly, research and related services may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; financial and industry publications; statistical and pricing services, along with hardware, software, databases and other technical and telecommunication services, lines, and equipment (including updates, replacement parts, repairs and service thereon) utilized in the investment management process. Research services obtained by the use of commissions arising from a Client Account's portfolio transactions may be used by the Adviser in its other investment activities.

In selecting brokers and negotiating commission rates, the Adviser will take into account available information regarding the financial stability and reputation of brokerage firms and the brokerage, research and related execution services provided by such brokers (consistent with best execution), although the Client for which the transaction was effected, may not, in any particular instance, be the direct or indirect beneficiary of the research or related services provided.

The Adviser has not directed Client transactions to a particular broker-dealer in return for Client referrals in its last fiscal year. The Adviser does not routinely recommend, request, permit or require its Clients to direct the execution of securities transactions through a specified broker-dealer.

Pursuant to the Adviser's Asset Allocation Policy, the Adviser may aggregate orders of its accounts for trade execution and thereafter allocate the securities on an average price basis to such accounts. Transactional expenses are not reduced because of such aggregation. In some instances, average pricing may result in higher or lower execution prices than otherwise obtainable by a single Client. It is Adviser's belief that the above-described procedure for aggregating and allocating customer orders is consistent with the SEC's procedures recommending aggregation. The Adviser also believes that aggregation is consistent with its

duty to seek best execution for all its Clients.

The Adviser may deem it to be in the best interests of its Clients to reallocate or “cross” securities transactions between Client accounts. The Adviser maintains policies and procedures intended to limit the potential conflicts of interest inherent in these transactions. Cross transactions will only be effected if they are deemed to be in the best interests of the particular Clients involved and will be conducted in compliance with such policies and procedures and applicable law.

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

The Adviser’s portfolio managers monitors Client portfolios on a daily basis and more often as specific market conditions and circumstances may dictate. The Adviser provides investors with monthly unaudited performance reports and an annual financial statement prepared in accordance in accordance with generally accepted accounting principles.

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

The Adviser does not receive compensation from non-Clients. The Adviser may compensate properly registered third-parties for Client referrals. All such arrangements shall be conducted in compliance with applicable law, rules and regulations.

### **Item 15 Custody**

The Adviser may be deemed to have constructive custody of certain Client assets as a result of fee payments or the service of its affiliates as general partners to private investment partnerships. In such case, the Adviser would supervise the completion of audits of the Client of which assets it was deemed to have custody by an independent public accountant as well as the distribution of audited financial statements prepared in accordance with generally accepted accounting principles to each such Client investors within 120 days of each such Client’s fiscal year end. Investors should carefully review all account statements.

### **Item 16 Investment Discretion**

Except for the general investment guidelines set forth in each Client’s Offering Documents, there are no limitations on the authority of the Adviser with respect to its discretionary investment authority for the Client accounts.

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

The Adviser has adopted Proxy Voting Policies and Procedures (the "Procedures") that are designed to ensure that in cases where the Adviser votes proxies with respect to securities of a Client, such proxies are voted in the best interests of the Client. The Procedures also require that the Adviser identify and address conflicts of interest between the Adviser and the Client. If a material conflict of interest exists, the Adviser will determine whether voting in

accordance with the guidelines set forth in the Procedures is in the best interests of the Client or take some other appropriate action. The Adviser need not vote all proxies received by a Client. In many instances, the disparate interests of the Client may make it difficult for the Adviser to determine a manner in which to vote. It is the Adviser's general policy not to vote proxies for securities that are not held in a Client at the time such proxy is received or on the vote date of such proxy. However, if the Adviser does vote, the Adviser shall cast ballots in a manner it believes to be consistent with the interests of the Client and shall not subordinate the interests of the Client to its own. The Adviser will determine whether a proposal is in the best interests of the Client and may take into account the following factors, among others: (i) whether the proposal was recommended by management and Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance. Clients or prospective Clients may obtain a copy of the Adviser's Proxy Voting Policy by contacting Justin T. Golden by telephone at 212.792.6672 or by Email at [justin@lakehillgroup.com](mailto:justin@lakehillgroup.com).

#### **Item 18 Financial Information**

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