

Part 2A of Form ADV: Firm Brochure



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This brochure provides information about the qualifications and business practices of Halyard Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at 914-437-5600 or by e-mail at info@halyardmgmt.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

Halyard Asset Management, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about the Adviser also is available on the SEC's website at www.adviserinfo.sec.gov.

This Brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described herein. Any such offer or solicitation will be made solely to qualified investors by means of a private placement memorandum and related subscription materials.

2. Material Changes

Halyard Asset Management LLC's Brochure has been updated and we note that while we have made no material changes since we last filed our Part 2A of Form ADV in March 2012, this brochure reflects recent updates to certain of our policies, and includes some additional risk factors to Section 5.

We will further provide you with a new Brochure as necessary based on material changes or new information, at any time, without charge.

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4. Advisory Business

Halyard Asset Management, LLC (*Halyard or we*) provides investment advisory services with a focus on fixed income assets to its clients on a discretionary basis. Halyard was launched and began managing assets in September 2010. The owners are Michael Kastner, Steven Boyd, and Dunn Capital Management, LLC (*Dunn*), with each party owning greater than 25% each of Halyard. Dunn is a commodity trading advisor registered with the Commodities Futures Trading Commission and manages private investment funds organized primarily to invest in futures.

Halyard serves as the investment manager for client's assets in separately managed accounts, and as the general partner and investment manager of the Halyard Fixed Income Fund, L.P. (the *Fund*), a private investment fund. The separately managed accounts are generally managed in two general separate account strategies which are customizable and may be tailored to the specific needs and objectives of the client.

Advisory Services in Separately Managed Accounts

Separately managed client accounts are available in two general strategies:

- Intermediate Fixed Income – Generally a portfolio of investment grade fixed income securities, benchmarked to the Barclay's Aggregate Bond Index.
- Reserve-Cash-Management – Designed to provide an alternative to money market funds with the primary objective of preserving principal, and secondarily providing liquidity.

For U.S. taxpayers Halyard offers a municipal bond version of each, and for non-tax-paying entities, taxable securities may be employed. However, from time-to-time Halyard will, in its discretion, cross over into either taxable or tax-exempt securities if it is deemed to be beneficial to the client to do so. Clients may impose restrictions with regard to, but not limited to, individual securities holdings, credit ratings, maturity, sector, or industry.

Advisory Services in Pooled Investment Vehicles

The Fund is a pooled investment vehicle and is not registered under the Investment Company Act of 1940. Interests in the Fund are offered on a private placement basis, in compliance with the exemptions provided by Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "Company Act"), to persons who are "qualified purchasers" as defined under the Company Act, and subject to other conditions that are set forth in the offering documents for the Fund.

The objective of the Fund is to generate a total return in the fixed income market that is consistent with preservation of capital and prudent investment management. Halyard uses

multiple strategies to access the fixed income markets including direct investments and allocations to sub-advisors in the fixed income sector. The Fund is offered pursuant to a private offering memorandum which contains important and detailed information concerning an investment in the Fund. Each client or prospective client should carefully review and consider the terms and conditions contained in the private offering memorandum of the Fund.

Halyard does not participate in any wrap fee program.

As of January 31, 2013, Halyard managed approximately \$413,813,814 in assets on a discretionary basis. As of January 31, 2013, Halyard does not manage any assets on a non-discretionary basis.

5. Fees and Compensation

The specific manner in which Halyard charges fees is established in a client's written investment advisory agreement which the client executes at the outset of the advisory relationship. Below are the standard fee schedules for various clients of Halyard. Existing clients of Halyard may have different fee arrangements from those stated below.

Management and Other Fees

Separately Managed Accounts

Halyard receives a management fee for providing investment advisory services to separately managed client accounts based on the amount of assets under management. The fees are charged and collected on a monthly basis in arrears, based on the market value of the client's account on the last day of the period. Fees are generally quoted to prospective separately managed account clients in accordance with the following schedules:

Investment Strategy	Fee Schedule
Reserve Cash Management	<ul style="list-style-type: none"> ▪ 0.35% on the first \$50 million ▪ 0.25% over \$50 to \$100 million ▪ 0.19% over \$100 million
Intermediate Fixed Income	<ul style="list-style-type: none"> ▪ 0.50% on the first \$50 million ▪ 0.35% over \$50 to \$100 million ▪ 0.25% over \$100 million

For the initial period, the fee will be based on the market value of the assets in the client's account on the last day of the month and will be prorated based on that portion of the period during which the investment advisory agreement is in effect. Generally, clients authorize Halyard to directly debit the management fee from their accounts. A client will typically be able to

terminate an investment advisory agreement at any time upon 30 days' prior written notice. Since fees are paid in arrears, the client will be billed for the pro-rata portion of fees to the termination date. Accounts initiated or terminated during a calendar month will be charged a prorated fee. Although fees are generally not negotiable, Halyard reserves the right to charge a fee different than what is quoted above.

In connection with the management of separately managed accounts, clients may select a custodian to provide custody services for such client account. Halyard generally recommends clients to select Pershing Advisor Solutions (**Pershing**), a BNY Mellon Company, to provide custody services. For those client accounts that select Pershing as their custodian, Pershing deducts a custody fee directly from the client's account on a monthly basis. Clients who select a different provider for custody services, will be charged a fee on terms determined by the selected custodian. Halyard is not affiliated with, or related to, Pershing, nor does it receive any compensation from Pershing.

Halyard's fees described above are exclusive of brokerage commissions, transaction fees, and other related costs and expenses that shall be incurred by the client of separately managed accounts. Clients may incur certain charges imposed by brokers, third party investment professionals and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to the management fee charged by Halyard.

Please see **Item 12 "Brokerage Practices"** as it further describes the factors that Halyard considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

The Fund

The Fund is offered pursuant to a private offering memorandum which contains important and detailed information concerning, among other things, the fees, terms of withdrawal and redemption for an investment in the Fund. In general, no withdrawal or redemption is permitted other than according to the terms of the governing documents of the Fund, subject to the right in some cases of Halyard, in its sole discretion, to waive the requirements for investors on a case by case basis. Each investor or prospective investor should carefully review and consider the terms and conditions contained in the private offering memorandum of the Fund.

The Fund ordinarily pays to Halyard a monthly management fee, in arrears, in an amount equal to 1/12 of 0.35% of the net asset value of the capital accounts relating to each investor in the Fund. Halyard may waive or agree to a different management fee arrangement in respect of any capital account relating to an investor in the Fund, in its sole discretion. An allocable portion of the management fee is calculated and automatically deducted from each relevant investor's

capital account at the end of each month on behalf of Halyard by Gemini Fund Services, the administrator of the Fund. Halyard is not affiliated with, or related to, Gemini Fund Services, nor does it receive any compensation from Gemini Fund Services.

The Fund generally bears the costs and expenses associated with its ongoing operations. The Fund's ongoing operational costs and expenses consist primarily of costs and expenses incurred by Halyard in connection with investigating investment opportunities for the Fund and reviewing the continuing suitability of the Fund's investments in light of the Fund's investment objectives (including related travel, lodging and entertainment expenses and costs and expenses associated with obtaining systems, research and other information designed to facilitate portfolio selection or management such as statistics, pricing or quotation services and related hardware and software); costs and expenses incurred in connection with the investment and reinvestment of the Fund's assets, including brokerage commissions, dealer mark-ups, mark-downs and spreads, and related clearing and settlement charges; direct operating costs and expenses, including administrative, legal, accounting, auditing, record-keeping, tax form preparation, compliance and consulting costs and expenses; insurance costs and expenses; bank service fees; costs and expenses associated with preparing and distributing investor communications; fees and taxes imposed by any federal, state, local or foreign government, governmental agency or regulatory body or self-regulatory organization, including licensing, filing, registration and exemption fees and withholding, transfer and franchise taxes; the Fund's indemnification obligations under the limited partnership agreement; and extraordinary costs and expenses, if any.

As part of a client's investment strategy (including the Fund), Halyard may, from time to time, invest in a non-affiliated mutual fund or exchange-traded fund managed by a third party investment manager (*Sub-Manager*). In such an instance, the Fund or a client's account would incur the additional fees and expenses, if any, of such an investment including, its allocable share of the costs and expenses of such vehicles, including their organizational, offering and operating costs and expenses and the management fees and incentive compensation payable to such fund's managers. Similarly, to the extent Halyard opens a managed account with such a fund's manager, the client would bear the expenses associated with the management of such accounts, including their administrative, custodial and transaction expenses and the management fees and incentive compensation charged by the fund's managers.

Neither Halyard nor any of its supervised persons accepts compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.

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

Halyard currently does not charge or accept a performance-based fee from any of its clients.

7. Types of Clients

Halyard provides investment advisory services to the Fund and various clients. Clients and investors in the Fund may include, but are not limited to, high net worth individuals, pooled investment vehicles, pension funds and profit sharing plans, trusts, estates, charitable organizations, corporations, business entities, endowments and foreign sovereign wealth funds. The minimum account size to open a separately managed account is \$5 million and the minimum subscription for the Fund is \$250,000. Halyard may waive the minimum account and subscription requirements at its sole discretion.

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

The investment approaches and material risks described below for each investment strategy are not comprehensive. A particular investment strategy may involve additional investment selection criteria and be subject to additional risks not described below. The descriptions set forth in this brochure of specific advisory services that Halyard offers to clients, and investment strategies pursued and investments made by Halyard on behalf of its clients, should not be understood to limit in any way Halyard's investment activities. Halyard may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure, that Halyard considers appropriate, subject to each client's investment objectives and guidelines.

Halyard's investment process is research based and generally focused on investing directly or indirectly in fixed income securities. The process for constructing a portfolio involves both top-down economic analysis and bottom-up security selection. We evaluate the expected impact of our views on the various sub-categories of the fixed income investment universe including, but not limited to, high-yield, investment grade, asset-backed, mortgage-backed, and floating rate securities. This analysis forms a significant input into the allocation made to each of those fixed income sub-categories. Building upon our expectation for interest rates and the expected performance of the various fixed income sub-categories, a bottom-up analysis of various securities within the sub-categories is performed. At times Halyard may employ derivatives for hedging purposes and/or speculative purposes.

Summary of Risks

Investments in the Fund or separately managed accounts are speculative and involve a substantial degree of risk, including the risk that a client could lose some or all of its investment. There can be no assurance that the investment objectives of any client will be achieved. An investment in the Fund or a separately managed account should be made only after consulting with independent, qualified sources of investment, legal, tax, accounting and other advice.

The following risk factors do not purport to be a complete list or explanation of the risks involved in investments managed by Halyard. These risk factors include only those risks that Halyard believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis currently employed by Halyard. The associated risks for the Fund are described in the private offering memorandum for the Fund. Each investor or prospective investor in the Fund should carefully review and consider the terms and conditions contained in the private offering memorandum of the Fund.

- Interest Rate Risk: refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly and directly. In general, rising interest rates will negatively impact the price of a fixed-rate debt instrument and falling interest rates will have a positive effect on price. Adjustable-rate instruments also react to interest rate changes, although generally to a lesser degree, depending on the characteristics of the reset terms, including the index chosen, frequency of reset, and reset caps or floors, among other factors. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.
- Default Risk: refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing default risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Default risk may change over the term of an instrument, and debt obligations that are rated by rating agencies are often reviewed and may be subject to changes in ratings.
- Credit Spread Risk: The difference between the risk free U.S. government rate and the rate offered by a credit-related debt instrument is known as the credit spread. That spread will fluctuate based on a number of factors including, but not limited to the credit quality of the issuer, the health of the economy, and the strength of the industry in which the issuer operates. The change in that spread may have a positive or negative effect on the price of a fixed income instrument.
- Derivatives Risk: Halyard and the Sub-Managers may use derivative instruments, including without limitation, option contracts, futures, swap agreements and forward contracts, and derivative techniques, including without limitation, synthetic short sales, for various hedging and/or speculative purposes. The use of such instruments and techniques may result in leveraging the assets of a particular Sub-Fund or separate account, thereby exposing such Sub-Fund or separate account to increased risks.
- Redemption Risk: The Sub-Managers may fail to anticipate the amount of redemptions requested by investors for a given redemption period, particularly during abnormal market conditions, and, with respect to investments in the Fund, withdrawal restrictions may be imposed by Halyard and/or the managers of third party mutual funds as a result.

- Risk Associated with Investments in Third Party Fund: The governing documents of the funds managed by the Sub-Managers in which the Fund or other client accounts may invest typically will not impose significant restrictions on the manner in which the Sub-Managers of such funds may invest and trade for such funds, and often will permit the Sub-Managers to invest and trade in a broad range of securities and other financial instruments. As a result, the Sub-Managers used by the Fund may from time to time modify their investment strategies in response to changing market conditions, in some cases without notice to Halyard. Any such modification could involve changes in the types of securities and other instruments a Sub-Manager uses to implement its strategy, as well as changes in the markets in which such securities and other instruments trade. There can be no assurance that any such modification would be successful or not result in losses to the Fund or other client account.
- Risks Associated with Active Management: The success of a client's account that is actively managed depends upon the investment skills and analytical abilities of Halyard to develop and effectively implement strategies that achieve the client's investment objective. Subjective decisions made by Halyard may cause a client portfolio to incur losses or to miss profit opportunities on which it may otherwise have capitalized.
- Key Man Risk: Key individuals responsible for investment decisions at Halyard or the Sub-Managers may become incapacitated or unable to perform their duties.
- No Public Market: There is no public market for the interests in the Fund, and are therefore less liquid than publicly traded securities.

Halyard does not recommend primarily any single type of security. We encourage our clients as well investors in the Fund to consider all of the risk factors we have described above. Any investment can be risky, and clients and investors in the Fund must be prepared to assume risk of loss of their investment.

9. Disciplinary Information

Halyard does not have any material legal or disciplinary events to disclose with respect to itself or its employees.

10. Other Financial Industry Activities and Affiliations

Neither Halyard, nor any of its employees is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Dunn Capital Management LLC (**Dunn**), a commodity trading advisor registered with the Commodities Futures Trading Commission, has a 49% ownership interest in Halyard. In addition, Halyard also manages certain assets in separately managed accounts for Dunn on a discretionary basis pursuant to an investment management agreement between Halyard and Dunn. From time to time, Dunn and Halyard may refer clients to each other. Neither Dunn nor Halyard will receive any compensation for such client referrals. The Chief Financial Officer of Dunn also serves as the Chief Financial Officer of Halyard. It is Halyard's written policy to not disclose any non-public information regarding purchase and sales of securities for client accounts with personnel of Dunn. Halyard has established procedures to ensure that Dunn personnel are not in a position to have same-day information about other client securities transactions or holdings that can be exploited for their advantage. In addition, Dunn personnel are not involved in making securities recommendations to clients, and do not have access to such non-public recommendations.

Halyard has material business relations with the following affiliated entities (none of which is a registered investment adviser):

- Halyard is the General Partner of Halyard Fixed Income Fund LP.
- BTS, L.P., a commodity pool managed by Dunn, is an investor in the Halyard Fixed Income Fund LP.
- Pension Plan and Trust for Employees of Dunn Capital Management, LLC, is a separately managed account client of Halyard
- The following clients are affiliated with Dunn Capital Management, LLC and are separately managed account clients of Halyard:
 - Dunn-Mosaic, L.P.
 - D'Private Futures Fund, L.P.
 - Dunn-WMA, L.P.
 - D'Best Futures Fund, L.P.
 - Dunn's Insurance Dedicated Futures Fund, LLC

Each of the above clients have entered into Investment Advisory Agreements with Halyard. We do not believe that the relationships with these entities cause a conflict of interest with clients.

Halyard does, from time to time, recommend or select other third-party investment advisers for our client accounts or the Fund. We do not receive direct or indirect compensation from such advisers, nor do we believe the investment in such funds creates a conflict of interest.

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

Code of Ethics

As an investment adviser, Halyard stands in a position of trust and confidence with respect to our clients. Accordingly we have a fiduciary duty to place the interests of clients before the interests of Halyard and its employees, partners, members, officers and directors. In order to assist Halyard and our employees in meeting our obligations as a fiduciary, Halyard has adopted a Code of Ethics. All supervised persons (firm's partners, members, officers, directors and employees) must acknowledge the Code of Ethics annually, or as amended. Supervised persons should understand that the Code of Ethics apply to all conduct, whether or not the conduct also is covered by more specific standards or procedures set forth below. Failure to comply with the Code of Ethics may result in disciplinary action, including termination of employment.

Persons subject to the Code of Ethics are subject to, among other things, various restrictions relating to the acquisition by them of securities. These restrictions include pre-authorization and disclosure requirements, restrictions on same-day trading, and general prohibitions on transactions in securities in certain circumstances, including:

- when in possession of inside information;
- transactions in securities of issuers on Halyard's restricted list or during specified blackout periods;
- transactions in securities at a time when the employee intends, or knows of another employee's intention, to purchase or sell that security or an equivalent security on behalf the Fund or other advisory client;
- transactions in securities in which Halyard is placing a transaction on behalf of the Fund or other client; and
- acquisition of securities in private placements and initial public offerings.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Halyard will not interfere with (i) making decisions in the best interest of advisory clients, and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics certain classes of securities have been designated as exempt transactions (*i.e.* open-end mutual funds), based upon a determination that these would not materially interfere with the best interest of Halyard's clients. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Halyard

on the one hand, and the Fund and its other clients on the other hand.

The Code of Ethics also addresses the fiduciary duties expected of the persons subject to the Code of Ethics, including confidentiality obligations, gift policy, and restrictions on outside business activities.

Clients may request a copy of the Code of Ethics by contacting Halyard at the address or telephone number listed on the first page of this brochure.

Securities in which Halyard or a Related Person Has a Material Financial Interest

Cross Trades

From time to time and to the extent permitted by law, Halyard may determine that it is in the best interest of its clients to cross trade securities between advisory client accounts (including the Fund). Halyard may cross trade between client accounts by locating an independent broker-dealer to execute such a cross trade. Neither Halyard nor any of its affiliates will receive any compensation in connection with “cross” trades.

Principal Transactions

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between the Fund and another client account. To the extent that “cross” trades may be viewed as principal transactions due to the ownership interest in the Fund by Halyard and its personnel, Halyard will either not effect that transaction or comply with the requirements of Section 206(3) of the U.S. Investment Advisers Act of 1940, as amended, including that Halyard will notify the Fund and other client in writing of the transaction and obtain the consent of the Fund and such other client. It is Halyard’s general policy to avoid engaging in any principal transactions for client accounts.

Conflicts of Interest Created by Contemporaneous Trading

Allocation of Trades and Investment Opportunities

Halyard seeks to allocate investment opportunities among clients in the fairest possible way taking into account a client’s best interests, investment objectives, and restrictions. Certain clients share similar investment strategies and objectives while others differ. To this end, at times, a particular investment may be deemed suitable for one client, but not another.

When making a determination as to whether to allocate a particular investment opportunity to a particular client, Halyard will consider a number of factors. Those factors

include, but are not limited to, investment exposures, risk tolerances, investment objectives and policies, investment guidelines, cash availability, liquidity requirements, investor contributions and redemptions, legal or regulatory restrictions, tax considerations, and the nature and size of the aggregated order. Accordingly, not all clients, even clients that have the same or similar investment strategies will participate in the allocations of investment opportunities of all other clients.

At times, Halyard may deviate from the allocation basis because (a) a pro rata allocation would result in a *de minimis* allocation to certain accounts, or an amount less than the minimum denomination available for a particular security; (b) the allocation would result in unbalancing the diversification of the portfolio (based on factors including, but not limited to, industry, geography, issuer, and credit quality); (c) it is necessary to avoid “odd-lots” or “minimum trading lots”; or (d) other factors in the Halyard’s professional judgment.

Order Aggregation

Halyard may, in its discretion, aggregate orders for different client accounts for execution together as a batch or block trade where Halyard deems this to be appropriate, in the best interests of clients and consistent with applicable regulatory requirements.

When an aggregated order is filled in its entirety, each participating client, including the Fund, participates at the same price for the aggregated order on the same business day, and transaction costs are shared pro rata based on each client’s participation in the aggregated order.

On occasion, Halyard will not be able to purchase or sell all of the securities ordered as part of an aggregated order. If the order is partially filled, the securities purchased are allocated on a pro rata basis to each client participating in the aggregated order based upon the initial amount requested for the client, subject to certain exceptions, and each participating client participates at the same price for the aggregated order on the same business day.

From time to time certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis where Halyard deems this to be appropriate, in the best interests of clients and consistent with applicable regulatory requirements. Halyard will retain records of the trade execution (specifying each participating account) and its allocation.

12. Brokerage Practices

Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

Both for purchases and sales of securities, Halyard will attempt to maintain trading relationships with broker-dealers that Halyard believes will provide the best availability of securities and the best execution over time. In general, Halyard will apply the same criteria with respect to all clients in assessing quality and cost of trade execution and will not, unless directed

by a client in writing, make intentional distinctions in the way trades are executed among different clients' accounts. Halyard may, but need not, solicit competitive bids and does not have an obligation to execute trades solely based on the lowest available commission cost or spread.

Halyard will place trades for execution only with approved brokers-dealers. The factors to be considered in selecting and approving brokers-dealers that may be used to execute trades for client accounts include, but are not limited to:

- Overall costs of a trade (*i.e.*, net price paid or received) including commissions, mark-ups, mark-downs or spreads in the context of Halyard's knowledge of negotiated commission rates currently available and other current transaction costs
- Trading expertise and quality of execution - accurate and timely execution, clearance and error/dispute resolution
- Reputation, financial strength and stability
- Integrity and ability to maintain confidentiality of client's trading program
- Block trading and block positioning capabilities
- Willingness to execute difficult transactions
- Willingness and ability to commit capital
- Access to underwritten offerings and secondary markets
- Ongoing reliability
- Nature of the security and the available market makers
- Desired timing of the transaction and size of trade
- Market intelligence regarding trading activity
- The receipt of brokerage or research services

Halyard does not currently utilize any soft dollar arrangements. Furthermore, Halyard does not intend to direct trades in direct recognition of research provided by a broker-dealer. Halyard will not pay a higher dealer "spread" or otherwise utilize client funds to compensate dealers for the provision of research or trading advice.

By virtue of conducting business with broker-dealers, Halyard may receive certain economic benefits from such broker-dealers, which would not be received if it did not transact through such broker-dealers. These benefits may include, but are not limited to: access to an electronic communication network for order entry and account information; receipt of

proprietary research; and participation in broker-dealer sponsored research and capital introduction conferences. Broker-dealers generally provide these services at no additional cost. Halyard understands that the benefits received through its relationship with the broker-dealers generally do not depend upon the amount of transactions directed to, or amount of assets custodied by, the broker-dealers. It is the understanding of Halyard that broker-dealers do not set discrete prices for such products and services. Accordingly, Halyard does not separately compensate these broker-dealers for the provision of these services.

Brokerage for Client Referrals

Neither Halyard nor any related person receives client referrals from any broker-dealer or third party in consideration for brokerage services.

Directed Brokerage

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

Order Aggregation & Allocation Policy

Please see Item 11 for a description of Halyard's order aggregation procedures.

13. Review of Accounts

The co-investment officers of Halyard generally perform various daily, weekly, monthly, quarterly and periodic reviews of each client's portfolio to ensure consistency with client objectives. Additionally, a review of a client account may be triggered by any unusual activity or special circumstances.

Clients who maintain a custodial relationship with Pershing receive monthly reports directly from Pershing. Clients, who do not custody through Pershing, will generally receive monthly or quarterly reports from their respective custodians.

Investors in the Fund receive monthly capital account statements for their investment in the Fund directly from Gemini Fund Services, the administrator of the Fund. Investors also receive annual financial statements audited by the auditors to the Fund and, if applicable, the information necessary for the investor to complete its annual federal income tax returns. Additionally, on a monthly basis, Halyard provides investors with estimates of the Fund's performance and written updates of the Fund, and other information as Halyard may, from time to time, deem advisable and desirable.

14. Client Referrals and Other Compensation

Halyard does not receive economic benefits from non-clients for providing investment advice or other advisory services.

Neither Halyard nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals. In the future, Halyard may enter into compensation arrangements with placement agents for introducing potential clients or investors to the Fund. In such instances, Halyard will comply with the requirements of Section 206(4)-3 of the U.S Investment Advisers Act of 1940 in the event that cash compensation is made for client solicitations.

15. Custody

Separately Managed Accounts

Halyard may be deemed to have custody of client assets to the extent clients have authorized Halyard to directly debit fees from their accounts. Halyard does not have actual custody of funds or securities held by clients in separately managed accounts. Clients who have entered into a custodial arrangement with Pershing will receive monthly account statements directly from Pershing. Clients who do not custody through Pershing, will receive monthly or quarterly reports from their respective custodians. Halyard does not distribute monthly account statements to clients. We urge our clients to carefully review the account statements provided by Pershing or their respective custodian regularly to ensure accuracy.

The Fund

Halyard is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the Fund are sent by qualified custodians to Halyard.

Halyard is subject to Rule 206(4)-2 under the Advisers Act, the custody rule. Accordingly, to meet the requirements of the custody rule, the Fund is subject to an audit at least annually in accordance with generally accepted accounting principles conducted by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to investors in the Fund within 120 days of the end of the Fund's fiscal year.

16. Investment Discretion

Halyard provides its investment advisory services on a discretionary basis. The authority is established through the investment management agreements completed and executed by each client at the outset of the advisory relationship. When selecting securities and determining amounts, Halyard observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Halyard in writing.

Halyard's investment decisions and advice with respect to the Fund is subject to the Fund's investment objectives and guidelines, as set forth in its offering documents.

Each client agrees to inform Halyard promptly in writing of any change in their financial circumstances and investment objectives and to provide such other information as may be needed to manage the account.

17. Voting Client Securities

In accordance with SEC requirements, Halyard has adopted Proxy Voting Policies and Procedures (the "Proxy Policies") to address how Halyard shall vote proxies for investments held by its clients. The Proxy Policies seek to ensure that Halyard votes proxies (or similar instruments) in the best interest of its clients, including when there may be conflicts of interest in voting proxies.

The co-investment officers review the issue and votes in accordance with the best interests of the Fund and other client accounts. With respect to issues that are subject to a vote by proxy, it is the policy of Halyard to discuss each of these issues to determine its position on a case by case basis. Halyard may, from time to time, determine that it is in the best interests of the Fund or its other clients to depart from specific policies described herein. The rationale for any such departure will be documented by the co-investment officers and reviewed by the chief compliance officer.

At times, conflicts may arise between the interests of the Fund or other client accounts, on the one hand, and the interests of Halyard or its affiliates, on the other hand. If Halyard determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, Halyard will address matters involving such conflicts of interest as follows:

- A. If a proposal is addressed by the proxy policy herein, Halyard will vote in accordance with such policy;
- B. If Halyard believes it is in the best interest of the Fund or other client accounts to depart from the proxy policy provided for herein, Halyard will be subject to the requirements of C or D below, as applicable;

C. If the proxy proposal is (1) not addressed by the proxy policy or (2) requires a case-by-case determination by Halyard, then it may vote such proxy as it determines to be in the best interest of the Fund or other client accounts, without taking any action described in D below, provided that such vote would be against Halyard's own interest in the matter (*i.e.*, against the perceived or actual conflict). Halyard will document the rationale of such vote; and

D. If the proxy proposal is (1) not addressed by the proxy policy or (2) requires a case-by-case determination by Halyard, and Halyard believes it should vote in a way that may also benefit, or be perceived to benefit, its own interest, then Halyard must take one of the following actions in voting such proxy: (a) delegate the voting decision for such proxy proposal to an independent third party; (b) delegate the voting decision to an independent committee of partners, members, directors or other representatives of the Fund or other client accounts, as applicable; (c) inform the investors in the Fund or the owners of the other client accounts of the conflict of interest and obtain consent to (majority consent in the case of the Fund) vote the proxy as recommended by Halyard; or (d) obtain approval of the decision from Halyard's external legal counsel.

Clients may obtain a copy of the Proxy Policies and/or information regarding how Halyard voted proxies for particular portfolio companies by contacting Halyard at the address or telephone number listed on the first page of this brochure.

18. Financial Information

Halyard is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.

19. Requirements for State-Registered Advisers

This Item 19 is not applicable to Halyard.