

Leucadia Asset Management LLC

Lake Hill Division

FORM ADV PART 2A

The Brochure

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Disclaimer

This brochure provides information about the qualifications and business practices of Leucadia Asset Management LLC. If you have any questions about the contents of this brochure, please contact us at (212) 792-6672. 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. Leucadia Asset Management LLC is registered as an investment adviser with the SEC. Registration does not imply that a registered adviser has achieved a certain level of skill, expertise, or training in providing advisory services to its clients.

Additional information about Leucadia Asset Management LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2. MATERIAL CHANGES

This filing is the initial filing for the Lake Hill Division of Leucadia Asset Management LLC.

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ITEM 4. ADVISORY BUSINESS

Leucadia Asset Management LLC (referred to in this brochure as “LAM” or “we”) is a limited liability company formed under the laws of the State of Delaware in May 2013. LAM is an indirect, wholly-owned subsidiary of Leucadia National Corporation (“Leucadia”), a publicly traded corporation listed on the New York Stock Exchange, trading under the symbol “LUK.” This Brochure relates to our Lake Hill Division (“Lake Hill” or the “Division”).

Our principal place of business is in New York City, where we perform portfolio management, research, quantitative analysis, systems development, trading, operations, accounting, legal and compliance functions. Various affiliates of Lake Hill may perform administrative functions and services (such as Human Resources, Information Technology, Accounts Payable, Treasury, and Purchasing) in New York, New York, Jersey City, New Jersey and other U.S. locations of Leucadia and its subsidiaries.

Lake Hill provides advisory and/or sub-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. Funds may invest through a master fund (a “Master Fund”). Separate Accounts, Funds and Master Funds advised or sub-advised by Lake Hill are collectively referred to herein as “Clients.”

The material terms applicable to investments in the Funds and Separate Accounts, including the investment objectives of such Clients, are set forth in the Client’s organizational documents, which may include a private placement memorandum, investment management agreement, subscription and operating agreements and other agreements (collectively, the “Offering Documents”). Lake Hill does not tailor the investment advice it provides to its Fund Clients to match the needs of any individual investor in a Fund (a “Fund Investor”). Investors and prospective investors must review the pertinent Offering Documents carefully before making or maintain an investment.

Lake Hill specializes in quantitative and relative-value strategies in derivatives markets. Generally, Lake Hill 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. Lake Hill will pursue this objective primarily by investing in stocks, options, futures, swaps, warrants, convertible bonds and related securities. Lake Hill may employ the use of highly developed electronic trading systems coupled with quantitative analytics to help achieve its objectives.

Lake Hill may in the future introduce other funds, services and/or investment strategies. For more information on Lake Hill’s investment strategies, please consult the pertinent Offering Documents and Item 8: Methods of Analysis, Investment Strategies and Risk of Loss hereof.

Notwithstanding the disclosure set forth in Item 8 hereof, Lake Hill 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 pertinent Offering Documents). Lake Hill 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. Lake Hill 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, Lake Hill may retain sub-advisers to provide investment advice to Clients.

In September 2015, LAM entered into an asset purchase agreement with Lake Hill Capital Management, LLC (“LHCM”), pursuant to which LAM acquired substantially all of the assets of LHCM to form the Division and the management team of LHCM became the management team of the Division. LHCM and its affiliate,

Lake Hill Capital Partners, LLC, which are SEC-registered investment advisers not affiliated with the Division except through common personnel, continue to manage their existing private funds and have delegated asset management responsibility to LAM pursuant to a sub-advisory agreement.

Lake Hill currently sub-advises private funds advised by LHCM. As of September 2015, Lake Hill had approximately \$481,942,683 in regulatory assets under management, all of which Lake Hill managed on a discretionary basis as sub-adviser to the Lake Hill Capital Management, LLC private funds.

Other brochures describe other services LAM offers outside of the Division.

ITEM 5. FEES AND COMPENSATION

Lake Hill 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 Lake Hill. On an annualized basis, the Funds' management fees are typically 1.5% and incentive fees are typically 20%. Fee arrangements with any Separate Account will be individually negotiated. In this regard, Lake Hill may waive or modify fees for Separate Accounts owned by, or Fund Investors that are, members, employees or affiliates of Lake Hill and relatives of such persons or for certain other investors.

Fees charged may be deducted directly from the Client accounts. Management fees and performance-based fees are generally paid 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 payment or 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.

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 the Client; expenses incurred in connection with any litigation involving the Client or a Client investment; interest on borrowed money; brokerage fees; legal, 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 Client and, if applicable, Fund Investors; the cost of liability and other insurance premiums; and out-of-pocket costs associated with meetings with the Client and/or Fund Investors. The Client shall bear all organizational costs, fees and expenses actually incurred by or on behalf of Lake Hill or its affiliates in connection with the formation and organization of the Client, including legal and accounting fees, administration fees and expenses incidental thereto.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Performance Based Fees

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

Conflicts of interest would be present to the extent that Lake Hill charges performance-based fees to certain Clients but not to others (or higher performance-based fees to certain Clients than to others). In such an instance, Lake Hill 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 (or lower performance-based fee) paying Clients.

Side-by-Side Management

We owe a fiduciary duty to our Clients not to favor one Client over another, without regard to the types and amounts of fees paid by those Clients. In light of the conflicts of interest described above, we have allocation policies and procedures in place to ensure that Clients are treated fairly. Clients managed within the Division generally trade *pari passu* with each other. However, we do not necessarily trade for Clients on a *pari passu* basis, as some Clients may be distinguished from one another by their investment objectives, investment methodology, fee terms or other investment or trading parameters. Accordingly, our investment professionals may cause purchases or sales to be effected for one or more Clients while not causing such purchases or sales to be effected for other Clients. We may determine also to use substantially different degrees of leverage in certain Clients when effecting a transaction, when maintaining a position or in conducting a Client's activities generally. Discretion as to which Clients will receive allocations of particular positions may occur whether investment opportunities are limited or unlimited, and opportunities to participate in transactions may not necessarily be allocated among the Clients in any particular proportion. For example, but without limitation, proprietary accounts of our affiliates or certain Client accounts, in trading new, experimental or different strategies, may enter the same markets earlier than (either days before or on the same day as) other Clients.

If multiple Clients qualify for participation in the purchase of a specific security or investment opportunity by such portfolio group, we will, in general, allocate the instruments among the Clients for which the instrument or investment opportunity is appropriate, on a fair and equitable basis. Common trades on the same day for Clients managed by the same portfolio management group generally are allocated, where possible, on the basis of the relative assets committed to the strategy at the average price per share among such Clients. While no Client will be given investment priority over any other Client, each Client may have separate investment objectives and investment restrictions which we are required to follow; as a result, certain investment opportunities may be appropriate for certain Clients and not for others. We apply such considerations as we deem appropriate, including relative size of such entities, amount of available capital, size of existing positions in the same or similar securities, leverage and tax considerations and other factors. Nevertheless, prospective investors should understand that we, and our investment professionals, may have an incentive to favor certain Clients over others.

ITEM 7. TYPES OF CLIENTS

We provide advisory services to the following types of Clients:

- Private funds (e.g., hedge funds);
- Corporations and other business entities;

- Other institutional investors; and
- Family offices and high-net worth individuals.

As noted above, Lake Hill currently sub-advises private funds advised by an unaffiliated investment adviser. Lake Hill may in the future advise other Funds and Separately Managed Accounts.

Funds are generally organized as “master-feeder” structures whereby a U.S. feeder fund domiciled in Delaware and a non-U.S. feeder fund that is a Cayman Islands exempted company invest in a Master Fund that is also a Cayman Islands exempted company. Each Fund currently sub-advised is excepted from the definition of an “investment company” pursuant to Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940 (the “Company Act”). The Fund Investors are generally “accredited investors,” as that term is defined in Regulation D promulgated under the Securities Act of 1933, and “qualified purchasers,” as that term is defined in the Company Act and the rules promulgated thereunder. Each of the Funds sets minimum investment requirements for the investors in such vehicle. These minimum investments are typically \$10,000,000. As pertinent, such minimum investment requirements may be waived at our discretion, except to the extent that such waiver is expressly prohibited by the constituent documents of the Fund or applicable law.

Separate Account Clients will typically be institutional investors. These Clients must be “qualified eligible persons,” as that term is defined in Commodity Futures Trading Commission (“CFTC”) Rule 4.7, and/or “qualified clients,” as defined in SEC Rule 205-3, as applicable. We review any requests for managed accounts on a case-by-case basis, but the minimum investment is typically \$25,000,000, which minimum we may waive in our discretion.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The following is a summary of the investment strategies and methods of analysis Lake Hill generally employs on behalf of its Clients. Specific descriptions of such strategies and methods are included in the relevant Offering Documents. All investments involve risk of loss that investors should be prepared to bear.

Investment Strategy and Methods of Analysis

Lake Hill specializes in quantitative and relative-value strategies in derivatives markets. Generally, Lake Hill 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. Lake Hill will pursue this objective primarily by investing in stocks, options, futures, swaps, warrants, convertible bonds and related securities. Lake Hill may employ highly developed electronic trading systems coupled with quantitative analytics to help achieve its objectives.

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

Lake Hill compares market return distributions to identify relative-value trading opportunities in various options markets. These relative-value opportunities form the basis of Lake Hill’s Strategy. By expressing the market return distribution in terms of implied volatility, Lake Hill 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 assets.

Each strategy, as well as trading approaches used in the strategies, is proprietary and highly confidential. Accordingly, Clients should note that the descriptions set out below are general only and are not intended to be exhaustive.

Lake Hill is under no requirement to limit itself to a particular strategy level of exposure. In general, the Division's strategies are determined by the judgment or discretion of our investment professionals.

Lake Hill may formulate new approaches and investment strategies to carry out its principal investment objectives based on, among other factors, changing market circumstances. This includes (without limitation) the incorporation of new markets, instruments and strategies. Lake Hill will notify a Client of such changes only if they amount to material changes to the investment objective.

At various times, Lake Hill may employ on behalf of Clients any of the strategies discussed herein in various proportions as well as others, some of which may involve higher levels of risk. There is risk associated with each strategy, and there is no assurance that any of the strategies will be profitable or that Lake Hill will be able to achieve the investment objective or avoid losses. The strategies used present special and significant risks which investors should carefully consider in conjunction with their investment, legal and tax advisors. In addition, Clients may request, and/or we may develop, additional strategies with some similarities to existing strategies. Any such strategies may be subject to risks and conflicts of interest, and also may be subject to additional risks and conflicts of interest that may be described in the applicable Offering Documents. A description of certain of those risks appears below.

Risks Relating to Trading and the Markets

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 ADVISED OR SUB-ADVISED BY LAKE HILL. PROSPECTIVE INVESTORS SHOULD READ THE OFFERING DOCUMENTS OF EACH FUND OR SEPARATE ACCOUNT, WHICH WILL INCLUDE THE MATERIAL RISKS ASSOCIATED WITH THE INVESTMENT STRATEGIES EMPLOYED BY LAKE HILL IN SUCH CLIENT'S PORTFOLIO, AND CONSULT WITH THEIR OWN ADVISERS BEFORE DECIDING WHETHER TO INVEST. AN INVESTMENT IN A CLIENT ACCOUNT IS SUITABLE ONLY FOR SOPHISTICATED EXPERIENCED INVESTORS.

Investment in a Client account managed (including sub-advised) by Lake Hill involves significant risk factors and is suitable only for investors that can bear the economic risk of the loss of their entire investment, have limited need for liquidity in their investment and meet the conditions set forth in the applicable Client's Offering Documents. There can be no assurances that Lake Hill will achieve its investment objective. Investment in a Client account managed by Lake Hill involves a high degree of risk, including the risk of loss of the entire amount invested. The performance-based fee which may be paid to Lake Hill, as described above, creates an incentive for Lake Hill 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 Lake Hill 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 Lake Hill 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.

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.

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 Lake Hill. 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 Lake Hill'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 contract type. 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 Lake Hill 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 Lake Hill and its principals will be aggregated with Client positions for purposes of determining compliance with these limits. Trading instructions may have to be modified, and Lake Hill's positions may need to be liquidated, to avoid exceeding these limits. These actions could adversely affect a Client's operations and profitability. As noted above, certain proposed legislation could limit the trading of speculators (such as Lake Hill) 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 assets 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.

Second, 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 Lake Hill is also dependent on Lake Hill's ability to correctly predict movements in the direction of the market.

Options. Lake Hill may purchase and sell call and put options listed on securities or futures 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 Lake Hill will realize gains or losses from the purchase or writing of options depends also 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 Lake Hill of options will be subject to Lake Hill'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 that 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, Lake Hill'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.

Short Sales. A Client account may take short sale positions without maintaining an equivalent quantity, or a right to acquire an equivalent quantity, of the underlying securities in its portfolio. While Lake Hill will generally engage in these transactions only in circumstances where it has concluded that a particular security is overvalued in its principal markets or appropriate for hedging purposes, there can be no assurance that the security will experience declines in market value. The Client could incur losses if it has agreed to deliver securities at a price which is lower than the market price at which such securities can be acquired at the time the transaction is to be completed.

Use of Leverage. A Client account may, in the sole discretion of Lake Hill, leverage its investment positions by borrowing funds, which will typically be secured by the account's securities and other assets, from securities broker-dealers, banks or others. Borrowing money to purchase securities may provide Lake Hill with the opportunity for greater capital appreciation but, at the same time, will increase the account's exposure to capital risk and higher current expenses. Moreover, if the assets under management are not sufficient to pay the principal of, and interest on, the debt when due, the Client could sustain a total loss of its investment. Lake Hill anticipates utilizing leverage in its investments. As such, a Client's exposure to capital risk is enhanced. In addition, unanticipated increases in applicable margin requirements could adversely affect the liquidity of the Client account and therefore adversely affect its performance.

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 Lake Hill 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 Lake Hill may

conduct its transactions in derivatives may prevent profitable liquidation of positions, subjecting Lake Hill 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.

Lake Hill 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 may be developed, to the extent such opportunities are deemed by Lake Hill to be consistent with its investment objective. Special risks may apply to instruments that are invested in by Lake Hill in the future that cannot be determined at this time, or until such instruments are developed or invested in by Lake Hill.

Swap Transactions. Lake Hill 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. Lake Hill 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. Lake Hill receives or pays, as the case may be, only the net amount of the two payments. Lake Hill 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, many swap contracts are currently not 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, Lake Hill 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 Lake Hill to deposit collateral to support Lake Hill's obligation under the swap agreement. If the counterparty to such a swap defaults, Lake Hill would lose the net amount of payments that Lake Hill 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. Lake Hill'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 Lake Hill. 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. Lake Hill 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, Lake Hill may suffer losses if it invests in equity instruments of issuers whose performance diverges from Lake Hill's expectations or if equity markets generally move in a single direction and Lake Hill has not hedged against such a general move. Lake Hill 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. Lake Hill 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. Lake Hill 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.

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.

There are no material limitations to the types of securities in which Lake Hill 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 Lake Hill may invest, please see Item 4 hereof – "Advisory Business, Description of Advisory Services" and Item 8 hereof – "Methods of Analysis and Investment Strategies."

ITEM 9. DISCIPLINARY INFORMATION

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

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Material Financial Industry Affiliations of the Firm

Jefferies Group LLC ("Jefferies"), an indirect, wholly-owned subsidiary of Leucadia, is a global investment banking firm that provides clients with capital markets and financial advisory services, institutional brokerage and securities research, as well as wealth and asset management. Jefferies provides research and execution services in equity, fixed income, foreign exchange, futures and commodities markets, and a full range of investment banking services including underwriting, merger and acquisition, restructuring and recapitalization and other advisory services.

Jefferies LLC is the principal subsidiary of Jefferies. Jefferies LLC may act as a placement agent for the private funds which we manage. At the current time, no placement fees are charged to an investor in a

Fund; however, Lake Hill may pay a portion of its fees to Jefferies LLC or other placement agents, whether affiliated or unaffiliated, for having introduced an investor to a Fund. We may also pay such fees to Jefferies LLC for Separate Account Clients which they introduce to us.

LAM has operational and administrative support arrangements with Leucadia and Jefferies. We reimburse Jefferies for the reasonable cost of services provided by Leucadia and Jefferies to LAM, as well as any salary and benefits provided by Leucadia to our employees.

LAM is listed as an Exempt Commodity Trading Advisor ("CTA") and a Commodity Pool Operator ("CPO") with the National Futures Association.

We may, but generally do not currently, use our affiliates as executing brokers for Client portfolio transactions.

The various divisions of LAM and/or our affiliates may be advising, or may in the future play an advisory role or perform other services for, our clients and/or for one or more of a client's portfolio companies. Using information walls and similar policies and procedures, we seek to avoid becoming aware of the roles our affiliates are playing. However, if one of our affiliates decides to play such a role, e.g., act as adviser to a portfolio company, and in the unlikely event that we are aware or are deemed to be aware of that role, our client may be required or expected to liquidate its position in such portfolio company. Such a transaction may cause the client to realize reduced profits or losses. Similarly, if the client maintains a short position in a company for which our affiliate intends to play an advisory role, and if we become aware or are deemed to become aware of that role, the client may be forced to cover the short prematurely, which, in turn, may result in reduced profits or losses. If the client is permitted to maintain its position in such instance, our affiliate may take actions or provide advice with respect to the portfolio company that could result in adverse consequences to the client and the restriction on the ability to close such position.

By reason of the advisory, investment banking and/or other activities of our affiliates, we and our affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. We will not be free to divulge, or to act upon, any such confidential or material non-public information and, due to these restrictions, we may not be able to initiate a transaction for a Client that we otherwise might have initiated. A Client may be frozen in an investment position that it otherwise might have liquidated or closed out.

Certain of our affiliates are investment advisers and other financial institutions whose businesses have no material relationship to our business. Certain of our officers and directors also serve as officers and directors of other Jefferies companies.

Potential Conflicts of Interest

Compensation. We could receive compensation in the form of management fees, even from Clients that lose value.

Advisory Time. We devote as much time to the business of each of our divisions and each of our clients as in our judgment is reasonably required. However, we also provide investment advisory services for other clients (including other managed accounts as well as pooled accounts) and engage in other business ventures in which our clients have no interest. As a result of these separate business activities, we may have conflicts of interest in allocating management time, services and functions among clients and other business ventures or clients.

Other Clients; Allocation of Investment Opportunities. We are responsible for the investment decisions made on behalf of clients. As described above, there are no restrictions on our ability to manage any number of accounts for other clients following the same or different investment objectives, philosophies and

strategies. As a general matter, it would not be expected that clients with different portfolio managers would share information relating to potential transactions. Therefore, one client may trade prior to and at a better price than another client trading in the same instrument.

These situations may involve conflicts between our interests or those of our related persons, on the one hand, and the interests of our clients, on the other.

Asset Valuation. Our fees are based directly on the value of the clients as of various dates. To the extent that our agreements with our clients provide that we will value the clients' assets, we will have a conflict of interest in reviewing or determining such valuations because the valuations directly affect the value of the client and thus the amount of fees that we receive. Prices assigned to portfolio positions by us may not necessarily conform to the prices assigned to the same financial instruments if held by our affiliates.

Side Letters. We may enter into side letters to agree to different fee terms or other negotiated terms.

General. We may, without prior notice to a client, arrange, recommend and/or effect transactions in which, or provide services in circumstances where, we have, directly or indirectly, a material interest or relationship with another party that may present a potential conflict with our duty to a client, subject to applicable law.

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

Our employees are subject to the Leucadia Asset Management LLC Code of Ethics (the "Code"). The purpose of the Code is to identify the ethical and legal framework in which we and our personnel are required to operate and to highlight some of the guiding principles and mechanisms for upholding our standard of business conduct. A complete copy of the Code is provided to clients and prospective clients upon request.

The Code is based on a few basic principles: (i) the interests of our clients come before our interests and those of our personnel; (ii) the professional activities and personal investment activities of our personnel must be consistent with the Code and avoid any actual or potential conflict between the interests of clients and those of our firm or our personnel; (iii) the activities of our personnel must be conducted in a way that avoids any abuse of any such person's position of trust with and responsibility to our firm and its clients; and (iv) our personnel may not engage in any act, practice or course of conduct that would violate the provisions of the federal securities laws.

Interested Transactions

Participation or Interest in Client Transactions. We and our affiliates may have an interest in transactions for our clients to the extent permitted by law and by the constituent documents of the applicable client. For example, from time to time, we may take the following actions: (1) buy or sell instruments in which we or our related persons have an interest and (2) buy or sell instruments in which we, our related parties or other clients are at the same time effecting a sale or purchase. Furthermore, we may act as investment adviser for related persons. We have adopted policies and procedures with respect to permitted transactions with our affiliates designed to assure that our clients are treated fairly.

Various potential and actual conflicts of interest may arise from our overall advisory, investment and other activities and our affiliates and clients. These conflicts are explained more fully in the relevant Offering Documents.

Instruments in Which We or Our Affiliates Hold Interests. We may, from time to time, recommend to or purchase or sell on behalf of clients securities or other investment products in which we, our affiliates or other related persons have a financial interest.

We and our affiliates may receive fees from third parties for performing consulting, merger and acquisition structuring or other financial advisory services or acting as directors, officers or creditors' committee members. These fees can relate to actual, contemplated or potential investments of our clients. Such fees may be retained entirely by us or our affiliates.

Proprietary Trading. Our proprietary activities or portfolio strategies and those of our principals, affiliates and employees or the activities or strategies used for clients could conflict with the transactions and strategies employed for a client and affect the prices and availability of the instruments in which the client invests. Issuers of instruments held by the client may have publicly or privately traded securities in which we and our affiliates are investors or make a market. Our trading activities and those of our affiliates generally are carried out without reference to positions held directly or indirectly by clients and may have an effect on the value of the positions so held or may result in us and our affiliates having an interest in the issuer adverse to that of a client.

Notwithstanding the foregoing, all employees when trading for their own accounts will do so in accordance with our Personal Account Trading Policy (described below).

Personal Trading

Personal Securities Transactions. Our policies require that our employees do not trade securities or commodities for their own accounts, except for (i) government and municipal securities, open-ended mutual funds and registered commodity pools, or (ii) otherwise with pre-approval from our compliance personnel. Without limiting the foregoing, we may under certain circumstances permit an employee to maintain a position in a security even if a client account trades the instrument. There is no current intention to change this policy, but the policy is subject to change in our sole discretion. The records of such trading, whether under the current or a new policy, are not made available to the clients for inspection.

Insider Trading. Our personnel may not trade, either personally or on behalf of another, on material non-public information or communicate material non-public information to another person in violation of the law. This policy applies to all of our personnel and extends to their activities both within and outside their duties with us.

ITEM 12. BROKERAGE PRACTICES

Investment or Brokerage Discretion.

In selecting the brokers for performing portfolio executions, we take into account various factors, including a broker's ability to obtain best execution. We also take into account such factors as the financial stability and reputation of the broker and the quality of the investment research, investment strategies, special execution capabilities, clearance, settlement, custody, recordkeeping and other ancillary services provided by the broker. Clients may pay more than the lowest available commission in consideration for our receipt of any or all of the above services.

Lake Hill's Separate Account Clients will be expected to make their own arrangements for clearance and custody of their account assets and to negotiate the fees in connection with those services. Lake Hill may assist in the selection of these service providers for the Funds and in the negotiation of related fees.

Lake Hill is not required to allocate either a stated dollar or stated percentage of its brokerage business to any broker for any minimum time period, and Lake Hill reviews brokerage relationships from time to time.

Soft Dollars

"Soft dollars" refers to the provision by brokers of services and equipment to an adviser as a consequence of the adviser directing the trading of accounts it manages through such broker. The Division does not intend to maintain soft dollar arrangements.

Trade Errors

We reserve the right, depending on the circumstances, to decline to reimburse a client for any clerical errors or mistakes with respect to our placing or executing trades for such client ("Trade Errors"), as such errors may be considered by us to be a cost of doing business. However, we will reimburse such client for any net loss from a material Trade Error resulting from our willful misconduct, bad faith, or gross negligence. We, subject to our fiduciary obligations, will determine whether or not any Trade Error is required to be reimbursed in accordance with such liability and exculpation provisions. Our reimbursement of a client account for any particular Trade Error or Trade Errors will not constitute a waiver of any policy to cause such account to bear the losses from such Trade Errors. We have an inherent conflict of interest with respect to the discovery and treatment of Trade Errors. Any net gain resulting from Trade Errors will be for the benefit of the client, and will not be retained by us. Though we attempt to correct trading errors committed by a broker as soon as they are discovered, we are not be responsible for poor executions or such trading errors.

Trade Aggregation

We aggregate and allocate trades as discussed in Item 6, "Performance-Based Fees and Side-by-Side Management – Side-by-Side Management."

ITEM 13. REVIEW OF ACCOUNTS

Client accounts are monitored and reviewed as follows. The portfolio managers monitor the performance of their respective account(s) on an ongoing basis. On a daily basis, our operations staff review and reconcile the positions and market value of each Client account. In addition, a committee including legal, compliance, operations and finance staff meets periodically to review items related to trading in the Client accounts.

As pertinent, we, either directly or through the third-party administrator to the Funds, provide the following reports to Fund Investors: monthly statements, annual audit report for the pertinent Fund(s) and for investors in U.S. Funds an IRS Schedule K-1. We may provide additional reports to the Fund Investors as we deem necessary. Upon request, select Funds will provide weekly and monthly estimates to Fund Investors. Upon request, certain Fund Investors may receive more frequent and/or more detailed information from us, in our sole discretion. Our investment staff is available for conference calls or meetings for those clients, investors or prospective clients or investors that wish to undertake a due diligence review of our operations.

Separate Account Clients generally will have daily access to account information through service providers other than ourselves. We may also provide such other reports to Separate Account Clients, as agreed to with the Client.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

For a discussion of Jefferies LLC as placement agent, please see Item 10.

We may also, from time to time, have one or more arrangements in place with unaffiliated placement agents. Investors solicited by such placement agents will be informed of any placement fee paid by us to the placement agent, and will be informed of any placement fee to be paid by the investor, each to the extent required by law.

We do not direct brokerage for client referrals.

ITEM 15. CUSTODY

To the extent we are deemed to have custody of the assets of certain of the Funds (for example, when an affiliate serves as general partner to the Fund), Fund Investors will not receive statements from the Fund's custodian with regard to portfolio holdings and transactions. Instead, the Funds will be subject to an annual audit and the audited financial statements are distributed to each Fund Investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Funds' fiscal year ends.

For Separate Accounts, we do not expect to have custody.

ITEM 16. INVESTMENT DISCRETION

Lake Hill has full discretionary authority with respect to investment decisions and advice to the Funds and generally expects to have discretionary authority with respect to investment decisions and advice to Separate Accounts. This advice is provided in accordance with the investment objectives and guidelines as set forth in the pertinent Offering Documents. With respect to certain Separate Account Clients, as agreed and outlined with such Clients, Lake Hill may provide non-discretionary investment advice and may not have trading authority.

ITEM 17. VOTING CLIENT SECURITIES

Lake Hill has adopted Proxy Voting Policies and Procedures (the "Procedures") that are designed to ensure that in cases where Lake Hill 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 Lake Hill identify and address conflicts of interest between Lake Hill and the Client. If a material conflict of interest exists, Lake Hill 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. Lake Hill need not vote all proxies received by a Client. In many instances, the disparate interests of the Client may make it difficult for Lake Hill to determine a manner in which to vote. It is Lake Hill's general policy not to vote proxies for securities that are not held in a Client account at the time such proxy is received or on the vote date of such proxy. However, if Lake Hill does vote, Lake Hill will 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. Lake Hill 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 Lake Hill'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 Lake Hill's Proxy Voting Policy and other proxy voting records by contacting Steven Nicklas at (212) 792-6673 or steven@lakehillgroup.com.

ITEM 18. FINANCIAL INFORMATION

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients and we have not been the subject of a bankruptcy proceeding. We do not require any payment in advance.